



Amendment to ISO Interim Compensation Treatment Proposal

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Markets Committee Meeting



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About RENEW

An association of the renewable energy industry and environmental advocates united to promote renewable energy in the Northeast.





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Design Objective A Not Being Met: No Compensation for Actual Energy Provided

- ISO's Design Objective A: "Provide similar compensation for similar service"
- Chapter 3 proposal recognizes and appears to satisfy this objective.
 - "Levels the competitive playing field for the reliable delivery of **energy** through cold-weather conditions" – ISO's Design Principles presented to MC 9/13/18
- ISO's Interim Compensation proposal compensates only for inventoried energy
 - It does not compensate for energy actually provided during cold weather conditions
 - It therefor fails to meet Design Objective A because it does not recognize that providing energy during cold weather conditions is just as important, and a similar service, as providing inventoried energy during these conditions.



Energy and Inventory Are Both Needed to Ensure Winter Reliability

- Resources that provide energy during cold weather conditions are necessary to maintaining reliability.
- Resources that, due to their technology type, do this without relying on “inventoried energy” receive no direct compensation for this service under ISO’s proposal.
- Every MWh these resources provide means another MWh of inventory is able to be maintained. The two are interrelated.



Proposed Amendment:

Energy Actually Provided Should Receive Same Compensation as Inventory

- RENEW proposes that the spot rate be paid for either:
 - Inventory available at the end of the trigger day (as proposed by ISO), or
 - Actual MWh provided during the trigger day
 - (whichever is greater)
- Resources that:
 - provide energy without inventory (e.g., wind, gas without LNG contract)
 - paid LMP plus spot rate for what they actually provide
 - have inventory but provide no energy (e.g., oil)
 - paid exactly as ISO has proposed
 - provide energy and have inventory (e.g., nuclear)
 - are not double paid for both
 - are paid for inventory (exactly as proposed by ISO) unless they have less inventory than the MWh they actually produced during trigger day in which case paid for energy.
- Truly technology neutral
- More properly values winter energy security



Proposed Amendment:

Allow Forward Sale of Energy

- RENEW also proposes that resources that expect to provide energy during trigger conditions can sell forward seasonally for actual MWh to be provided in each event.
- Would settle at spot rate if they produce more MWh or fewer MWh during trigger period than committed.



Benefits of RENEW Amendment

- Modifies ISO proposal to achieve the design objective to “Provide similar compensation for similar service.”
- Does so at modest, if any, additional cost
- Does not double-pay for energy provided
- Provides incentive for better utilization of available energy/inventory supply



Questions

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