



Alternative FCM Commitment Horizons – ISO Proposal to Delay FCA 19 to Facilitate Prompt/Seasonal Design

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178

Proposed Effective Date: June 2024

- Since August 2023, ISO and Analysis Group have discussed considerations and tradeoffs associated with the potential development of a prompt and/or seasonal capacity market with stakeholders
 - Culminated in an Analysis Group recommendation for the ISO to develop a prompt and seasonal capacity market
- Consistent with Analysis Group’s recommendation, the ISO is proposing a further delay to FCA 19 to allow for time to design a prompt and seasonal capacity market with capacity accreditation
- This presentation (1) reviews the ISO’s consideration to move to a prompt and seasonal capacity market, (2) concludes the proposal for an additional delay to the FCA 19 processes to incorporate time to develop a prompt and seasonal capacity market design, and (3) addresses follow up questions from the February MC meeting

Background: Summary of Discussions to Date

- ISO, Analysis Group, and stakeholders have discussed the tradeoffs associated with prompt and/or seasonal capacity market concepts across several Markets Committee meetings
- Discussions have covered a range of topics including:
 - Potential market and reliability impacts
 - Possible interactions with capacity accreditation
 - Anticipated impacts under a future decarbonized grid
 - Key outstanding design questions and details
- Culminated in an [Analysis Group report](#) recommending the development of a prompt and seasonal capacity market



ISO Proposal

- Consistent with this recommendation, ISO is proposing a further two-year delay to FCA 19 to allow time to design a prompt and seasonal market for CCP 19
 - Allows time for ISO to develop capacity accreditation reforms for CCP 19 in the context of a prompt and seasonal market
 - Timing of when auction(s) for CCP 19 would be run under prompt and seasonal framework would be determined as part of detailed design
- Under the proposal, FCA 19 would be run in February 2028 in the event that the redesign of the capacity market is not completed or accepted by FERC



Assessment of Gas Market Constraint

- As part of the Resource Capacity Accreditation effort, ISO has discussed numerous approaches to accrediting natural gas resources for the winter months
- As explained in its [January memo to the Markets Committee](#), ISO's preferred approach is the market constraint approach, but this approach is not feasible for FCA 19 under a one year delay
- Several stakeholders noted a similar preference for a market constraint approach



ISO will Develop a Market Constraint for Gas Resources Under Prompt/Seasonal Design

- At the February MC, stakeholders asked if the ISO could develop and implement a market constraint for gas under a prompt and seasonal capacity market
- After stakeholders and FERC approve the ISO's further delay proposal, the ISO will begin developing a market constraint for gas resources as part of a prompt and seasonal capacity market design for CCP 19
- Will prioritize this design item, along with several others (*next*)



ISO Plans to Prioritize Key Design Areas in Prompt, Seasonal, Accreditation Effort

- These design areas include:
 - Development of a gas market constraint
 - Determination of new retirement process
 - New auction schedule and timing
- ISO looks forward to working with stakeholders to develop these key areas as part of its detailed design work



Transition Back to Forward Auction: Overview

- If later proposed filing on prompt, seasonal, accreditation for CCP 19 is not successful, this path could reestablish the status quo for forward annual auctions
- Shifts all FCA 19 activities back by another two years (three years total)
 - No Annual Reconfiguration Auctions for CCPs 19, 20, and 21
- Employs a 10 month schedule over many auction cycles to return to three-year forward schedule
 - Reduced number of Annual Reconfiguration Auctions during ‘back to forward’ transition period
- Includes language allowing resources with early in-service dates to submit qualification materials in 2025 and 2026



Summary of Additional Tariff Changes Since February MC

| Tariff Section | Tariff Change | Reason for Change |
|----------------|--|----------------------------------|
| III.13.A.2 | Revised key date for CPS monitoring activity from November 1 to first Business Day in November | November 1 is not a Business Day |



