Attachment VII

New York ISO
Independent System Operator

Consumer Impact Analysis: Comprehensive Mitigation Review Proposal

Reposted with Updated Data from the Analysis Group Final BSM Report

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Agenda

- Background
- Comprehensive Mitigation Review Proposal
- Consumer Impact Analysis Evaluation Areas
- Cost Impact Methodology and Assumptions
- Cost Impacts
- Other Impacts

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Background

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Background

- **The current Buyer Side Mitigation (BSM) rules when applied to state supported resources are increasingly viewed by both state and federal regulators as costly to consumers, resulting in inefficient outcomes that are ultimately counterproductive**
- **The NYISO believes that any modification of BSM rules must support just and reasonable Installed Capacity (ICAP) Market rates, continue to allow the ICAP Market to attract and retain resources to maintain resource adequacy, be supported by stakeholders and the FERC, and be legally durable**
  - Therefore, the role of accurately valuing installed capacity resources' contribution to resource adequacy is extremely important when considering BSM reforms
    - The NYISO has adjusted the schedule for Improving Capacity Accreditation accordingly
- **The premise of the new approach aims to:**
  - Eliminate BSM risk for CLCPA resources
  - Simplify currently complex and administratively burdensome BSM process

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Reason for Reposting Presentation

- **Revised the cost impacts and other related information provided at the November 2, 2021, presentation based on updated marginal and average accreditation and IRM/LCRs values from the Final Analysis Group BSM report[1] (Changes throughout the presentation appear in Blue)**
  - Lower IRM and LCRs result in an average decrease of $466 million in capacity market procurement costs across all cases
  - Updated average accreditation values result in an additional $26 million in cost savings compared to previous results
  - Updated marginal accreditation values result in a $0.5 million reduction in cost savings compared to previous results
- **Marginal Accreditation sensitivity case with additional fossil derates**
  - Sensitivity shows $85 million in additional potential costs savings using marginal accreditation

1 Available at: https://www.nyiso.com/documents/20142/25957407/AG%20BSM%20Report%20Draft%20and%20Appendix%20A%202021.11.01.pdf/e451a309-a5a6-87a8-508a-e37cc44fcf94

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Comprehensive Mitigation Review Proposal

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Comprehensive Mitigation Review Proposal

- **The NYISO's Comprehensive Mitigation Review proposal includes the following:**
  - BSM Reforms
    - New resources that are required to satisfy the goals specified in the CLCPA will not be subject to review by the NYISO under the BSM rules or otherwise subject to an offer floor as discussed at the September 9 ICAPWG
  - Capacity Accreditation
    - The NYISO is currently working with stakeholders to establish a framework proposal to reexamine the capacity accreditation of all resource types in the NYISO's ICAP Market
    - For details on the current proposal, please see the materials posted to the September 28 ICAPWG
  - ICAP/UCAP Reference Price Translation
    - The NYISO is proposing to adopt Potomac Economics' recommendation to translate the ICAP Reference Price to a UCAP Reference Price using the derating factor of the peaking unit underlying the relevant ICAP Demand Curve
    - For details on this part of the proposal, please see the materials posted to the August 31 ICAPWG
- **Consumer and Market Impacts presented by the Analysis Group, Potomac Economics, and the NYISO to support the Comprehensive Mitigation Review proposal**
  - Analysis Group's supporting analysis examined the impact of a large influx of state-supported resources into the NYISO's ICAP Market
  - NYISO and Potomac Economics' Consumer Impact Analyses presented at the November 2 ICAPWG
- **The NYISO believes that all aspects of this proposal and supporting analyses are necessary to ensure that ICAP Market remains competitive and effective, and continues to provide just and reasonable outcomes**

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Consumer Impact Analysis Evaluation Areas

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Consumer Impact Analysis (IA) Evaluation Areas

- Developed the potential impact on all four evaluation areas

RELIABILITY

By more accurately valuing each resource's contribution to reliability, Marginal Capacity Accreditation ensures an efficient and well functioning ICAP Market that supports reliability and the achievement of public policy goals

COST IMPACT/ MARKET EFFICIENCIES

Capacity Market Procurement costs in 2026 will be approximately $31 million lower compared to the status quo using the Average Accreditation approach, while procurements cost will be $118 million lower using the Marginal Accreditation approach proposed by the NYISO

ENVIRONMENT/ NEW TECHNOLOGY

The use of marginal accreditation also results in the most economically efficient resources needed to reduce carbon emissions and help guide future state and LSE procurement decisions to achieve the CLCPA

TRANSPARENCY

The Marginal Accreditation approach is critical in informing efficient public and private investment decisions by properly signaling which resources are best suited to support grid reliability

Cost Impact Methodology and Assumptions

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Consumer Impact Methodology and Assumptions

- **The NYISO analysis compared the status quo to:**
  - the CMR Proposal,
  - an average accreditation approach, and
  - a marginal accreditation sensitivity with additional fossil derates
- **The analysis is focused on impacts for a 2026 resource mix**
- **The analysis compared capacity market procurement costs**
  - The analysis also provides other information such as utilized capacity accreditation values

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Consumer Impact Methodology and Assumptions

- **Assumptions**
  - The NYISO utilized the 2026 resource mix from the Grid in Transition study in all cases
  - The analysis is based on the load forecast, IRM, LCRs, and supply mix assumptions from the Analysis Group's CMR market impact study
  - Capacity values comparing the status quo, marginal and average methodologies are utilized
    - Status quo values are based on the existing tariff
    - Marginal capacity values are from the Grid in Transition study
    - Average capacity values were derived from the marginal values above
  - The proposed ICAP/UCAP Reference Price Translation update was utilized in all cases
  - The marginal accreditation sensitivity included an additional 5% and 2% derate to Upstate and Downstate fossil generation, respectively, on top of historic average EFORd

