

Competitive Entry Exemption Proposals:

- **Additional CRIS**
 - **Non-Qualifying Contract Rule Change**
-

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Agenda

- **Background**
- **Meeting Objective**
- **NYISO's Proposals**
 - **CEE for Additional CRIS**
 - **CEE Non-Qualifying Contract Rule Proposal**
- **Additional NYISO Proposal**
 - **Consequences of withdrawing CEE request or providing False, and Misleading Information**
- **Tariff Language**
- **Next Steps**

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Background

| Date | Working Group | Discussion points and links to materials |
|----------|-----------------------------|--|
| 07-18-18 | ICAP Working Group (ICAPWG) | The NYISO discussed the application of CEE to Additional CRIS and solicited stakeholder input on design considerations |
| 09-12-18 | ICAPWG | CEE for Additional CRIS <ul style="list-style-type: none"> • Feedback on design considerations at 7/18/18 ICAPWG • Market Design Concept Proposal |
| 11-16-18 | ICAPWG | CEE for Additional CRIS <ul style="list-style-type: none"> • Review of Proposed Tariff Revisions |
| 03-04-19 | ICAPWG | CEE for Additional CRIS <ul style="list-style-type: none"> • Review of incremental changes to the revisions presented at the 11/16/18 ICAPWG • NYISO proposed tariff changes to consequences for withdrawing CEE request or providing false and misleading information |
| 05-09-19 | ICAPWG | CEE Non-Qualifying Contract Rule Review (Repowering Project) <ul style="list-style-type: none"> • Presentation on Market Design Concept |
| 06-24-19 | ICAPWG | CEE Non-Qualifying Contract Rule Review <ul style="list-style-type: none"> • Feedback on Design Concept from 5/9/19 ICAPWG • Preliminary Market Design Proposal |
| 08-02-19 | ICAPWG | CEE Non-Qualifying Contract Rule Review <ul style="list-style-type: none"> • Market Design Proposal |

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Meeting Objective

- Review NYISO proposals and proposed tariff revisions for non-qualifying contracts
- Ensure that proposals address the following objectives:
 - Make CEE available to Additional CRIS MW in a manner consistent with the underlying rationale for CEE
 - Modify market rules in a way that could facilitate the repowering and replacement of existing generators by allowing existing portfolio owners that have entered into competitive short term hedging contracts to qualify for the CEE
- Discuss Additional NYISO proposal regarding CEE
 - Consequences, for a project that request CEE, of withdrawing CEE request or providing False, and Misleading Information
 - NYISO proposed changes to these consequences when reviewing tariff at the March 4, 2019 ICAPWG
 - Stakeholders requested that we come back to a future ICAPWG with slides and further discussion

