

# Competitive Entry Exemption Non- Qualifying Contract Rule Review

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ICAPWG

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# Agenda

- **Objective**
- **History**
- **Preliminary Market Design**
- **Solicit Stakeholder Input**

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# Objective

- **The NYISO is considering a proposal to modify existing CEE rules to exclude from the category of “non-qualifying contracts” certain contracts with “non-qualifying entities” that are obtained in an open, transparent, non-discriminatory, and competitive manner**
  - Under the current rules, developers agree not to contract with certain prohibited entities, although the tariff specifies a list of exceptions to this rule.
  - For example, developers are generally prohibited from contracting with transmission-owning utilities, but exceptions are made for interconnection agreements.
- **This proposed change would allow generators and utilities to enter into competitive contracts to hedge risk while still fulfilling the objective of the buyer-side mitigation measures**

# Objective cont'd

- **The NYISO intends to link this proposal with the 2019 Repowering Project**
  - The purpose of the 2019 Repowering Project is to modify market rules in a way that could facilitate the repowering and replacement of existing generators
  - Modifying the CEE rules would allow existing portfolio owners that have entered into competitive short term hedging contracts to qualify for the CEE
    - New development as well as repowering projects
  - The NYISO feels the proposed market design to modify the CEE rules will achieve the objective of the 2019 Repowering Project
- **The project will run concurrent with the 2019 CEE for Additional CRIS project**
  - Both projects involve modifications of existing CEE rules and have a 2019 Market Design Complete deliverable

# History

- Stakeholders from the Generator sector suggested such a proposal during the Repowering and Competitive Entry Exemption (“CEE”) discussions in 2018
  - Stakeholders suggested modifying the CEE rules as an alternative to a BSM specific exemption for Repowering
- The MMU made a similar recommendation in its State of the Market Report
  - See Recommendation 2018-2: Competitive Entry Exemption Non-Qualifying Contract Rule Review
- The NYISO presented the Market Design Concepts for stakeholder input at the May 9, 2019 ICAPWG

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# Preliminary Market Design Proposal

# Design Concepts from May 9, 2019 ICAPWG

- **Modify CEE rules to allow certain, limited-term contracts that were obtained through open, competitive, non-discriminatory processes**
- **The NYISO's presentation proposed the following criteria to determine if a contract was awarded in a manner that met those standards:**
  - Both new and existing resources can satisfy the requirements of the procurement process
  - The selection process does not give preference to new resources
  - The 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
  - The terms do not restrict the type of capacity that may participate in and satisfy the requirements of the contract

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# Limitation on Contract Term

- **The NYISO proposes a limitation of three years for the maximum term of the contract**
  - Three years is consistent with the NYISO's understanding of the most common hedging strategies
    - This is often in the form of one year contracts going out three years
  - This would allow normal competitive hedging contracts with “non-qualifying entities” that are not allowed under the current rules
    - This would be consistent with rationale for CEE and would no longer limit the eligibility of CEE for competitive suppliers who often look to obtain these types of hedges
  - Limiting the term of the contracts prevents the process from becoming discriminatory against existing units
    - Requirements for long term contracts could limit the willingness of existing assets to participate
  - The NYISO's proposal is not intended to make auctions that are designed with the intention to procure new resources eligible for CEE – these auctions often result in long-term contracts
    - This would not meet NYISO's proposed criteria for competitive and non-discriminatory contracts
- **The NYISO encourages additional stakeholder feedback regarding the typical term of hedges by market parties**



# Review of Terms and Selection Determination

- The NYISO proposes the following design concept to ensure the process meets tariff-specified criteria for an open, competitive, and non-discriminatory:
  - The NYISO would require complete transparency of the solicitation terms
    - The NYISO would review the solicitation to ensure it meets the tariff-specified criteria
      - For new solicitations not yet issued, the NYISO could provide an ex-ante pre-approval of the solicitation
  - Additionally, the entity issuing the contract will be required to certify that the selection determination meets the solicitation criteria
    - This would be in addition to certifications currently required for resources requesting CEE

# Benefits of Proposal

- **Benefits of modifying CEE to allow contracts that are obtained in an open, non-discriminatory, and competitive manner could:**
  - Allow generators and utilities to enter into competitive contracts to hedge risk while still fulfilling the objective of the buyer-side mitigation measures
    - In general, resources that obtain contracts in an open, competitive and non-discriminatory process would be consistent with competitive behavior and the rationale for a CEE
    - The resources selected in such a process should represent least cost resources
  - Help facilitate investment in the repowering and replacement of existing assets
    - Competitive suppliers often look to obtain hedges and contracts such as these to help move the project forward
    - Removes impediments to existing CEE rules that could discourage the decision to repower and replace existing assets
      - Under the current rules, a developer would not be eligible for a CEE and would be subject to the Part A & Part B Tests

# Next Steps

- **The NYISO will consider input received during today's ICAPWG and will return with a revised proposal**
- **Draft Tariff language**

# Feedback?

- Email additional feedback to: [jnewton@nyiso.com](mailto:jnewton@nyiso.com) and [deckels@nyiso.com](mailto:deckels@nyiso.com)

# Questions?

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

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- 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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