



Day-Ahead Ancillary Services Initiative (DASI)

Mitigation Enhancements for the Co-Optimized Day-Ahead Market

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Day-Ahead Ancillary Services Initiative: Mitigation Enhancements

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- With DASI, the ISO seeks to procure and transparently price the ancillary service capabilities needed to meet real-time energy demand and deliver a reliable, next-day operating plan with an evolving generation fleet
- To safeguard competitiveness, the ISO is concurrently proposing mitigation-related enhancements for the co-optimized day-ahead market
- Today's discussion:
 - Mitigation related cost recovery with Day-Ahead Ancillary Services (DA A/S)
 - Tariff redline summary of Appendix A provisions

OVERVIEW OF RULES FOR COST RECOVERY AND SCOPE OF CHANGE

Existing practices, and proposed approach to mitigation-related cost recovery with DASI



DA A/S and Mitigation-Related Cost Recovery

- Currently there are no provisions to address mitigation-related cost recovery of DA A/S costs
- It is appropriate to enable participants to seek redress for losses if DA A/S mitigation is inappropriately applied
- The next slides summarize ISO's current thinking on enhancements for DA A/S to the existing process in the Tariff
- These potential changes are not in today's Tariff redlines, but will be incorporated into the updated Tariff redlines for review at the June MC meeting
- We welcome stakeholder feedback, requested by May 19

Context for DA A/S Cost Recovery Provisions

- Existing provisions allow resources to seek recovery of fuel and variable operation and maintenance (VOM) costs
 - Current provisions are in §III.A.15 of ISO's Tariff
- The DA A/S creates new types of costs
 - Closeout and certain avoidable input costs associated with DA A/S are not explicitly addressed by current Tariff provisions
- The core concepts and process would remain the same
 - The overall process and obligation of the participant to make a filing with FERC remains the same as today



Three Parties in a Mitigation-Related Cost Recovery Filing

1. **Affected Market Participant:** files for recovery of losses due to mitigation under §205 of the Federal Power Act (FPA)
2. **IMM:** reviews the documents and facts, and opines on the merits of the affected participant's claim
 - The market participant includes the IMM's review in its cost recovery filing to FERC
3. **FERC:** adjudicates the affected Market Participant's claims

ISO is not proposing to change this general process



ISO's Proposed Enhancements for DA A/S mitigation

Three informational elements:

- Market Participant documents the *ex-ante* basis for each component of its DA A/S offer
 - ISO expects this would include the quantitative model the Market Participant used to calculate its DA A/S offer expected closeout component, its avoidable input cost and any other DA A/S components, with supporting explanation
- The Market Participant explains why mitigation should not have been applied
- Market Participant documents the losses incurred due to that application of mitigation
 - Including (*e.g.*) realized closeout losses, input energy related losses, and other direct losses for which the Market Participant seeks recovery
 - *See next slides on netting*

Netting of RT Profits and DA A/S Losses

- ISO does not support requiring affected participants to net RT market profits against claimed DA A/S losses
- Netting across markets can inefficiently alter the incentive to offer in RT
 - A participant that expects to make a cost recovery claim related to DA A/S mitigation would have incentive to raise its RT offers to show smaller RT profits
 - This could result in inefficient outcomes in RT



Netting Across DA Products Should be Reviewed Case by Case

- Appropriateness of netting profits and losses across DA energy and DA A/S products is more complicated
- DA A/S mitigation could increase or could decrease DA energy profits, depending on the clearing outcome particulars
 - This depends, among other things, on whether DA energy and DA A/S in the affected resource are substitutes or not
- It is possible that DA AS mitigation increases the DA energy profits, suggesting netting is appropriate, or that DA AS mitigation decreases, or does not change the DA energy profits, suggesting netting is not appropriate
- Evaluation of which applies should be reviewed on case by case basis
 - ISO is not inclined to prescribe one treatment or the other

Key Takeaways

- We welcome stakeholder feedback and input on these enhancements to the existing cost recovery provisions for DA A/S by May 19
- ISO will post Tariff language for stakeholder considerations before June MC Meeting

PROPOSED TARIFF CHANGES



Overview of Proposed Tariff Changes

- Tariff changes are required in support of DASI Mitigation
 - New defined terms
 - New provisions
- Today's presentation provides a walkthrough of the major Tariff changes associated with DASI Mitigation
 - Minor changes, such as updated cross-references, replacement of defined terms, and adjustment of section titles are not individually flagged in this presentation

Overview of Proposed Tariff Changes (*cont'd*)

The proposed Tariff changes we will discuss today are organized as follows:

- Defined terms (I.2.2)
 - New defined terms
- Mitigation (Appendix A):
 - Conduct and Impact Tests in new Section III.A.8
 - Screens for physical withholding added to Section III.A.4
- May MC Tariff redlines do not include potential forthcoming DASI-specific changes to:
 - Consultation Procedures
 - Mitigation Cost Recovery
 - Fuel Price Adjustment

New Defined Terms- DASI Mitigation

Tariff Section	New Defined Term	Reason
I.2.2	<ul style="list-style-type: none">• Day-Ahead Ancillary Services Avoidable Input Cost• Day-Ahead Ancillary Services Expected Close-Out Component• Day-Ahead Ancillary Services Benchmark Level	Terms defined to be used in the conduct and impact test of DA A/S mitigation

New Sections and Significant Revisions – DA A/S Mitigation

Tariff Section	Description of Change	Discussed at MC (slides)
III.A.8.1.1	Conduct Test.	January MC (39-54) February MC (3-23) March MC (11-18) April MC (4-27)
III.A.8.2 III.A.8.2.1 III.A.8.2.2	Day-Ahead Ancillary Services Benchmark Levels. Day-Ahead Ancillary Services Expected Close-Out Component Day-Ahead Ancillary Services Avoidable Input Cost.	February MC (3-13) March MC (11-18)
III.A.8.1.2. III.A.8.3 III.A.8.4	Impact Test and related calculations	Dec. MC (11, 13, 17) February MC (24-34) April MC (28-38)
III.A.8.1.3.	Consequence of Failing Both Conduct and Impact Test	Dec. MC (14) February MC (27) April MC (30)

New Sections and Significant Revisions – DA A/S Mitigation

Tariff Section	Description of Change	Discussed at MC (slides)
III.A.4.2.1.	Thresholds for Identifying Physical Withholding (Initial Thresholds)	March MC (3-10) April MC (39-43)

Summary of Proposed Tariff Changes - Other Assorted Updates

Tariff Section	Description of Change	Reason
III.A.2.4.6	Former III.A.5.9 moved, edited to include DA A/S mitigation	Clarity
III.A.2.4.7	Former III.A.5.10 moved, edited to accommodate joint DA market	Clarity
III.A.17.2.5	IMM ad hoc reporting provision proposed by ISO in ESI	Clarity
III.A.2.3 (j), (l), (m)	Edited to include DA A/S Market in IMM's monitoring for withholding, generally	Clarity
III.A.2.4.2, III.A.2.4.3	Edited to include DA A/S Offers in mitigation, generally	Clarity

Next Steps

- Continue Discussion on DASI Mitigation Tariff Language



Questions

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