Conclusion

- ISO is proposing a further two-year delay to FCA 19 to allow time to design a prompt and seasonal market for CCP 19, consistent with Analysis Group's recommendation
 - A two-year delay will provide time to develop capacity accreditation reforms for CCP 19 in the context of a prompt and seasonal market
- Under the proposed delay, FCA 19 would be run in February 2028 in the event that the redesign of the capacity market is not completed or accepted by FERC
- The ISO will prioritize development of several key aspects of the design (e.g., gas market constraint, retirement processes, auction schedule and timing)

Stakeholder Schedule

| Stakeholder Committee and Date | Scheduled Project Milestone |
|--|--|
| Markets Committee, July 11, 2023 , Aug 8-10, 2023 , Sept 12-13, 2023 | ISO reviews alternative FCM commitment period horizon key considerations |
| Markets Committee, Oct 11-12, 2023 | ISO overview of scope of AGI's work |
| Markets Committee, Nov 7-8, 2023 | AGI outlines methodology, gathers stakeholder feedback |
| Markets Committee, Dec 12-14, 2023 | AGI publishes draft report and presents key findings, gathers stakeholder feedback |
| Markets Committee, Jan 9-11, 2024 | AGI reviews final report; gathers stakeholder feedback |
| Markets Committee, Feb 6-7, 2024 | ISO recommendation develop a prompt/seasonal proposal. Introduce FCA 19 additional delay |
| Markets Committee, Mar 12-13, 2024 | Vote on FCA 19 additional delay |
| Participants Committee, Apr 4, 2024 | Vote on FCA 19 additional delay |

2024 Timelines of Possible Paths



- If FERC **accepts** the further delay, ISO will pause stakeholder discussions to evaluate scope and phasing of work, and develop a work plan for a combined accreditation design with a prompt/seasonal capacity market to implement for CCP 19
 - With stakeholder support of a further delay, the ISO plans to design a market constraint approach for gas resources in the combined design
 - The ISO will also place early focus on developing the retirement components of the design and bring those designs to stakeholders early in the process
 - The timing of when the auction(s) would run to be determined as part of detailed design
- If FERC **rejects** the further delay, ISO would target implementing RCA under the forward market construct for FCA 19 in Feb. 2026 (the approved one-year delay), with a FERC filing in Q4 2024
 - To help ensure success, the proposal will focus solely on **three core components** of the accreditation reforms currently under discussion in the stakeholder process (these components remain applicable when pivoting from forward to prompt/seasonal):
 - 1) MRI-based accreditation, 2) RAA modeling/seasonal risk, 3) modeling limited energy resources
 - Beyond these core components, cannot add to scope in a Q4 2024 filing
 - Ongoing filings will be required to address details for FCA 19/CCP 19 and beyond

2024 Timelines of Possible Paths, cont.

Full RCA Design with Prompt/Seasonal Capacity Market Construct

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|--|---|---|---|---------------------------------------|
| March, April, May Further discussion on RCA core design proposal | June Contingent on timing of FERC Order, may need to begin discussion of RCA core design Tariff language | July, August, September Pause and develop RCA-prompt/seasonal work plan | October Discuss work plan with stakeholders | November Commence work plan |
|--|---|---|---|---------------------------------------|

Complete stakeholder & regulatory process on further delay proposal

- March MC vote
- April PC vote
- April FERC filing
- June FERC Order

FERC Accepts Further Delay

FERC Denies Further Delay

| | | | | | |
|--|---|---|--|--|--|
| March, April, May Further discussion on RCA core design proposal | June Begin discussion of RCA core design Tariff language | July, August Continue discussion of Tariff language, amendments | September MC vote on RCA core design | October PC vote and file with FERC | November-on Ongoing filings required to address details for FCA 19/CCP 19 and beyond |
|--|---|---|--|--|--|

If FERC does not accept RCA design, ISO would run FCA 19 without RCA in Feb. 2026

Questions

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