Report on
CURRENT MARKET INITIATIVES RELEVANT TO RELIABILITY
August 11, 2017

1) Locational Capacity Requirements (LCR): Review of Alternate Methodologies

The NYISO has initiated stakeholder discussion on evaluating improved methodologies for setting LCRs aimed at finding an economic least cost way of determining LCRs while preserving the NYSRC reliability criteria. There are multiple possible approaches to determine the LCR requirement for a Capacity Zone after the IRM has been set under NYSRC's Policy 5. NYISO recognizes that some methodologies may require modifications to Policy 5, which must be approved by the NYSRC.

Implications to Reliability: Enhanced system reliability and resiliency through resource availability and improved planning processes, and improved market efficiency and transparency.

Update: NYISO continued discussions with stakeholders on alternative methods for determining Locational Minimum Installed Capacity Requirements (LCRs). This effort will look for ways to optimize LCRs based on minimizing capacity costs statewide while maintaining minimum Loss of Load Expectation criteria, consider incorporating transmission security obligations into the LCR determination and evaluate if alternative cost allocation rules are necessary. The NYISO is continuing analysis and discussions on the viability and stability of the process, and has discussed the findings with stakeholders and NYSRC's ICS committee. The NYISO expects to present the concepts at the August NYSRC EC.

2) Capacity Exports from Localities

The NYISO MMU has raised concerns with the capacity market pricing outcomes if resources located in import constrained localities sell their capacity to external control areas. Currently, Roseton has been awarded a forward capacity market obligation for the 2018/2019 period. ISO-NE has implemented changes that would accelerate opportunities for participation and would allow resources to participate in the 2017/2018 auctions.

Implications to Reliability: The NYISO does not expect negative impacts to reliability.

Update: Stakeholders approved an approach for reflecting Capacity Exports from Localities in the 2017/2018 Capacity Markets, encouraging ongoing analysis and development of markets rules for enhancing the modeling treatment for future years. NYISO has implemented the approved methodology to recognize that an exporting generator continues to operate within its Locality. NYISO and GE are exploring alternative methodologies to investigate and evaluate probabilistic locality exchange factors. No viable alternatives have been developed that could supplant the deterministic locality exchange factor calculations.

3) Distributed Energy Resources

To ensure NYISO markets are capable of integrating Distributed Energy Resources (DERs) in greater numbers and to provide clarity as to how they can realize value for their services, NYISO staff has engaged Market Participants in the development of a DER Roadmap. The roadmap seeks to build a 3-5 year plan for market enhancements that better integrate DERs into NYISO's markets. Using the Roadmap, the NYISO's vision is to develop a series of market enhancements to more fully integrate and optimize DERs. Opening New York's wholesale markets to DER will support the NYISO goals to improve market animation, increase system wide efficiency and improve system reliability and resiliency. The NYISO has released its Distributed Energy Resource Roadmap.

Implications to Reliability: Enhanced system reliability and resiliency through distributed resource availability and active management of load consumption based upon market conditions.

Update: Stakeholder discussions have commenced and are focused on aggregations, pilot projects, measurement and verification and meter data policy. As specific programs are developed, NYISO will return to NYSRC to provide relevant updates.

4) Capacity Zone Elimination

The NYISO has engaged stakeholders in discussions to consider whether a mechanism was necessary to eliminate a capacity locality and, if necessary, to develop market rules to facilitate the transition. The NYISO's efforts are guided by an objective to provide market certainty to participants that would seek to invest in the resources necessary to maintain reliability while minimizing potential inefficient market outcomes.

Implications to Reliability: Capacity locality price signals are necessary to ensure resources and built and maintained where needed to sustain resource adequacy and transmission security.

Update: NYISO has observed that the development of capacity zone elimination rules based solely upon deliverability criteria will not present a robust solution that accurately captures reliability needs. The NYISO is recommending the discussion expand to consider sound reliability criteria, such as resource adequacy and transmission security, as applicable to both the creation and elimination of zones.

5) PJM Pseudo-Tie Tariff Revisions

On March 9, 2017, PJM filed proposed pseudo-tie tariff revisions with FERC to enhance rules governing generation resources physically located outside the PJM Region that serve as capacity for loads in the PJM Region. The filing specifies that new PJM Capacity Market Sellers must meet three key requirements: (1) that the resource will be pseudo tied to (i.e.; scheduled and dispatched by) PJM; (2) the Capacity Market Seller has made acceptable transmission service arrangements to deliver the output of its generation to PJM; and (3) the Capacity Market Seller has made a written commitment that the resource is subject to the same obligations imposed on Generation Capacity Resources located within the PJM Region.

Implications to Reliability: Transition of the resource to outside dispatch control may create market efficiency, reliability and seams concerns.

Update: The NYISO has filed a protest to PJM's filing. FERC has issued a deficiency letter to PJM seeking responses to a number of detailed questions. PJM and MISO are preparing a joint filing at FERC proposing a mutually agreeable pseudo-tie program.