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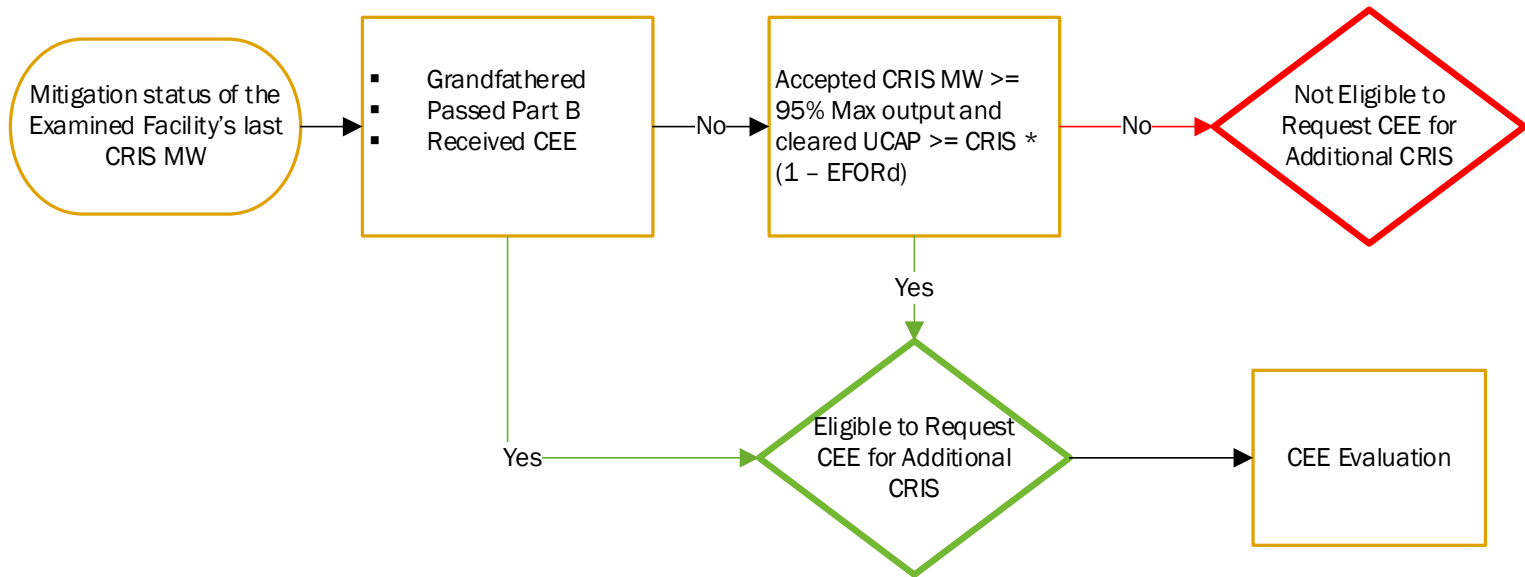
CEE for Additional CRIS

Review of NYISO's Design Proposal

- The NYISO has proposed to establish eligibility criteria based on the mitigation status of existing CRIS MW. The proposed criteria would consider an Examined Facility to be eligible to request CEE for Additional CRIS MW if the Examined Facility:
 - 1) Was originally exempted from mitigation because it was “Grandfathered” (i.e.; in existence In-City before the BSM Rules were established in 2008, or existed or had Commenced Construction in a MCZ before MCZ was proposed)
 - 2) Was determined to be exempt under the Part B (Unit Net CONE) test;
 - 3) Was determined to be exempt under CEE; or
 - 4) (a) Accepted CRIS MW \geq 95% Max output and (b) cleared UCAP \geq CRIS * (1-EFORd)

Review of NYISO's Design Proposal Cont'd

The criteria presented below is consistent with existing rules for calculating Unit Net CONE of Additional CRIS MW for use in the exemption analysis:



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Proposed Tariff Revisions

- Separately posted with today's meeting materials are tariff revisions, that were previously presented at the March 4, 2019 ICAPWG, to the following Services Tariff sections:
 - 23.4.5.7.9 (Competitive Entry Exemption)
 - 23.4.5.7.9.1.4 (Eligibility)
 - 23.4.5.7.9.2 (Certifications)
 - 23.4.5.7.9.2.1
 - 23.4.5.7.9.3 (Timing for Requests, Required Submittals, and Withdrawals)
 - 23.4.5.7.9.6 (Competitive Entry Exemption Requests for Additional CRIS MW)
 - 23.4.5.7.9.6.1
 - 23.4.5.7.9.6.2
 - 23.4.5.7.9.6.3
 - 23.4.5.7.9.6.4
 - 23.4.5.7.9.6.5

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CEE Non-Qualifying Contract Rule Proposal

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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 technology of the resources that may participate in and satisfy the requirements of the contract**

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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

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Proposed Tariff Revisions

- Separately posted with today's meeting materials are tariff revisions to the following Services Tariff sections:
 - 23.2
 - 23.4.5.7.9
- The NYISO plans to bring additional tariff revisions based upon today's discussion and a proposal to incorporate a transition mechanism at a future ICAPWG
 - NYISO intends to make rules effective for CY19

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Additional NYISO Proposal

Consequences of withdrawing CEE request or providing False, and Misleading Information

