ISO new england

memo

To: NEPOOL Markets Committee

From: Market Development & Internal Market Monitor

Date: March 18, 2020

Subject: Updates to proposed Energy Security Improvements (ESI) Tariff language

Since the March 10-11 Markets Committee meeting the ISO has carefully reviewed stakeholder comments, feedback, and proposed amendments to the proposed ESI Tariff language discussed during that meeting. Based on that review the ISO has incorporated three updates to the proposed ESI Tariff language. This memorandum describes each update separately, below.

Removal of the ISO forecast output limitation on Intermittent Power Resources (IPRs)

The previously proposed limitations on IPRs in the proposed Tariff language have been removed. This modification has been made based on 1) a review of recent data suggesting the aggregate impact will rarely matter in practice, and 2) concerns relevant to IPRs in this regard could be better addressed by other, technology neutral, means. Below are the two proposed Tariff sections wherein the limitations on IPRs have been removed.

- *Section III.1.10.8 (a) (ii)* [below is a partial citation of this section for context and brevity]

  In scheduling the Day-Ahead Energy Market, the following limitations shall apply:

  (1) For purposes of satisfying the demand quantities for Day-Ahead Generation Contingency Reserve or Day-Ahead Replacement Energy Reserve specified in Sections III.1.8.5(a)-(e), the ISO shall not take into account an Energy Call Option Offer unless the Generator Asset or the Demand Response Resource associated with the Energy Call Option Offer meets the eligibility requirements enumerated in Section III.1.7.19.1.

  (2) For purposes of satisfying the Day-Ahead Energy Imbalance Reserve Demand Quantity specified in Section III.1.8.5(f), the ISO shall not take into account an Energy Call Option Offer unless the Generator Asset or the Demand Response Resource associated with the Energy Call Option Offer is either (i) scheduled for energy in the Day-Ahead Energy Market for the applicable hour, or (ii) is a Fast Start Generator or Fast Start Demand Response Resource.

  ~~*(3) For purposes of satisfying the Day-Ahead Ancillary Service demand quantities described in Sections III.1.8.5(a)-(f), the ISO shall not take into account any portion of an Energy Call Option Offer associated with a Generator Asset that is an Intermittent Power Resource that*~~

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~~exceeds the greater of (i) the ISO's forecast of the resource's real-time generation minus the resource's Day-Ahead Energy Generation Obligation for the applicable hour, and (ii) zero.~~

- *Section III.3.2.1 (q)(5)* *Forecast Energy Requirement Credit - Commencing on June 1, 2024, Market Participants with Generator Assets, Demand Response Resources, and External Transactions for the supply of energy scheduled in the Day-Ahead Energy Market shall ~~receive a credit, as follows:~~*

  ~~(i) Each Generator Asset (that is not an Intermittent Power Resource for which the ISO forecasts its real-time generation), Demand Response Resource, and Energy Transaction for the supply of energy, shall~~ be credited the Forecast Energy Requirement Price, calculated in accordance with Section III.2.6.2(a)(vii), for each MWh of the resource's Day-Ahead energy obligation.

  ~~(ii) Generator Assets that are Intermittent Power Resources for which the ISO forecasts the real-time generation shall be credited the Forecast Energy Requirement Price, calculated in accordance with Section III.2.6.2(a)(vii), for each MWh of the lesser of (a) the resource's Day-Ahead Energy Generation Obligation, or (b) the ISO's forecast of the resource's real-time generation~~.

Description of the hourly strike price determination

A simplification has been made to the proposed Tariff language describing the intent to develop, during the implementation phase, a forecasting tool for determining strike prices. As previously discussed with stakeholders, the precise mechanisms for determining and posting the strike price will be developed during the implementation phase, and as noted in the proposed Tariff language would be reviewed through the stakeholder process.

III.1.8.3 Energy Call Option Strike Price

For each hour of the Operating Day, the ISO shall specify the Energy Call Option Strike Price in $/MWh. The value of the Energy Call Option Strike Price shall represent a forecast of the expected hourly Real-Time Hub Price for each hour of the Operating Day.

The forecast used to determine the Energy Call Option Strike Price shall be based on ~~either a commercially-available forecasting service or~~ a publicly-available forecasting algorithm. The ISO shall identify the ~~commercially-available forecasting service vendor or~~ publicly-available forecasting algorithm~~, as applicable,~~ and shall review any potential revisions to the forecasting process, prospectively, through the stakeholder process.

The ISO shall post, publicly, the value of the Energy Call Option Strike Price for each hour of the Operating Day no later than two hours before the offer submission deadline for the Day-Ahead Energy Market specified in Section III.1.10.1A of this Market Rule 1, or such other time as necessary to account for software failures or other events.

Reporting on the performance and competitiveness of markets

A new section to Appendix A of Market Rule 1 (Section III.A.17.2.5) has been added to augment the evaluation scope and reporting responsibilities of the ISO and Internal Market Monitor concerning the competitiveness and performance of any major market design changes, which would include ESI.

III. A. 17.2.5. Additional Ad Hoc Reporting on Performance and Competiveness of Markets

Commencing on June 1, 2024, in furtherance of its functions under Section III.A.2 of this Appendix A, including without limitation Sections III.A.2.3 (e) and (k) therein, the Internal Market Monitor shall perform independent evaluations and prepare ad hoc reports on the overall competitiveness and performance of the New England Markets or particular aspects of the New England Markets, including the competitiveness and performance of a major market design change. The Internal Market Monitor shall have the sole discretion to determine when to prepare an ad hoc report and may prepare such report on its own initiative or pursuant to a request by the ISO, New England state public utility commissions or one or more Market Participants. However, the Internal Market Monitor will report on the competitiveness and performance of any new major market design change within one to three years, respectively, of the effective date of operation of the market design change, or as soon as adequate data becomes available. While the Internal Market Monitor may solicit and/or receive input of the External Market Monitor, Market Participants and other stakeholders, including New England state public utility commissions, the methodology and criteria used to conduct its independent analysis shall be at the sole discretion of the Internal Market Monitor. The Internal Market Monitor shall describe its methodology and criteria used in an ad hoc report of its significant findings and, if any, recommendations. The Internal Market Monitor shall file with the Commission and post to the ISO's website a final version of an ad hoc report. Thereafter, the Internal Market Monitor shall continue to report on the competitiveness and performance of any market design change that has been the subject of an ad hoc report in its quarterly and/or annual reports under Sections III.A.17.2.2 and III.A.17.2.4.