

Comprehensive Mitigation Review: Revisions to Part A Exemption Test for Public Policy Resources

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Agenda

- Background
- Description of MMU's Proposed Enhancements for BSM Part A and Part B Exemption Evaluations
- NYISO Proposal
- Analysis of Part A Evaluations
- Schedule for Next steps

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Background

- **Comprehensive Mitigation Review Project (CMR Project) Overview**
 - The project goal is to reach Market Design Complete in 2020
 - The NYISO believes it is necessary to expand the objective of the project to:
 - Modify NYISO Installed Capacity market framework in a balanced manner that (i) preserves competitive price signals and economically efficient market outcomes required to maintain system reliability and (ii) supports the Climate Leadership and Community Protection Act (CLCPA) goals

Background cont'd

- **NYS Public Service Commission initiated Proceeding to Consider Resource Adequacy Matters (Case 19-E-0530)**
 - NYISO filed initial comments acknowledging the need to better harmonize the wholesale markets with state environmental policies, in particular those embodied in the CLCPA, while maintaining competitive price signals
 - MMU filed initial comments that described the value of the competitive wholesale market for ensuring resource adequacy in a manner that reduces costs for consumers and for integrating intermittent renewable generation and other public policy resources in an efficient and reliable manner
- **MMU Comments included various proposed enhancements to the NYISO's energy, ancillary services, and capacity markets**
 - Among other things, the MMU described the benefits of changes to the Part A Exemption Test and the Mitigation Study Period
- **NYISO is proposing to work with stakeholders to fast-track development of the MMU's proposed enhancements to the Part A Exemption Test for state-sponsored "Public Policy Resources" as an initial phase of the CMR Project because:**
 - They could practicably be developed with stakeholders and filed with FERC in the first quarter of 2020
 - They could be applied to the BSM evaluations conducted for Class Year 2019 Examined Facilities

MMU's Two Pronged Proposals to Revise the Part A Exemption and Mitigation Study Period

- **Prong 1 involves changes to the Part A and Part B exemption tests such that**
 - Public Policy Resource (“PPR”) Examined Facilities would be placed in the supply stack before non-PPR Examined Facilities
 - Currently projects are placed in the supply stack from lowest to highest Unit Net CONE
 - This change will allow legitimate PPR supply resources be awarded a Part A exemption before non-PPR resources that may be less expensive but do not further the State's policy objectives
- **Prong 2 involves changes to the Part A and Part B exemption tests such that**
 - The Mitigation Study Period would be revised to apply to each project based upon the characteristics of the technology that it uses
 - Currently the Mitigation Study Period is the same three year period for all Examined Facilities
 - This is appropriate for gas-fired generators but shorter periods could be justified for other resources with shorter development timeframes, e.g., storage.
 - Part A test will be applied for each year of the Mitigation Study Period

NYISO's Perspective

- The NYISO feels there's merit in the MMU's proposal
- The current Part A test orders units by economics because it was reasonable to assume that the most economic resources would come in to meet the need first
- With the approval of CLCPA the NYISO believes it is appropriate to acknowledge that the PPR resources are entering the market and therefore should be considered first

NYISO Proposal to Fast Track Enhancements to the Part A Exemption Test as part of the 2020 CMR Projects

- **Revise the order of the Part A Exemption Test to precede the Part B Exemption Test**
 - Currently the NYISO conducts the Part B Exemption Test first to ensure that the most economic projects can qualify for an exemption
 - In its BSM Evaluation the NYISO orders Examined Facilities in the stack from least cost to highest cost based upon the lower of Unit Net CONE and the Default Offer Floor for each Examined Facilities
- **Order the Resources for the Part A Exemption Test by placing all PPR Examined Facilities before non-PPR Examined Facilities, even if the latter are lower cost**

Design Concepts to Consider

- What would qualify as a PPR resource
- How to order PPRs in the BSM evaluations
- Partial Exemptions
- Integration with Mitigation Study Period changes

NYISO Proposal to Fast Track Enhancements to the Part A Exemption Test as part of the 2020 CMR Project

- **The NYISO will continue to conduct the Part A Exemption Test Using Year 1 of the Mitigation Study Period (For example, for Class Year 2019 the NYISO will use the Capability Year that Starts May 1, 2022)**
- **NYISO will continue to evaluate and discuss other changes through the CMR Project**
- **The NYISO plans to move forward with the 2020 Mitigation Study Period project on a separate track**
 - The first presentation is expected in early Q1 2020

