



Briefing on policy initiatives to enhance viability of flexible resources

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Several policy initiatives planned for implementation over the next three years that will enhance the viability of flexible resources

- Market evolution structured around design principle of providing efficient price signals for supply resource attributes needed for reliable grid operations
- Policy initiatives are focused on three areas:
 - Improved price formation and cost recovery
 - Creating new products and market structures that appropriately value flexible resource attributes
 - Improved resource adequacy requirements and ISO backstop provisions to align with changing reliability needs

Initiative	Impact	Focus	Board Approval	Implementation Target
Generator Contingency and Remedial Action Scheme Modeling	Enhances market pricing by including generator contingencies and remedial action schemes into determining locational market prices	Creating products or market structures that appropriately value flexible resources	September 2017	February 2019
Commitment Cost Enhancements Phase 3	Enhances market pricing by allowing flexible resources to reflect opportunity costs due to environmental limitations in their commitment costs, resulting in more optimal dispatch and improved cost recovery	Cost recovery and price formation	March 2016	Spring 2019
Imbalance Conformance Enhancements	Enhances market pricing by allowing market to incorporate scarcity pricing when appropriate	Cost recovery and price formation	May 2018	Spring 2019

Initiative	Impact	Focus	Board Approval	Implementation Target
Commitment Cost and Default Energy Bids / FERC Order 831	Enhances market pricing and generator cost recovery by enabling generators to bid their actual costs into the market	Cost recovery and price formation	March 2018	Fall 2019
Intertie Deviation Settlement	Tightens rules to ensure imports bid into the market are delivered, ensuring imports compete more evenly with flexible resources which will lead to enhanced market prices	Cost recovery and price formation	February 2019	Fall 2019
Local Market Power Mitigation Enhancements	Enhances market pricing and introduces hydro default energy to potentially increase flexible hydro resource participation	Cost recovery and price formation	March 2019	Fall 2019

Initiative	Impact	Focus	Board Approval	Implementation Target
Day-Ahead Market Enhancements	Changes day-ahead market to 15-minute granularity and adds the flexible ramping product, which will price flexible resource's capabilities into the day-ahead market	Creating products or market structures that appropriately value flexible resources	Q1 2019/Q4 2019	Fall 2020/2021
Contingency Modeling Enhancements	Prices reliability constraints for critical transmission paths into the market and provides a capacity payment to generators	Creating products or market structures that appropriately value flexible resources	December 2017	Fall 2020

Initiative	Impact	Focus	Board Approval	Implementation Target
Resource Adequacy Enhancements	Aligns resource adequacy requirements with system needs and adds multi-year requirements to ensure needed flexible resource receive resource adequacy contracts that will keep them economically viable	RA requirements and ISO backstop provisions	November 2019	Fall 2020
Reliability Must-Run and Capacity Procurement Mechanism Enhancements	Improves ISO's resource adequacy backstop provisions to fully compensate resources without resource adequacy contracts that are needed for reliability	RA requirements and ISO backstop provisions	March 2019	Fall 2019

Longer-term initiatives

- Frequency Response
 - Will examine a potential frequency response product that would provide flexible resources with additional revenue for their frequency response capability
 - Policy development 2020
 - Planned implementation 2021
- Regulation pay-for-performance
 - Will refine existing pay-for-performance product, so the market can provide additional revenue for flexible resources with accurate and fast regulation capability
 - Policy development 2020
 - Planned implementation 2021