Background

- The purpose of buyer-side mitigation is to prevent uneconomic entry from artificially suppressing capacity prices
 - It is not intended to mitigate economic entry
- **Currently, the Market Services Tariff prescribes that:**
 - *“A refusal to provide information...will make the Generator or UDR project requesting Competitive Entry Exemption ineligible for such exemption, and such Generator or UDR project shall be subject to the Mitigation Net CONE Offer Floor” - Section 23.4.5.7.9.2.7*
 - *“A Generator or UDR project seeking to withdraw its request...shall be subject to Mitigation Net CONE Offer Floor” - Section 23.4.5.7.9.3.3*
- **The NYISO has proposed a change to the CEE rules that would allow Examined Facilities to remain eligible for the Part A and Part B tests**
 - The NYISO first introduced this design concept as part of the draft tariff revisions for the CEE for Additional CRIS project that was presented at the March 4, 2019 ICAPWG

Protection From Uneconomic Entry

- **The NYISO recognizes that it is necessary to deter the misuse of the CEE to protect the market from uneconomic entry**
 - Existing rules prohibit Market Participants from making false statements and results in a referral to the MMU and FERC
 - The proposal would maintain rules that subject Examined Facilities to Mitigation Net CONE if they do not provide the data required for unit-specific analysis
 - See MST 23.4.5.7.6
- **However, the deterrence should not result in the mitigation of a unit that would otherwise be economic and results in an increased cost to consumers**

Protection From Over Mitigation

- **Allowing units to remain eligible for Part A and Part B would protect the market and consumers against mitigation that could unreasonably increase capacity prices**
 - Applying Mitigation Net CONE to a unit that would otherwise be economic could result in an unreasonable increase of costs to consumers
 - The mitigation of such a unit would be inappropriate
- **Conducting unit specific analysis does not delay the completion of the Class Year process**
 - The NYISO currently conducts a unit specific analysis for each Examined Facility in order to complete the Part A & B evaluations – even if it has requested a CEE

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NYISO's Proposal

- **Modify the existing CEE rules so that an Examined Facility that a) wishes to withdraw its request, or b) provides false and misleading information, will remain eligible for Part A & B tests.**
 - Currently, such Examined Facilities would be subject to Mitigation Net CONE Offer Floor

NYISO's Proposal Cont'd

- **Modify the existing CEE rules so that an Examined Facility that provides false and misleading information will be ineligible for CEE in the current Class Year or any future Class Year**
 - This adds that a project will remain ineligible for CEE in future Class Years to the existing rules
- **Maintain the existing CEE rules that an Examined Facility that provides false and misleading information will be Reported to MMU and FERC**

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NYISO's Proposal Cont'd

- **If a CEE was granted based on false, misleading, or inaccurate information, the NYISO may:**
 - a) Revoke the CEE
 - i. No change from existing rules
 - b) Shall be reported to MMU and FERC, and
 - i. No change from existing rules
 - c) Apply Mitigation Net CONE Offer Floor only if project did not pass Part A or Part B tests

Proposed Tariff Revisions

- Separately posted with today's meeting materials are tariff revisions, that were previously presented at the March 4, 2019 ICAPWG, to the following Services Tariff sections:
 - 23.4.5.7.9.2.6
 - 23.4.5.7.9.2.7
 - 23.4.5.7.9.3.1
 - 23.4.5.7.9.5.2
- The NYISO plans to bring additional tariff revisions based upon today's discussion and to incorporate a transition mechanism at a future ICAPWG

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Next Steps

Next Steps

■ Anticipated Schedule Going Forward

- October ICAPWGs
 - Bring additional tariff revisions and transition proposal for review
 - NYISO intends to make rules effective for CY19
- November 6: Business Issues Committee Vote
- November 20: Management Committee Vote
- December 17: Board of Directors Vote
- December 18: Section 205 Filing with FERC
- February 16: FERC Order

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Feedback?

- Email additional feedback to: jnewton@nyiso.com

Questions?

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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