

Uneconomic Production

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Agenda

- **Current Uneconomic Production Rules**
- **Limitations of Current Rules**
- **Opportunities for Enhancements**

Current Market Rules

MST Attachment H

- **Section 23.2.4.1.3**
 - Defines Uneconomic Production & Uninstructed Deviation
- **Section 23.3.1.3.1.1**
 - Defines thresholds for conduct
- **Section 23.3.2.1**
 - Defines thresholds for impact
- **Section 23.4.3.3.2**
 - Defines penalty for uninstructed deviation

Uneconomic Production

- “Uneconomic production from an Electric Facility, that is, increasing the output of an Electric Facility to levels that would otherwise be uneconomic in order to cause, and obtain benefits from, a transmission constraint”

- MST Attachment H: 23.2.4.1.3

Conduct and Impact

■ Conduct

- Energy scheduled at an LBMP that is less than 20% of the applicable reference level and causes or contributes to transmission congestion

■ Impact

- Increase of 200% or \$100/MWh in hourly price
- Increase of 200% in BPCG, or 50% for Constrained area

Potential Enhancements

- **SOM Recommendation 2017-3**
- **Ensure mitigation measures appropriately address all uneconomic production situations**
 - There is a mitigation measure for uninstructed deviation from base points

Limitations of Current Rules

Example

- Generator receives DA schedule and then Self Commits Fixed in RT to DA schedule
- Causes reliability issue due to over-generation within area and results in negative prices
- Operators are required to take action and derate the unit (*i.e.*, OOM)
- Conduct is met, but Impact may not be since hourly RT prices are required to increase by 200% or \$100/MWh; BPCG impact unlikely to be relevant
- **Effects:**
 - Generator may benefit from buying out of Day-Ahead Schedule at negative real-time prices
 - Market Party may benefit from higher prices on opposite side of constraint
 - Insufficient ramifications to the generator that is negatively impacting reliability

Limitations

■ Impact Thresholds

- Requires a price increase of 200% or \$100/MWh, or 200% increase in BPCG (50% in NYC)
- Impact is not always met since bids are low and often the primary result is suppressed prices

■ Existing Mitigation Measures

- Additional detail and clarity could enhance the current measures
- Require the market party to cause and obtain benefits of congestion
- Do not account for situations when uneconomic production results in operational issues

Opportunities for Enhancements

Potential Enhancements

- **Increased detail and clarity for specific uneconomic production impact thresholds and mitigation measures**
 - Section 23.3.2.1 – Impact Thresholds
 - Section 23.4.2 – Default Bid insufficient to address self-commitment
- **Review of the requirement that an Electric Facility has to obtain benefits for uneconomic production to occur**
 - Section 23.2.4.1.3
- **Develop rules to address when uneconomic production results in reliability issues**

The Mission of the New York Independent System Operator, in collaboration with its stakeholders, is to serve the public interest and provide benefit 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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