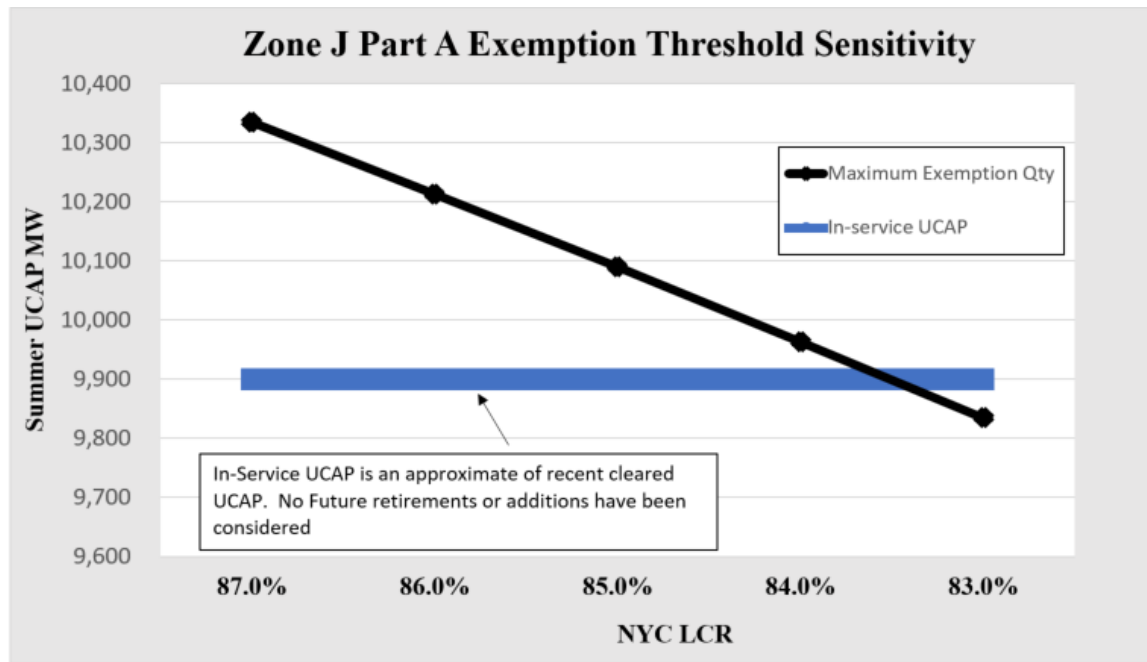
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Part A Exemption Threshold Sensitivity Analysis: Zone J

Assumptions		
Capability Year	2022/23	CY 2019 MSP Year 1
RP ICAP	21.45	CY 2017-2 Forecast
Summer Derating Factor	4.09%	Summer 2019
Winter Derating Factor	4.42%	Winter 2019/20
Load Forecast	11704	2019 GB
Default Offer Floor	133.18	CY 2017-2 Forecast

The chart on this slide demonstrates the amount of Part A exemptions that would be available in Zone J for Class Year 2019, given the assumptions shown above (which are not intended to be interpreted as final Class Year 2019 values)

