

NYISO Weekly Stakeholder Report

April 26-30, 2021

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Budget and Priorities Working Group – April 27, 2021

Q1 2021 Budget vs. Actual Results

NYISO presented an update regarding RS-1 revenue collections and budgetary spending during Q1 2021.

Actual MWh throughput was 2.4 million MWh higher than forecast in each of the first three months of the year; as a result, total RS-1 collections through March are \$2.8 M above the 2021 budget projections. Year-to-date RS-1 collections from non-physical market transactions are \$1.561 M; this includes \$1.052 M collected from TCCs and \$509 K collected from virtual trading.

NYISO spending is currently \$1.9 M below the 2021 Budget projections. Underspending for Capital (\$200 K), Professional Fees (\$800 K), Building Services (\$400 K), Computer Services (\$400 K), Telecommunications (\$100 K) and Other Expenses (\$300 K) has been offset somewhat by \$300 K in overspending for Salaries and Benefits. The total RS-1 Revenue Requirement is currently \$1.8 M below 2021 Budget projections, after accounting for the impacts of (i) savings from Debt Service from Prior Year Financings and (ii) under-collections of Miscellaneous Revenues.

Market Registration Fee Proposal

NYISO introduced a proposal to implement a registration fee structure for new market applicants.

The implementation of the Distributed Energy Resource (DER) and other new market participation models is expected to drive a significant increase in market registration applications from smaller entities. NYISO reported that, over the past 3 years, registering each new market participant has required an average of approximately 100 hours of staff time, ranging from a low of about 80 hours to a high of more than 125. However, NYISO believes that many of the new applicants will have less prior market knowledge and experience; as a result, NYISO expects that the market participant onboarding process will require additional staff time and effort.

NYISO does not currently charge a fee to market participant applicants; the cost for the required staff support is funded through the RS-1 cost recovery mechanism. However, NYISO currently does directly assign to individual market participants the costs associated with Wind/ Solar Forecast services, Interconnection/ Planning Studies, Market Training, Meter Service Entity (MSE) Applications and Generator Deactivation assessments.

NYISO is proposing to require incoming/aspiring market participants to submit a non-refundable initial application fee of \$5,000; this fee is based on the estimated number of hours required to process a completed application and is intended to provide a reasonable level of cost recovery rather than an accurate assignment of costs. NYISO is also proposing to assess a non-refundable incremental registration fee of \$500 for existing participants that seek to enter new markets; as with the application fee, this charge is based on estimated number of hours required to process changes to a completed registration.

Some stakeholders argued that this proposal is discriminatory and will act as a barrier to entry. Others supported the idea that new market participants should pay these costs rather than existing load but suggested that the proposed initial application fee may be too high.

Disposition of Excess Funds from 2019 and 2020 Budget Cycles

NYISO reported that it will use \$10.1 M in excess funds left over from the 2019 and 2020 budget cycles to pay down the principal amount of outstanding debt; the Management Committee previously approved motions recommending that these funds be disposed of in this manner. A total of \$3.7 M in unspent funds remain from the 2020 budget cycle, the result of \$5.8 M in budgetary underspending offset by \$2.1 M in RS-1 under-collection during the year. An additional \$6.4 M remain from the 2019 budget cycle; during 2020, NYISO had considered using the excess 2019 funds to offset any unexpected spending needed to implement its COVID-19 response, but these funds were not required.

2022 Project Candidate: Enhancement to 15-Minute Transaction Scheduling

HQUS introduced its proposed 2022 15-Minute Transaction Scheduling Enhancement project.

In its 2020 5-Minute Transaction Scheduling study, NYISO determined that enhancing real-time scheduling of the interties would provide reliability and flexibility benefits, especially as more intermittent generation is installed in the NYCA. However, implementing 5-Minute Transaction scheduling would require complex modifications to several systems; further, most neighboring RTOs have expressed limited interest in pursuing these changes in the near future. HQUS suggested that similar flexibility and reliability benefits could be realized by implementing improvements to the existing 15-Minute Transaction product.

