

NYISO TAKES FIRST STEPS ON TARIFF AMENDMENTS FOR ENERGY STORAGE RESOURCES

Hodgson Russ Renewable Energy Alert
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On March 18, 2020, the New York Independent System Operator's (NYISO) Business Issues Committee (BIC)^[1] recommended new tariff language for the energy storage resource (ESR) model. On March 25, 2020, the NYISO's Management Committee agreed with the BIC's recommendation and further recommended that the NYISO's Board of Directors authorize the filing of the amendments with the Federal Energy Regulatory Commission (FERC). The NYISO proposed tariff language for ESRs in its Order 841 December 2018 and June 2019 compliance filings and continued to investigate a full participation model for ESRs. The newly recommended language details methods for setting service schedules, offer caps, and bidding requirements, among other new details identified by the NYISO during its software development for ESRs.^[2] The tariff changes are expected to come before the NYISO's Board of Directors for the final stage of state-level approval this month.

I. Background

In response to FERC Order 841, which required that all Independent System Operators and Regional Transmission Operators remove barriers to the participation of ESRs in all markets in which they are technical capable of participating, the NYISO proposed modifications to its Market Administration and Control Area Services Territory (MST) Tariff. The MST Tariff sets forth conditions for payment by the NYISO to suppliers that provide ancillary services. Ancillary services are those functions that are necessary to support the reliable transmission of energy on the grid, such as reactive supply and voltage support services, regulation service, operating reserve service, and "black start" capability.

II. New Tariff Language for Energy Storage Resources

The new tariff language is intended to better align the software model for ESRs with the physical and operating characteristics of those resources, and remove inefficiencies identified through further modeling. The provisions provide details around day-ahead assurance payments for energy storage suppliers, the NYISO's planned methodology for setting day-ahead and real-time schedules, generator offer caps, mitigation, and reference levels, and bidding requirements for installed capacity (ICAP) suppliers.

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Specifically, the tariff changes would provide that:

- Fast-start units that increase their minimum generation bids in real-time will not be eligible for day-ahead margin assurance payments. This rule is already in place for units that seek to increase their incremental energy bids or start-up bids in real-time.
- According to the NYISO, the real-time dispatch software will prevent infeasible dispatch of ESRs by accounting for the energy level of all ESRs. In its Order 841 compliance filings, the NYISO planned to produce feasible schedules by either reducing the resource's upper operating limit or increasing its lower operating limit. The NYISO determined during software development, however, that adjustments to operating limits would be unnecessary and potentially inefficient.
- Feasible, real-time schedules for ESRs will be produced based on the actual, telemetered energy storage level of the resource.
- Adjustments will be allowed to mitigate an ESRs' incremental energy curve if it is needed to account for round-trip efficiency.
- ESRs will be calculated using cost-based reference levels.
- ESRs that are ICAP suppliers will be treated like other ICAP suppliers in the day-ahead market. That is, ESR ICAP suppliers will have a day-ahead market bid/schedule/notify obligation equal to the ICAP equivalent of unforced capacity sold. This rule will ensure that the energy backing the ESR's capacity is available and if it is not, the ISO will be notified, enabling it to respond effectively to the capacity need. According to the NYISO, this rule is needed because, without it, an ESR could meet its tariff obligation and not make the energy available.

III. Load Forecasting Manual Revisions

The Management Committee also approved revisions to the NYISO's Load Forecasting Manual addressing behind-the-meter (BTM) net generation in the installed capacity market forecast. A BTM net generator is a generator that has excess capability after serving the load at the location where it is sited. The NYISO's proposed changes will better reflect the weather responses of these resources by using the top 20 hours of each resource from within the top 40 hours during summer. This forecasting methodology is already used for the NYISO's demand response process.

IV. What's Next?

The changes recommended by the BIC and the Management Committee now proceed to the NYISO's Board of Directors. The Board of Directors plans to convene in April. If the Board of Directors approves the tariff changes and authorizes the filing of the tariff modifications, the NYISO will file the modifications with FERC. The NYISO aims to make this filing in April 2020 and, should FERC accept the modifications, make these rules effective, along with its other Order 841 compliance changes, by September 30, 2020.

To learn more about the new tariff language for the energy storage resource model please contact a member of Hodgson Russ's Renewable Energy Practice.

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^[1] The BIC is a standing committee of the NYISO that provides a forum for discussing and addressing market rules relating to business issues. The BIC oversees numerous working groups, including the Market Issues Working Group and the Installed Capacity (ICAP) Working Group.

^[2] More details on the proposed modifications can be found at https://www.nyiso.com/documents/20142/11460854/05%20MC_032520_ESR_Tariff.pdf/c3d99313-2084-e6fa-4967-cd949e490503. The tariff text can be found in the meeting materials located at <https://www.nyiso.com/management-committee-mc-?meetingDate=2020-04-29>.