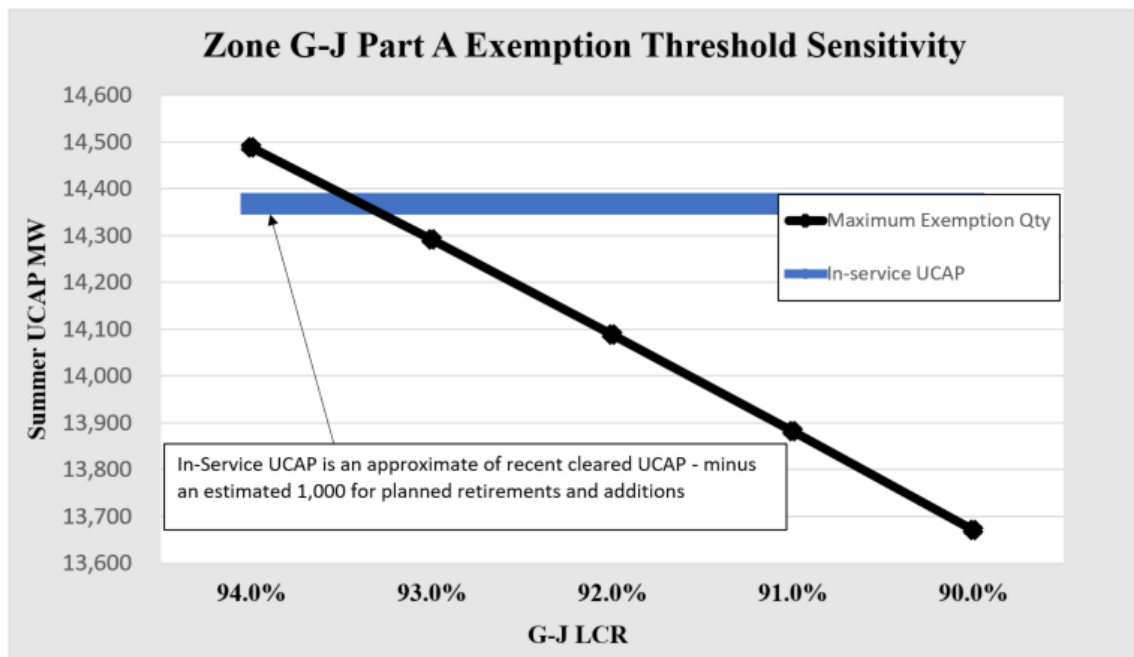


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Part A Exemption Threshold Sensitivity Analysis: Zone G-J

Assumptions		
Capability Year	2022/23	CY 2019 MSP Year 1
RP ICAP	17.66	CY 2017-2 Forecast
Summer Derating Factor	5.14%	Summer 2019
Winter Derating Factor	5.26%	Winter 2019/20
Load Forecast	15,944	2019 GB
Default Offer Floor	115.24	CY 2017-2 Forecast

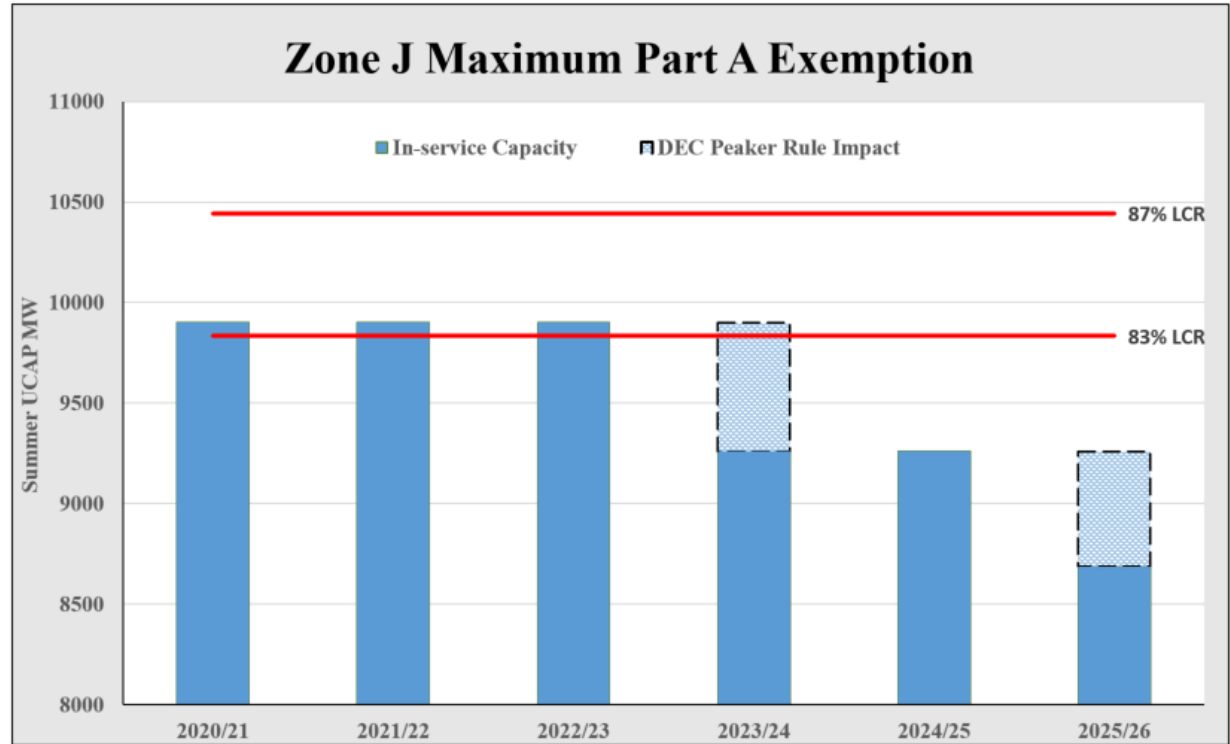
The chart on this slide demonstrates the amount of Part A exemptions that would be available in the G-J Locality for Class Year 2019, given the assumptions above (which are not intended to be interpreted as final Class Year 2019 values)



