

2021-2025 ICAP Demand Curve Reset: Proposed Tariff Revisions for Gross CONE Adjustments

Ryan Patterson

Capacity Market Design Associate

ICAPWG/MIWG/PRLWG

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Agenda

- **Background**
- **Proposal for Calculating the Composite Escalation Factor for Gross Cost of New Entry (Gross CONE)**
- **Overview of Proposed Tariff Revisions**
 - Market Administration and Control Area Services Tariff (MST) Section 5.14.1.2.2.1
 - MST Section 5.14.1.2.2.4.11
- **Next Steps**

Background

Background

- At the August 23, 2019 ICAPWG/MIWG/PRLWG meeting, stakeholders requested that identifying any proposed tariff changes occur early during the current ICAP Demand Curve reset (DCR) process
- At the September 5, 2019 TPAS/ICAPWG meeting, the NYISO solicited written feedback and comments from stakeholders pertaining to potential proposed tariff revisions related to the ICAP Demand Curves and DCR
 - Written feedback was requested by September 19, 2019

Background

- **In response to the NYISO's request, the New York Transmission Owners (NYTOs) submitted the following proposals:**
 - Address three specific, technical aspects of the methodology for escalating Gross CONE and net Energy and Ancillary Services (Net EAS) revenue values
 - Modify the Gross CONE composite escalation rate methodology to account for relative changes in the weightings of the four component costs (Labor, Materials, Turbine, General/Other) over the course of the reset period
 - Modify the Gross CONE escalation methodology to account for revisions in publically available cost indices selected for use
 - Modify the method of escalating Net EAS revenue values
 - Extend the collar mechanism to apply to future annual updates

Background

- **At the October 28, 2019 ICAPWG/MIWG/PRLWG meeting, the NYISO discussed the NYTOs' proposals to modify the methodology for escalating Gross CONE and Net EAS revenues**
 - The proposal seeks to address both of the proposed changes identified by the NYTOs pertaining to the Gross CONE composite escalation rate
 - The NYISO has slightly modified its proposal for revising the Gross CONE composite escalation factor calculation that was presented on October 28, 2019
 - Proposed revisions to MST 5.14 to account for the modified proposal to Gross CONE will also be discussed today
 - Proposed adjustments to the Net EAS revenue escalation methodology will be discussed as part of the ongoing DCR
 - Potential changes to the current methodology that would apply for the next reset period do not require a tariff change and will not be discussed today
- **The NYISO does not intend to discuss the NYTOs' proposal to extend the collar mechanism as part of this presentation**

Revised Proposal for Calculating the Composite Escalation Factor

Revised Proposal for Gross CONE Escalation Factor

- **At the October 28, 2019 ICAPWG/MIWG/PRLWG meeting, the NYISO discussed its proposal in response to the NYTOs' comments relating to the calculation methodology for the Gross CONE escalation factor**
 - The NYISO's original proposal was to calculate the growth rate for all indices, as of October 1, for the year before the first year covered by the reset period ("DCR Year") and the applicable annual update year, divided by the DCR Year values
 - Under this methodology, the calculated composite escalation rate for each annual update would then be applied to the Gross CONE values from the DCR Year to determine the adjusted value for the applicable annual update
- **The NYISO is proposing to slightly modify this proposal by instead baselining the calculation to Year 1 of the reset period ("Reset Year") and applying the escalation rate to the Gross CONE values accepted by FERC for Year 1 (see example on the next slide)**

Gross CONE Escalation

Modified Data
Unused Data

Period	Cal. Year	CY	Construction	Materials	Turbine	GDP	Formula
Reset Yr	2016	2017-2018	97,529	228	232	111.2	A
AU1	2017	2018-2019	102,788	233	224	113.0	B
AU1	2017	2018-2019	5.39%	2.41%	-3.49%	1.60%	=(B/A)-1
	Weight		28%	37%	20%	15%	
	AU1	Esc %	1.92%				

This period remains locked as the “baseline period” for measuring changes

Escalation factor is the change from the DCR year to the applicable reset or annual update year

Period	Cal. Year	CY	Construction	Materials	Turbine	GDP	Formula
Reset Yr	2016	2017-2018	97,529	228	232	105.8	C
AU1	2017	2018-2019	102,788	233	224	107.6	D
AU2	2018	2019-2020	101,108	244	219	110.3	E
AU2	2018	2019-2020	3.67%	6.92%	-5.58%	4.24%	=(E/C)-1
	Weight		28%	37%	20%	15%	
	AU2	Esc %	3.06%				

Use best available data to calculate escalation factor

Period	Cal. Year	CY	Construction	Materials	Turbine	GDP	Formula
Reset Yr	2016	2017-2018	97,529	228	232	105.7	F
AU1	2017	2018-2019	102,788	233	224	107.4	G
AU2	2018	2019-2020	101,108	244	219	110.3	H
AU3	2019	2020-2021	105,039	252	231	112.2	I
AU3	2019	2020-2021	7.70%	10.39%	-0.32%	6.18%	=(I/F)-1
	Weight		28%	37%	20%	15%	
	AU3	Esc %	6.82%				

Not used in the calculation



Overview of Proposed Tariff Revisions

MST Section 5.14.1.2.2.1

MST 5.14.1.2.2.1

- **Section 5.14.1.2.2.1 – Annual Updates for Peaking Plant Gross Cost**
 - This section details the process for calculating the composite escalation factor used in the annual update of Gross CONE values
- **The proposed revisions are made to comport to the NYISO’s revised proposal for calculating the Gross CONE composite escalation factor presented today**
 - The proposed revisions identify the “baseline period” to be used in the calculation (tied to Year 1 of the reset period)
 - Baseline period data represents the most recent finalized values for each index as of October 1st in the same year as the quadrennial DCR filing with FERC (these values are referred to as the “Reset Year” values on Slide 9)
 - The composite escalation factor for each annual update is calculated as the percentage change in the applicable indices using values as of October 1st of the year in which the results of the applicable annual update are posted to the NYISO’s website and the equivalent data from the “baseline period”
 - The composite escalation factor is then applied to the Gross CONE values underlying the ICAP Demand Curves for Year 1 of the reset period
 - These are values accepted by FERC in response to the quadrennial DCR filing

MST Section 5.14.1.2.2.4.11

MST 5.14.1.2.2.4.11

- **Section 5.14.1.2.2.4.11**
 - This section details what is required to be included in the quadrennial DCR filing with FERC
- **The proposed revisions clarify that no changes are being made to the calculation of the “inflation rate” used for annual adjustments applied to offer floor values for purposes of the buyer-side mitigation rules**
 - This adjustment will continue to be based on the 12-month percentage change, as of each October 1st, in the applicable index for the general component of the composite escalation factor

Next Steps

Next Steps

- The NYISO intends to seek stakeholder approval of proposed process enhancements at the BIC and MC in January 2020
- In addition to feedback provided at today's meeting, please feel free to submit any additional feedback to rpatterson@nyiso.com

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