

# Attachment I

Evaluation of the Potential Market Problem:  
Screens to Identify Potential Physical Withholding

Presented to the NYISO's Market Issues Working Group on  
May 3, 2013



# **Evaluation of the Potential Market Problem: Screens to Identify Potential Physical Withholding**

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May 3, 2013



## Introduction

- On April 8, the NYISO identified an issue that it determined might constitute a Market Problem.
  - ✓ The NYISO determined that the screen used to check for potential physical withholding conduct does not apply the portfolio criteria appropriately.
  - ✓ The issue was identified following an ad hoc review of the report by MMA staff.
- On April 9, the MMU was informed by the NYISO of the potential Market Problem.
  - ✓ We were asked to evaluate the effects of the issue and report our findings to stakeholders.
- This presentation describes the issue and evaluates its effects on the market.



## Description of the Incorrect Screening Criteria

- MST Section 23.3.1.1.1.1 requires the NYISO to screen for potential physical withholding where the unoffered amount exceeds:
  - ✓ 100 MW or 10 percent of capability of a Generator; or
  - ✓ 200 MW or 5 percent of capability in a portfolio.
  - ✓ In NYC, the MW-thresholds are 50 MW and 100 MW, respectively.
- The generator-specific screens were performed correctly.
  - ✓ However, portfolio-level unoffered capacity was incorrect – based on average unoffered MWs per unit in the portfolio rather than total MWs in the portfolio; and
  - ✓ Generator-level MWs exceeding 10 percent were frequently deemed unlikely to be significant based on the portfolio-level criteria.
- Consequently, potentially withheld MWs were not evaluated for some Generators with under 100 MW (50 MW in NYC) of such capacity.
  - ✓ This is most relevant for portfolios with a large amount of peaking capacity.



## Evaluation of Impact in the DAM & RTM

- The potential effect of the issue is reduced to the extent that unscreened units would have been identified by one of the following:
  - ✓ The NYISO's generator-specific screens. (DAM & RTM)
  - ✓ The NYISO's ICAP compliance process, which confirms suppliers offer in the DAM or log outage appropriately. (DAM only)
  - ✓ The NYISO's reviews generator outage logs for consistency with outage scheduling rules and procedures and audits selected generators. (DAM only)
- MMU screens for unutilized economic capacity in the DAM and RTM on a daily basis, identifying instances that may have significant market impact and generators that exhibit abnormal outage patterns, considering the technology of the generator.
  - ✓ There is little indication of substantial market impact from the screening issue identified by the NYISO, particularly in the DAM.





