

Repowering: Update and Proposal

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ICAPWG

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Agenda

- **Background**
 - Overview of Current Rules
 - Recap of 2018 Discussions regarding repowering
- **Conclusions Based on Stakeholder Input**
- **Additional Stakeholder Proposal**
 - Modify existing CEE rules to allow certain “competitive” contracts
- **Solicit Stakeholder Input**
- **Closing**
 - Next Steps

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Background and Initial Conclusions

Recap of 2018 Discussions

- In 2018, the NYISO initiated several discussions with stakeholders to determine:
 - 1) Whether the existing market rules are sufficient to facilitate the repowering and replacement of existing generating units, or
 - 2) Whether new rules should be considered to specifically address the concerns with repowering projects and to encourage private investment in the same,
 - 3) What a repowering-specific exemption to the BSM rules that is compatible with market-based principles, and does not seek to support or encourage subsidized new entry, might look like.

Conclusions Based on Discussions

■ Conclusions

- 1) Existing market rules may not be sufficient to facilitate the repowering and replacement of existing generating units.
- 2) New rules should be considered to improve market efficiency in recognition of the effects of barriers to entry in NYC, including encouraging and facilitating private investment in the repowering and replacement of existing assets.

Additional Stakeholder Proposal

Additional Stakeholder Proposal

- **As part of both the Repowering and Competitive Entry Exemption (“CEE”) discussions from 2018 the NYISO received the following suggestion from certain stakeholders:**
 - **Consider modifying existing CEE rules to allow certain contracts with “non-qualifying entities” that are obtained in an open, transparent, non-discriminatory, and competitive manner that would currently be considered “non-qualifying contracts” under the existing rules**
 - **Such changes could help facilitate private investment in the repowering and replacement of existing assets**

Design Concept to Consider

- **Modify CEE rules to allow certain contracts obtained through competitive procurement processes and limited to a certain term**
- **Potential criteria to determine if a procurement process is open, competitive, and non-discriminatory**
 - Both new and existing resources can satisfy the requirements of the procurement process
 - The selection process does not give preference to new resources
 - The procurement process does not use indirect means to discriminate against existing capacity
 - The requirements are fully objective and transparent
 - Contract awards are determined based on lowest offers received in the procurement process
 - The procurement terms do not restrict the type of capacity that may participate in and satisfy the requirements of the procurement

NYISO Observations

- The criteria listed on the previous slide are similar to PJM's former CEE rules that were accepted by FERC*
- In general, resources that obtain contracts in an open, competitive and non-discriminatory procurement process would be consistent with competitive behavior and the rationale for a CEE
- Competitive suppliers often look to obtain hedges and contracts such as these to help move the project forward
- The resources selected in such a process should represent least cost resources

**The FERC order accepting the CEE rules was later overturned by the DC Circuit Court*

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Additional Elements to Consider

- **Possible designs ideas include:**
 - Some level of transparency of procurement solicitation terms and the selection determination while not intervening in or delaying that process
 - Additional Certifications, similar to those currently required for resources requesting CEE, that the procurement process meets tariff-specified criteria; for example, a certification by the entity issuing the RFP
- **Limitation on term of allowable contract (e.g., 3 or 5 years)**
 - Having a relatively short contract term could maintain competitiveness of the process by forcing more frequent competition

Next Steps

- **The NYISO will consider input received during today's ICAPWG**

Feedback?

- Email additional feedback to: jnewton@nyiso.com and deckels@nyiso.com

Questions?

We are here to help. Let us know if we can add anything.

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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Appendix

Overview of Current CEE Rules

- Currently, any proposed new Generator or UDR project may request a CEE for its proposed CRIS MW
- However, the project is prohibited from having any direct or indirect Non-Qualifying Contractual relationships with a Non-Qualifying Entry Sponsor
 - Only certain types of relationships are permitted, all of which are enumerated in the tariff; e.g., an interconnection agreement
 - Examples of Non-Qualifying Contractual Relationships and Non-Qualifying Entity Sponsors are found in the tariff

Additional Overview on Current CEE Rules

- **Non-Qualifying contractual relationships includes any:**
 - Written or unwritten contracts, agreements, understandings, relationships, and arrangements, whether executed or unexecuted
- **Non-Qualifying Entry Sponsors include the following:**
 - Transmission owner, public power entity, an entity with a Transmission District, New York State, or an instrumentality of New York State or a subdivision thereof