

Consumer Impact Analysis: Methodology for Enhanced Fast Start Pricing

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Background

- **FERC's April 18, 2019 Order on fast-start pricing requires the NYISO to do the following:**
 1. Modify pricing logic to allow fast-start resources' commitment costs (*i.e.*, start-up costs and minimum generation (no-load) costs) to be reflected in prices; and
 2. allow the relaxation of all dispatchable fast-start resources' economic minimum operating limits by up to 100 percent for the purpose of setting prices.
- **The NYISO must submit its compliance filing by December 31, 2019**
 - Implementation must be completed by December 31, 2020.

Benefits of the Proposal

- **The market design changes should result in the following:**
 - “more accurately reflect the marginal cost of serving load in periods when dispatching a fast-start resource is the next action taken to meet load;
 - provide price signals that better inform investment decisions; and
 - provide more accurate and transparent price signals that better reflect the cost of serving load, minimize production costs, and reduce uplift.”¹
- **The Market Monitoring Unit (MMU) expressed support for the changes ordered by FERC stating that they would improve :**
 - “The performance of the day-ahead market and commitment of resources;
 - The incentives to import and export efficiently, and
 - The incentives to offer competitively and perform reliably.”²

1. See FERC, *Order Instituting Section 206 Proceeding*, December 21, 2017 (p. 15), in Docket No. EL18-33-000
2. See Potomac Economics, *Reply Comments of the New York ISO's Market Monitoring Unit*, March 2018, in FERC Docket No. EL18-33-000

Fast-Start Pricing - Today

- Existing fast-start pricing logic relaxes minimum generation constraints of these resource types in the ideal (pricing) dispatch:
 - Fixed Block Units that can start up and synchronize to the grid in 30 minutes or less, that have a minimum run time of one hour or less, and that submit economic offers for evaluation
- In the ideal dispatch, RTD adds the start-up costs of eligible offline 10-minute Fixed Block Units to their incremental offers, which impacts the LBMP calculation.
 - 10-minute Fixed Block Units cannot offer minimum generation costs

NYISO's Proposal

- **Revised fast-start pricing will extend the existing logic to dispatchable units**
- **After implementation, fast-start pricing will apply to:**
 - All resources that can start up and synchronize to the grid in 30 minutes or less, that have a minimum run time of one hour or less, and that submit economic offers for evaluation.
- **Revised fast-start pricing logic will include the start-up and minimum generation costs of all fast-start resources in the LBMP calculation in the ideal dispatch**
- **Revised fast-start pricing logic will also apply in the withdrawal state, for fast-start resources that are eligible to submit commitment costs**

Consumer Impact Analysis (IA) Evaluation Areas

- Present the potential impact on all four evaluation areas

RELIABILITY

COST IMPACT/
MARKET EFFICIENCIES

ENVIRONMENT/
NEW TECHNOLOGY

TRANSPARENCY

Cost Impact Methodology

- Energy Market Impact:
 - NYISO staff will re-run past market hours/days with new pricing logic applied to all fast-start units
 - Will choose a few typical days
 - LBMPs from re-run cases will be compared to original LBMPs, the LBMP delta will be used to estimate consumer impact on energy and ancillary services prices.

Other Impacts

- Evaluate other Impacts:
 - Reliability Impacts
 - Environmental Impacts
 - Impact on Transparency

Feedback?

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

Questions?

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

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- Providing factual information to policy makers, stakeholders and investors in the power system



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