

# 2021 – 2025 ICAP Demand Curve Reset: RFP Documents Follow-up

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# Agenda

- **Revisions to RFP Documents previously reviewed at the March 4, 2019 ICAPWG/MIWG meeting**
  - **RFP Objectives, Scope, and Deliverables**

# Revisions to RFP Documents

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# RFP Objectives, Scope, and Deliverables

- In response to stakeholder feedback, revisions were made to more clearly describe the consultant's role as the “independent consultant” consistent with the requirements of the tariff
  - The changes in response to stakeholder feedback are redlined and highlighted in blue within the document posted with today's materials
- **Minor, non-substantive clarifying/ editorial revisions**
  - These non-substantive changes are redlined within the document posted with today's meeting material

# Next Steps

# Next Steps

- **The NYISO expects to issue the RFP to potential bidders on or before on April 10, 2019**
  - The NYISO will make an announcement when the RFP is posted

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# Questions/Feedback?

- Email [scarkner@nyiso.com](mailto:scarkner@nyiso.com) or [rpatterson@nyiso.com](mailto:rpatterson@nyiso.com)

# Appendix

**\* Material Previously Presented at the March 4, 2019  
ICAPWG/MIWG meeting**



# Overview of the ICAP Demand Curve Reset (DCR) Process

# Overview of the DCR

- **MST Section 5.14.1.2 requires that the NYISO conduct periodic reviews of the ICAP Demand Curves by engaging an independent consultant to lead market participants and stakeholders through the DCR process**
  - The purpose of the DCR is to identify the methodologies and inputs used for determining the ICAP Demand Curves for the four Capability Years covered by the periodic review; and
  - Establish the ICAP Demand Curves for the first Capability Year of the periodic review

# Overview of the DCR

- **Per MST Section 5.14.1.2.2, the periodic review shall assess:**
  - The current localized levelized embedded cost of a peaking plant in each NYCA Locality, the Rest of State, and any New Capacity Zone (known as gross cost of new entry [CONE])
  - The likely projected annual Energy and Ancillary Services (EAS) revenues of the peaking plant for the first Capability Year covered by the periodic review, net of the costs of producing such services (known as the net EAS revenue offset)
  - The cost and revenues of the peaking plant shall be determined under conditions in which the available capacity is equal to the sum of (a) the minimum Installed Capacity requirement and (b) the peaking plant's capacity, in MW (known as the prescribed level of excess)
- **The MST defines a peaking unit as the unit with technology that results in the lowest fixed costs and highest variable costs among all other units' technology that are economically viable. The peaking plant may consists of one or more units**

# Overview of the DCR

- **Independent consultant's role:**
  - Through issuing an RFP, the NYISO will select an independent consultant to guide stakeholders through the reset process
  - The consultant will focus on the methodology and inputs to estimate the net EAS revenue offset, as well as develop cost of capital assumptions and perform demand curve modeling
- **As part of their proposal, the independent consultant selected by the NYISO will retain an additional consultant that specializes in energy and infrastructure engineering to assist them**
  - This additional consultant will identify specifications and establish the construction costs of the peaking unit in each Locality, the NYCA, and any New Capacity Zone (NCZ)
  - This consultant will also assess combined cycle technology for informational purposes

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# Overview of the DCR

- **General components of the Demand Curve Reset process**
  - Gross CONE
    - Identify technological specifications and establish capital cost of peaking plants for each Locality and ROS
  - Net EAS Revenue Offset
    - Determine methodology and estimate net EAS revenues at the prescribed level of excess for each peaking plant
  - Demand Curve Modeling
    - Estimate the net CONE (gross CONE less net EAS) for each peaking plant and determine Reference Prices
    - Assess slope, shape and zero crossing points of the ICAP Demand Curves
    - Discuss the Annual Update parameters and process

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# 2019 and 2020 DCR Schedule

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# 2019 and 2020 DCR Schedule

- **High-level overview of the 2019 and 2020 DCR schedule:**
  - RFP will be issued to potential bidders by April 10, 2019
  - Contract between NYISO and the selected consultant is expected to be finalized by mid-July 2019
    - This is approximately 10 weeks in advance of the 2015 DCR Schedule
    - The additional time will allow the consultant to better develop their proposal prior to engaging with stakeholders and facilitate responsiveness throughout the rest of the process
  - Consultant's discussions with stakeholders at ICAPWG meetings are expected to begin by mid-October 2019
  - If tariff changes are deemed to be necessary, they will be proposed, reviewed and expected to be voted on by March 2020

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# 2019 and 2020 DCR Schedule (cont.)