Currently, RTC establishes binding external transaction schedules and RTD treats these schedules as fixed interchange, irrespective of price; however, the RTD prices are used to settle these transactions. HQUS argued that the risk that the RTD settlement prices will differ from the RTC dispatch prices creates a disincentive for market participants to offer external transactions in the real time market. HQUS suggested that reducing the trading risks from uncontrollable price discrepancies would provide additional incentives for market participants to bid intra-hourly transactions. Therefore, this project would complete a market design in 2022 for both scheduling and settling 15-Minute Transactions based on the RTC prices.

2022 Project Candidate: Storage as Transmission

NYSERDA introduced its proposed 2022 Storage as Transmission project.

Transmission upgrades may be needed to ensure future delivery of clean energy across the NYCA grid; however, transmission projects are often difficult, expensive, and time-consuming to develop. NYSERDA suggested that storage resources, which can be developed more quickly and economically, could be used as non-transmission alternatives to meet identified reliability / economic needs. Additionally, storage facilities can be easily scaled up to meet future needs. Unfortunately, since there is currently no pathway for storage resources to operate within the NYCA as transmission assets, these significant potential benefits may not be realized.

This project would develop rules and methods for evaluating, interconnecting and operating storage facilities as transmission assets. The project would also identify cost recovery options and consider how to allow market participation of storage resources that are transmission assets; this will increase flexibility and reduce the rate-based revenue requirements while avoiding double-payment.

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Proposed 2022 Market Projects

NYISO reviewed the proposed 2022 market projects.

The 31 proposed 2022 market projects span the following product areas: Capacity Market (11), New Resource (6), Energy Markets (12), Planning (1) and TCC Market (1). Of these, 4 are classified as Mandatory and 2 are Continuing, and will thus be automatically included in the 2022 Project Budget. Another 5 have been classified as Future projects that will not be prioritized for 2022. The remaining 20 Project Candidates will be evaluated by NYISO and stakeholders through the 2022 Project Prioritization Process.

Mandatory projects include: 1) CRIS Tracking (Capacity Market); 2) Capacity Value Study (Capacity Market); 3) DER Participation Model (New Resource); and 4) Support TSO and DSO Coordination Efforts (New Resource). Continuing projects include: 1) Comprehensive Mitigation Review (Capacity Market); and 2) Grid in Transition (New Resource).

Capacity Market projects that will be included in the 2022 prioritization include: 1) CRIS Expiration Evaluation; 2) Locational Marginal Pricing of Capacity; 3) Demand Curve Translation Enhancement; 4) Monthly Demand Curves; 5) Capacity Demand Curve Adjustments; 6) Enhanced BSM Forecasts Assumptions; and 7) Transmission Security in the ICAP Market.

Energy Market projects that will be included in the 2022 prioritization include: 1) Constraint Specific Transmission Shortage Pricing; 2) Dynamic Reserves; 3) Grid Services from Renewable Generators; 4) Long Island Reserve Constraint Pricing; 5) More Granular Operating Reserves; 6) Multi-Level References; 7) Adjustment of Energy Offer/Bid Floor; and 8) Lines in Series Constraint Pricing.

New Resource projects that will be included in the 2022 prioritization include: 1) Engaging the Demand Side; 2) Hybrid Aggregation Model; and 3) Internal Controllable Lines. The remaining projects to be prioritized for 2022 include: 1) Coordination of Interconnection and Transmission Expansion Study (Planning); and 2) Reserving Capacity for TCC Balance-of-Period (BOP) Auctions (TCC Market).

Finally, projects that will not be considered until the future include: 1) Capacity Transfer Rights for Internal Transmission Upgrades (Capacity Market); 2) Carbon Pricing (Energy Market); 3) Eliminate Fees for CTS Transactions with PJM (Energy Market); 4) Enhanced PAR Modeling (Energy Market); and 5) Long Island PAR Optimization and Financial Rights (Energy Market).