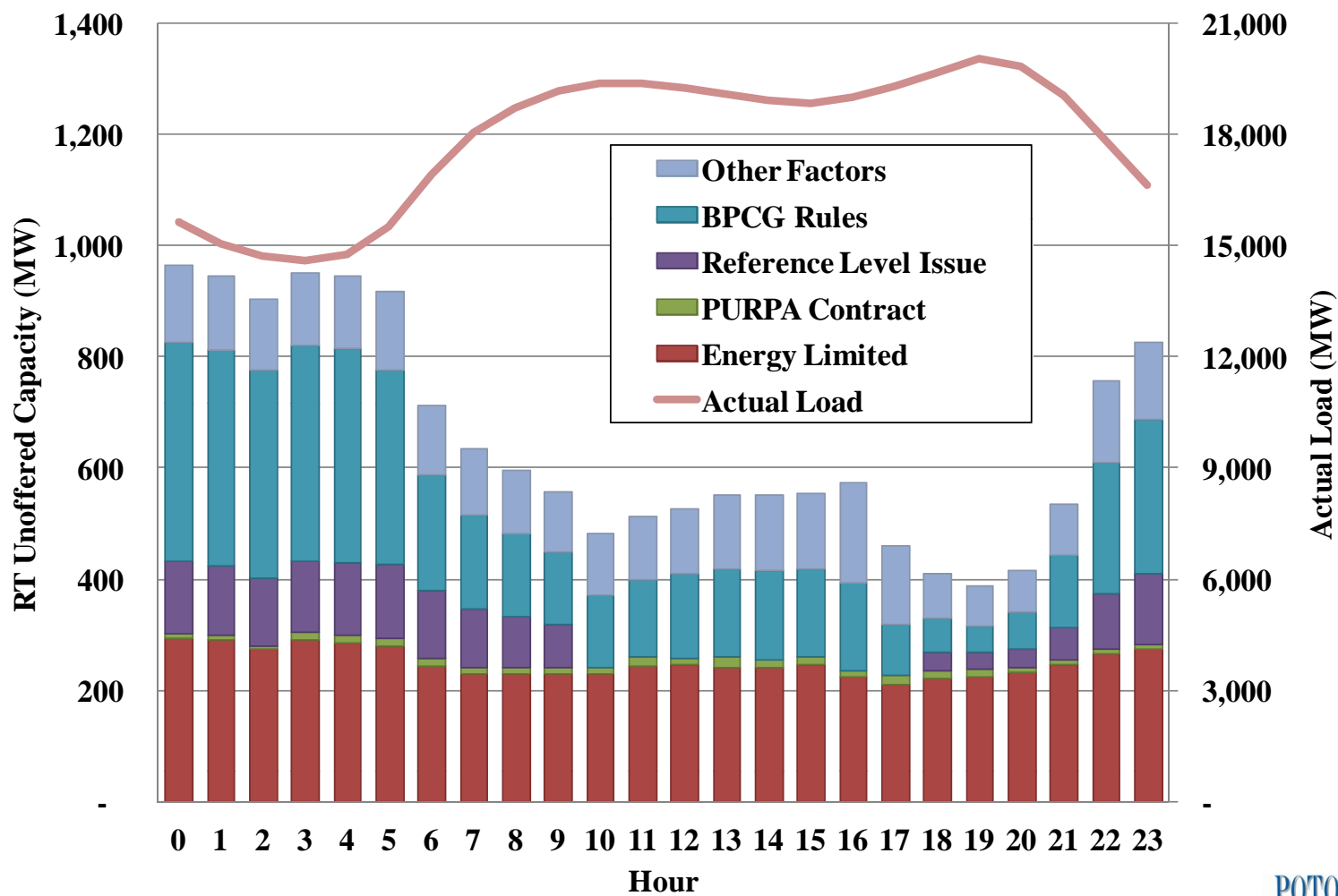
## Evaluation of Impact in the RTM

- The NYISO has appropriately screened some RTM conduct using:
  - ✓ The generator-specific screens; and
  - ✓ The insufficient portfolio screens.
- We are evaluating capacity that was not properly screened to assess whether there was significant impact. The next figure summarizes the evaluation for March 2013, showing capacity on resources:
  - ✓ With Energy Limitations;
  - ✓ Under a PURPA Contract;
  - ✓ Whose Reference Level does not reflect the full cost of natural gas;
  - ✓ May not recover as-offered cost due to BPCG Rules in the real-time market; and
  - ✓ Other Factors.



# Evaluation of Impact in the RTM

## March 2013





## Evaluation of Impact in the RTM

- We performed a more detailed assessment of generators in the “other” category to determine whether they raise competitive concerns. This category includes:
  - ✓ 91.3 GWhs (~ 123 MW on average) statewide; and
  - ✓ 22.7 GWhs (~ 31 MW on average) in New York City.
- After excluding capacity from the “other” category that is highly unlikely to satisfy impact thresholds, further evaluation may be necessary for:
  - ✓ 1.6 GWhs statewide (includes eight units spread across 14 hours); and
  - ✓ 141 MWhs in New York City (includes four units spread across five hours).
- Further evaluation may identify competitive justifications for the unoffered capacity.