- **High-level overview of the 2019 and 2020 DCR schedule:**
  - Consultant's Draft Report will be issued by June 17, 2020, with the final report issued on August 14, 2020 (subject to updating final values to reflect data through August 31, 2020)
    - Stakeholders will have three additional days between issuance of the draft and final report to discuss issues and provide feedback compared to the last DCR
  - NYISO Staff's Draft Recommendations will be issued on August 14, 2020, with the final report issued on September 11, 2020
    - Stakeholders will have seven additional days between issuance of the draft and final recommendations to discuss issues and provide feedback compared to the last DCR
  - Stakeholders will submit written comments to the NYISO Board of Directors (Board) by October 6, 2020, with presentations to the Board occurring on October 14, 2020



# Overview of RFP Documents for Stakeholder Review

# RFP Objectives, Scope, and Deliverables

- **Objective:**
  - To select a consultant to conduct a study of the parameters, assumptions and methodology to set the ICAP Demand Curves, beginning with the Summer 2021 Capability Period
- **Scope of the Services to be Performed:**
  - Consultant will be required to recommend parameter values for the ICAP Demand Curves for the 2021-22 through 2024-25 Capability Years; and
  - Establish the ICAP Demand Curves for the first Capability Year covered by the periodic review (2021-2022)
- **Comparison to the 2015 RFP for the 2017-2021 DCR:**
  - Fundamentally similar, with one change: the NYISO is not explicitly asking the independent consultant to re-examine the periodicity of the DCR at this time

# RFP Objectives, Scope, and Deliverables

- **Some of the items the independent consultant will be required to deliver:**
  - A written report documenting the consultant's methodology, calculations, results, and recommendations covering the four Capability Years beginning May 1, 2021 that includes:
    - Total installed costs as of May 2021 of the localized, levelized embedded cost of a peaking plant at the prescribed level of excess for each Locality and the NYCA
    - Total installed costs as of May 2021 of the localized, levelized embedded cost of a combined cycle generator that results in the lowest cost net of EAS Services revenue under current conditions for each Locality and the NYCA
    - Recommendations to enhance the projection of Energy and Ancillary Service revenues, if any
    - Recommended slope, shape and zero crossing points of ICAP Demand Curve for each Locality and the NYCA
    - Financial parameters and amortization period for each peaking plant

# RFP Objectives, Scope, and Deliverables

- **Items additional to the written report that the independent consultant will be required to deliver:**
  - The models utilized in performing the computations, posted on the NYISO's website for stakeholders to access
  - All sources of data and assumptions used in the report and calculations
- **The RFP Objectives, Scope, and Deliverables document is posted with today's meeting materials and provides further details regarding the tasks and deliverables required of the independent consultant**

# Appendix J

- **Appendix J - Background**
  - Appendix J to the RFP provides a narrative to provide potential bidders with a high-level background regarding the NYISO's ICAP Market and ICAP Demand Curves
    - It is fundamentally unchanged from the 2015 RFP

# Appendix L

- **Appendix L – 2019 and 2020 Demand Curve Reset Schedule**
  - Appendix L to the RFP provides a detailed schedule of milestones, working group meetings, and study and report deadlines
    - Working group dates in 2020 are subject to change as the working group schedule has not yet been set

# The Mission of the New York Independent System Operator, in collaboration with its stakeholders, is to serve the public interest and provide benefits to consumers by:

- Maintaining and enhancing regional reliability
- Operating open, fair and competitive wholesale electricity markets
- Planning the power system for the future
- Providing factual information to policy makers, stakeholders and investors in the power system



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