FERC APPROVES NYISO'S PARTICIPATION MODEL FOR DISTRIBUTED ENERGY RESOURCES

Hodgson Russ Renewable Energy Alert
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On January 23, 2020, the Federal Energy Regulatory Commission (FERC) approved revisions to the New York Independent System Operator's (NYISO) tariffs establishing a new participation model for aggregations of distributed energy resources (DERs) in NYISO-administered wholesale markets. NYISO submitted these revisions in June 2019 as part of a filing under Section 205 of the Federal Power Act. The new Aggregation Participation Model allows a market participant to combine individual facilities, including DERs, as a single "Aggregation" for purposes of participating in the NYISO-administered energy, capacity, and ancillary services markets.

Prior to this Order, DERs have had limited opportunities to participate in these markets since many of these facilities are not individually able to meet the eligibility or performance requirements under the existing NYISO participation model. Third-party owned rooftop solar organizations and companies providing residential lithium-ion battery packs can now more easily bid into wholesale markets, acting as a "virtual power plant." Increasing such market access to DERs, according to NYISO, is expected to bring numerous benefits, including "improving system reliability, energy security, and fuel diversity; lowering consumer prices; improving market efficiency; and allowing consumers to take greater control of their electricity use and costs through the deployment of a variety of new technologies."

NYISO's tariff revisions regarding dual participation, Installed Capacity (ICAP) market participation, and buyer side mitigation were contested by various parties, but FERC approved them nonetheless. Concerning dual participation (i.e., participation in retail and wholesale markets), FERC ruled that NYISO's requirement that bids reflect a resource's obligations outside of NYISO markets, including retail market obligations, did not create a barrier to wholesale market entry.

NYISO also proposed to apply "duration adjustment factors" to resources that cannot supply eight hours of continuous capacity (e.g., most lithium-ion battery systems). DER aggregations would be permitted to "time-stack" facilities with a daily runtime limitation of one hour or more to meet the minimum duration requirements. Such tariff changes, according to NYISO, will provide added flexibility to facilities that have shorter duration periods. FERC approved these tariff revisions, agreeing "that the capacity value of duration-limited resources should be based on their expected contributions to resource adequacy."

Finally, DER injection-based facilities will be fully subject to NYISO's existing buyer-side mitigation measures. FERC determined that the protests of New York State entities and others were beyond the scope of the instant proceeding since, according to FERC, NYISO was not proposing any substantive changes to its market power mitigation provisions.

In terms of next steps, NYISO will submit a compliance filing updating its tariff language within 30 days of the Order. The changes concerning dual participation and ICAP market participation will become effective May 1, 2020, and May 1, 2021, respectively. These reforms come just as DER aggregations are now beginning to gain a foothold in other wholesale electricity markets. As reported by Utility Dive, Independent System Operator-New England (ISO-NE) in February 2019 was the first capacity market to accept an aggregated residential solar-plus-storage bid, awarding Sunrun 20 MWs of distributed grid capacity.

To learn more about NYISO's new rules for DER participation in wholesale markets and how they may affect New York's energy storage facilities, please contact a member of Hodgson Russ's Renewable Energy Practice at https://www.hodgsonruss.com/practices-renewable-energy.html.

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