Management Committee – April 28, 2021

Market Operations Report: March 2021

The monthly average LBMP fell from \$63.70 / MWh in February to \$28.59 / MWh in March; this was higher than the March 2020 average of \$17.11 / MWh. Both Day Ahead and Real Time Load Weighted LBMPs were lower in March than in February. Average year-to-date monthly cost rose 98%, from \$23.48 / MWh in March 2020 to \$46.47 / MWh. Average daily sendout fell from 434 GWh / day in February to 381 GWh / day in March; this was higher than the March 2020 average of 375 GWh / day.

Natural gas prices dropped while distillate prices rose from February to March. Natural Gas (Transco Z6 NY) decreased from \$5.22 / MMBtu to \$2.24 / MMBtu; this was 50.4% higher than the March 2020 average monthly price. Jet Kerosene (Gulf Coast) increased from \$11.79 / MMBtu to \$12.38 / MMBtu and Ultra Low Sulfur No.2 Diesel (NY Harbor) increased from \$12.71 / MMBtu to \$13.31 / MMBtu; average distillate prices rose 64.9% from March 2020.

Total uplift costs and uplift per MWh increased from February to March. Uplift (not including NYISO cost of operations) increased from (\$0.15) / MWh to \$0.11 / MWh; the Local Reliability Share decreased from \$0.15 to \$0.11 while the Statewide Share increased from (\$0.30) to \$0.00. There was no uplift due to NYC Thunderstorm Alert in March.

NYISO explained that the unusually high DAM price premiums observed during February were driven largely by higher levels of bid in load; NYC bid in loads were higher than actual RTM loads for much of the month, particularly during periods of colder weather. This resulted in DAM commitments of additional resources that were not needed in real time, resulting in lower RTM prices. Another factor contributing to the higher DAM price premiums was the inclusion of opportunity costs in DAM supply offers; these higher opportunity costs reflected natural gas premiums and operational concerns due to the potential for equipment icing and ice flow impacts. Finally, RTM prices were suppressed somewhat due to (i) unscheduled DMNC tests conducted by several large resources in SENY and (ii) SRE commitments due to the cold weather.

System Operations Report: March 2021

Peak load of 20,795 MW occurred on March 2, 2021 in Hour Beginning 18. There were no hours of Thunder Storm Alerts or NERC TLR level 3 curtailment declared during the month. NYISO reported that construction has commenced on the Western NY Public Policy Transmission, Empire State Line, and AC Transmission Public Policy Segments A & B projects. This construction work will require outages of existing transmission circuits throughout 2021 and 2022; however, these outages can be recalled on short notice during the summer period in the event of heat wave conditions.

ICAP Market Report: April 2021

New York City ICAP Spot Market prices decreased from \$8.71 in March to \$8.44 in April due to an increase in generation UCAP and a decrease in unoffered MW. ICAP Spot Market prices remained unchanged in all other zones (\$0.89).

Broader Regional Market Metrics: March 2021

The Broader Regional Market mechanisms yielded total production cost savings of \$570 K during March; savings of \$1.52 M from NYISO-PJM Congestion Coordination and \$190 K from PJM-NY CTS were largely offset by production cost increases of \$1.14 M from NE-NY CTS. NYISO has accrued total year-to-date savings of \$4.09 M from these mechanisms.

Region-wide, CTS yielded total production cost savings of \$60 K in March; savings of \$210 K from PJM-NY CTS were offset by \$150 K in additional costs from NE-NY CTS. CTS has produced total regional year-to-date savings of \$700 K.

Summer 2021 Capacity Assessment

NYISO presented its Summer 2021 Capacity Assessment.

Under baseline (50/50) peak weather conditions, NYISO is projecting a 1,344 MW capacity surplus after accounting for the required operating reserves (2,620 MW); this surplus is 377 MW lower than that projected in the baseline 2020 forecast. NYISO is projecting a -860 MW capacity margin under extreme (90/10) peak weather conditions; this is 666 MW lower than the shortfall that was calculated in the 2020 extreme load forecast. These projected capacity margins do not account for up to 3,258 MW of relief which may be available from the Emergency Operating Procedures. NYISO noted that, despite the retirement of 1,080 MW in capacity (including Indian Point Unit 3) for this summer, total NYCA installed capacity is only about 300 MW lower in 2021 than it was in 2020; this is due to the addition of 206 MW of new wind capacity and an additional 525 MW in net imports.

