

Competitive Entry Exemption Non- Qualifying Contract Rule Review

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Agenda

- **Background**
 - Objective
 - History
 - Review Preliminary Market Design from June 24, 2019 ICAPWG
- **Review Examples of Solicitations**
- **Solicit Stakeholder Input**

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Background

- **Objective**
- **History**
- **Review Preliminary Market Design from June 24, 2019**

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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
- The NYISO considered input received from stakeholders and presented a preliminary Market Design Proposal at the June 24, ICAPWG

Review of NYISO's Design Proposal

- **Modify CEE rules to allow certain, limited-term contracts that were obtained through open, competitive, non-discriminatory processes**
- **The NYISO's previous presentations proposed the following criteria to determine if a contract was awarded in a manner that met those standards:**
 - **Maximum term of the contract is three years**
 - **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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Examples

- **Review of hypothetical solicitation examples to determine if a contract was awarded in manner that met NYISO's proposed criteria**

Example 1.A

- **Transmission Owner issues RFP to purchase capacity with the following criteria:**
 - Zone J UCAP
 - Open to new and existing capacity
 - Open to all types of eligible capacity resources
 - Terms for Winter 2020/2021 and Summer 2021 Capability Periods
 - Selection determination based on lowest offers of eligible bidders
- **The criteria listed would meet the NYISO's proposed criteria**

Example 1.B

- Transmission Owner issues RFP to purchase capacity with the following criteria:
 - UCAP located in Greenwood load pocket*
 - Open to new and existing capacity
 - Open to all types of eligible capacity resources
 - Terms for Winter 2020/2021 and Summer 2021 Capability Periods
 - Selection determination based on lowest offers of eligible bidders
- This would not meet the NYISO's proposed criteria
 - Terms cannot require specific location not valued in the NYISO markets (i.e., capacity is valued by Locality, not by load pocket)

**font color indicates a change in criteria from previous example*

Example 2.A

- **Transmission Owner issues RFP to purchase energy and capacity with the following criteria:**
 - Open to new and existing capacity
 - Open to all types of eligible capacity resources
 - Term for Capability Years 2020 thru 2022
 - Selection determination based on:
 - Quantitative score = Offer price
 - Qualitative factors include
 - Project viability
 - Credit quality
 - Zone J UCAP
- **The criteria listed would meet the NYISO's proposed criteria**

Example 2.B

- Transmission Owner issues RFP to purchase energy and capacity with the following criteria:
 - Exclusive for new Bulk Energy Storage resources
 - Term of 8 years
 - Selection determination based on:
 - Quantitative score = Offer price
 - Qualitative factors include
 - Project viability
 - Credit quality
 - Zone J UCAP
- The criteria listed would not meet the NYISO's proposed criteria
 - Terms cannot restrict the type of capacity that may participate in and satisfy the requirements
 - Must be open to new and existing resources
 - Term cannot be more than 3 years

Example 3.A

- **Transmission Owner issues RFP to purchase energy**
 - Financial or Physical Around the Clock (ATC) energy
 - Delivered to Zone J
 - Pricing based on Heat Rate Product (Gas-Based Index): in MMBtu/MWh, based on NYMEX – Henry Hub natural gas index
 - Terms for Calendar Years 2020, 2021, and 2022
 - Selection determination based on least cost of eligible bidders
- **The criteria listed would meet the NYISO's proposed criteria**

Example 3.B

- **Transmission Owner issues RFP to purchase energy**
 - Financial or Physical Around the Clock (ATC) energy
 - Delivered to Zone J
 - **Maximum Heat Rate of 2,000 MMBtu/MWh to be considered an eligible bidder**
 - Terms for Calendar Years 2020, 2021, and 2022
 - Selection determination based on least cost of eligible bidders
- **The criteria listed would not meet the NYISO's proposed criteria**
 - **The terms cannot restrict the type of capacity that may participate in and satisfy the requirements of the contract**

Next Steps

- **Draft Tariff language and return to 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.

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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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