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Cost Impacts

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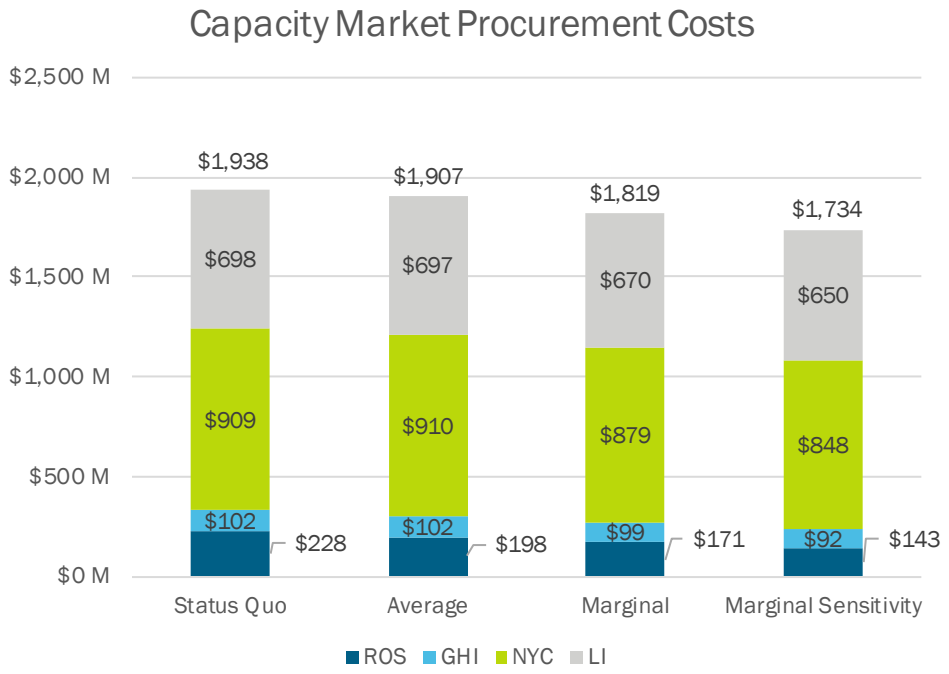
Cost Impacts

- **Compared to status quo:**
  - Average accreditation cost savings: $31 million
  - Marginal accreditation cost savings: $118 million
  - Marginal accreditation sensitivity cost savings: $203 million



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Clearing Quantities

- **Compared to status quo:**
  - Average accreditation results in 966 MW less UCAP in NYCA in the summer
  - Marginal accreditation results in 1,729 MW less UCAP in NYCA in the summer
  - Marginal accreditation sensitivity results in 2,367 MW less UCAP in NYCA in the summer

Comp	ICAP	Summer UCAP			
		NYCA	G-J	NYC	LI
Status Quo	48,015	38,398	13,123	8,871	5,193
Average		37,433	13,123	8,871	5,184
Marginal		36,670	12,977	8,724	5,088
Marginal Sensitivity		36,031	12,748	8,580	5,015

Comp	ICAP	Winter UCAP			
		NYCA	G-J	NYC	LI
Status Quo	48,970	37,238	13,704	9,289	5,391
Average		37,179	13,704	9,289	5,390
Marginal		36,779	13,540	9,125	5,287
Marginal Sensitivity		36,081	13,296	8,970	5,210

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System Derating Factors

- **Compared to status quo:**
  - Average accreditation has a 2.2% higher summer NYCA system derating factor
  - Marginal accreditation has a 4.0% higher summer NYCA system derating factor
  - Marginal accreditation sensitivity has a 5.4% higher summer NYCA system derating factor

Comp	Summer System Derating Factors			
	NYCA	G-J	NYC	LI
Status Quo	20.55%	14.50%	17.42%	20.78%
Average	22.76%	14.50%	17.42%	20.96%
Marginal	24.51%	15.51%	18.90%	22.67%
Marginal Sensitivity	25.97%	17.08%	20.36%	23.99%

Comp	Winter System Derating Factors			
	NYCA	G-J	NYC	LI
Status Quo	23.86%	13.70%	16.34%	20.21%
Average	23.99%	13.70%	16.34%	20.22%
Marginal	24.86%	14.77%	17.90%	22.00%
Marginal Sensitivity	26.40%	16.36%	19.39%	23.34%

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Accreditation Factors

Accreditation Approach	Onshore Wind		Offshore Wind		Solar		2-HR Storage		4-HR Storage	
	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter
Status Quo	16.0%	34.0%	30.5%	36.4%	46.0%	2.0%	49.1%	49.1%	90.2%	90.2%
Average	12.1%	33.7%	30.5%	36.4%	28.4%	1.0%	49.1%	49.1%	90.2%	90.2%
Marginal	10.6%	28.9%	29.1%	32.4%	18.6%	0.2%	39.0%	39.0%	78.1%	78.1%

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Other Impacts

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Reliability Impacts

- By more accurately valuing each resource's contribution to reliability, Marginal Capacity Accreditation ensures an efficient and well functioning ICAP Market that supports reliability and the achievement of public policy goals
- Marginal Capacity Accreditation also provides signals to attract and retain the most efficient resources in New York

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Environmental Impacts

- The use of marginal accreditation also results in the most economically efficient resources needed to reduce carbon emissions and help guide future state and LSE procurement decisions to achieve the CLCPA

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Impacts on Transparency

- The Marginal Accreditation approach is critical in informing efficient public and private investment decisions by properly signaling which resources are best suited to support grid reliability

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Questions?

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Our mission, in collaboration with our 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 policymakers, stakeholders and investors in the power system

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