For Southeast New York (Zones G-J), NYISO is projecting a 2,315 MW capacity margin under baseline peak conditions and a 1,574 MW capacity margin under extreme peak conditions; neither of these projections accounts for 529 MW of Special Case Resource (SCR) capacity that may be available. For New York City, NYISO is projecting a 1,636 MW capacity margin under baseline peak conditions and a 1,178 MW capacity margin under extreme peak conditions; these projections do not account for 427 MW of NYC SCR capacity.

Finally, NYISO reported on the availability status of several major transmission facilities for this summer. The 345 kV Hudson-Farragut B3402 (“B”) and Marion-Farragut C3403 (“C”) Lines continue to remain out of service, as does the 230 kV St. Lawrence-Moses L33 Phase Angle Regulator (PAR); NYISO noted that this latter facility has been out for about 2 years and is expected to remain out of service for another year. Alternating outages of the 230 kV Moses-Adirondack MA-1 / MA-2 Lines are being taken for rebuilding and the 230 kV Porter-Rotterdam Line will also be out of service for most of the summer; however, these outages can be recalled if necessary to support summer operations. The 345 kV Marcy South Series Capacitors will be in service for Summer 2021.

Evaluation of CRIS Expiration Rules

NYISO presented a status update regarding the 2021 CRIS Expiration Evaluation project; the deliverable of this project is a Q3 Market Design Concept Proposed.

This effort is evaluating three aspects of the CRIS expiration rules: 1) the 3-year retention of Capacity Resource Interconnection Service (CRIS) by certain Retired units; 2) the transfer of CRIS rights from one facility to another; and 3) the partial expiration of a facility's CRIS rights. NYISO suggested that stakeholders consider several potential enhancements.

One rule modification would expand on the requirement that a facility must provide notification if a CRIS transfer will occur prior to the start of the next Class Year Study; requiring the transferor to demonstrate that a transfer is both anticipated and feasible before its CRIS expires could enable greater utilization of unused CRIS. Another change would allow CRIS transfers between facilities at the same electrical location even if the transferor unit is not deactivating; allowing a unit that is not deactivating to transfer its unused CRIS could increase flexibility as more resources (e.g., public policy resources) interconnect to the system. Finally, NYISO suggested that, by creating new rules to allow partial expiration of CRIS, it would be able to limit the CRIS of both new and existing resources to a facility's actual capability. The current rules allow a facility to hold CRIS in excess of its capability, which could occur if a unit: 1) requests CRIS equal to its full nameplate MW but its Net MW output cannot ever reach that level; 2) downsizes after obtaining its CRIS; or 3) only uses a portion of its CRIS in the ICAP Market.

Update to Regulation Movement Multiplier

NYISO proposed that the Regulation Movement Multiplier (RMM) be updated from 13 to 8.

Regulation Movement is measured as the change in a Regulation Service provider's Energy output or Demand Reduction level over a 6 second interval. The RMM is a ratio that represents the historical relationship between the hourly Regulation Capacity requirement and the amount of Regulation Movement MW needed in each hour. Scheduling of Regulation Service providers is based on the product of the RMM and the supplier's Regulation Movement Bid price.

In 2015, the RMM was updated from 10 to 13 based on NYISO's analysis of the observed average ratio of Regulation Movement MWs to Regulation Capacity MWh. NYISO has observed a recent decrease in this ratio since October 2020, coinciding with AGC software tuning that has increased the efficiency with which regulation movement is procured. NYISO reported that this average ratio was approximately 12 prior to October; since then, the average ratio has been approximately 8.

NYISO will request stakeholder approval in May of the Tariff revisions needed to implement this change.