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Zone J Part A Capability Year Maximum Exemption Quantity

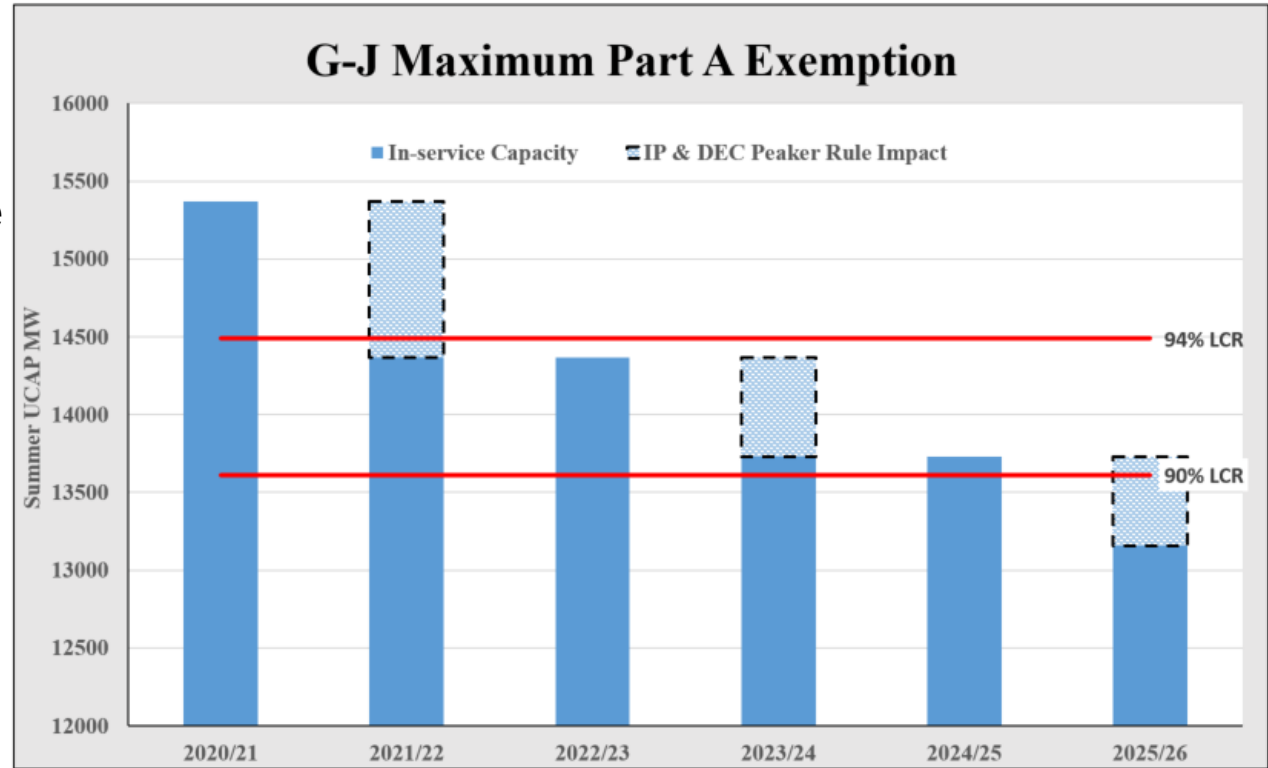
The chart on this slide demonstrates the amount of Part A exemptions that would be available in Zone J for different Capability Years, assuming potential retirements in 2023 and 2025 and no new entry or retention of GTs for reliability



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G-J Part A Capability Year Maximum Exemption Quantity

The chart on this slide demonstrates the amount of Part A exemptions that would be available in the G-J Locality for different Capability Years, assuming the addition of Cricket Valley, retirement of Indian Point, potential retirements in 2023 and 2025 and no new entry or retention of GTs for reliability



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Next steps/ Schedule

- The NYISO will consider feedback received from Stakeholders and continue discussions in January 2019
- Goal is to take to a vote in February/March such that these changes could be used for the current Class Year (2019)
- NYISO will return with Mitigation Study Period discussions in January
- Broader discussion on Capacity Mitigation Review will continue throughout the year

Questions?

Questions or comments can be sent to irm@nyiso.com

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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