

SAMPLE REPORT: New York ISO Market Price Forecast E3 Core Case

2022 edition



Energy+Environmental Economics

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Disclaimer

E3 created the following forecasts and analyses using the best available public information and our expertise and knowledge of the relevant markets, along with commercially available 3rd party software models and proprietary in-house energy market price forecasting tools. However, the future is uncertain, and these forecasts (along with underlying market expectations) may change due to many factors, including unforeseen events, new technology adoption or inventions, new market structures, regulatory actions, and changes in both state and federal government policies. E3 makes no guarantees related to these forecasts or the information presented herein and should not be held liable for any economic damages associated with independent investment decisions.



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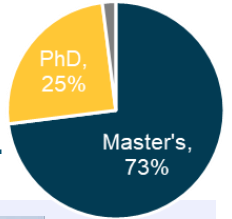
Executive Summary Selected Slides



Who is E3?

Thought Leadership, Fact Based, Trusted.

100+ full-time consultants | 30 years of deep expertise | Engineering, Economics, Mathematics, Public Policy...



San Francisco



New York



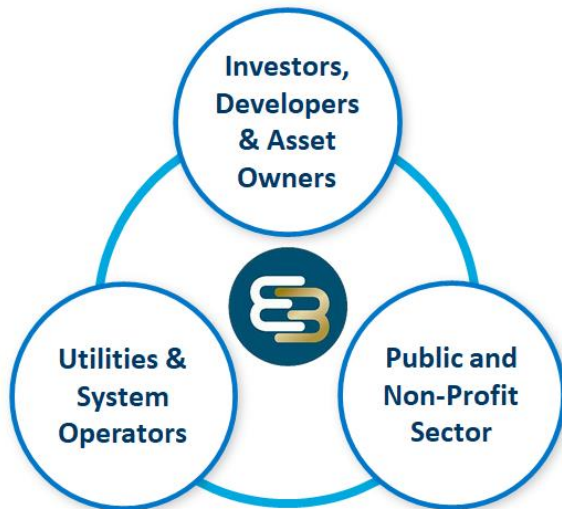
Boston



Calgary

E3 Clients

300+ projects per year across our diverse client base



Recent Examples of Relevant E3 Projects

Buy-side diligence support on several successful investments in **electric utilities** (~\$15B in total)

Supporting investment in several **stand-alone energy storage** platforms and individual assets across North America (15+ GW | ~\$5B)

Acquisition support for several portfolios and individual **gas-fired and renewable generation assets** (20+ GW | ~\$4B)

Acquisition support of several **electric vehicle infrastructure companies** (~\$500M)

Strategic advisory support for a SPAC offering of a **distributed energy resource aggregation software company** (~\$1.3B)

Supporting an investment into an **electric vehicle V2G software company** (~\$750M)

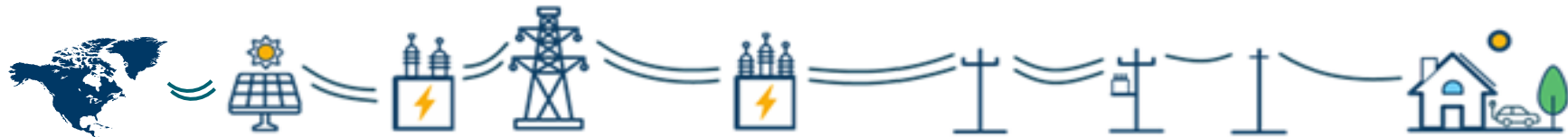
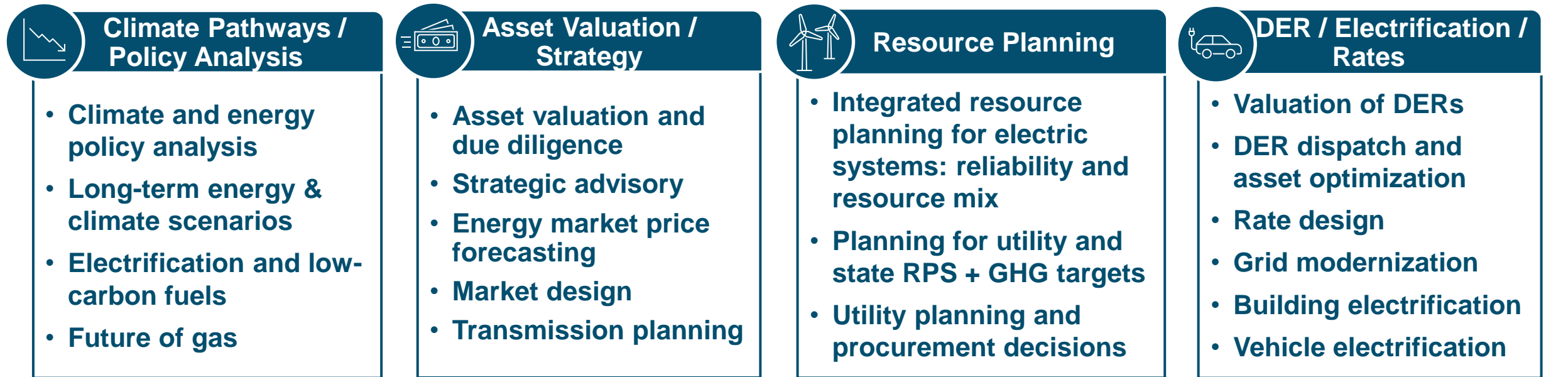
Buy-side diligence support to acquire several **residential solar portfolios** (~1+ GW | 200,000+ customers)

Supporting investment in over 5+ GW of **community solar and distributed energy resource projects**



Who is E3?

- + E3 is the **largest consulting group** focused on the clean energy transition in North America
- + E3 is a **recognized thought leader** on decarbonization and clean energy transition topics
- + E3 has **four major practice areas** covering energy systems from bulk grid to behind the meter





Asset Valuation and Strategy Practice Area

- + The Asset Valuation and Strategy practice area works primarily with project developers, asset owners, and investors
- + Insights informed by work being done across the firm that provides a unique 360-degree perspective of rapidly evolving markets
 - Clean Energy Policy → how will policy change the playing field for different resources?
 - Planning → what resources will power the grid in 2020? 2030? 2050?
 - Market Analysis → how will market prices evolve in the grid of the future?
- + The E3 Asset Valuation and Strategy team provides a variety of analytical support tailored to client needs.
- + Typical services include:
 - Transaction support and due diligence on both the buy side and sell side
 - Strategy formulation and market entry
 - Board-level reports on market outlook and asset performance
 - Customized forward-market price projections incorporating impacts of policy and technology changes
 - Revenue stream/benefits analysis, either on an individual asset or portfolio basis



Asset Valuation / Strategy

- Analyze asset value from multiple perspectives in vertical, bilateral, and wholesale markets
- Strategic support for project development, acquisition, and operation, including market entry
- Proprietary in-house models and in-depth knowledge of public policy, regulation and markets

- Production simulation cost modeling using in-house proprietary tools or customized commercial software
- Project site evaluation
- Off-taker assessments
- Basis spread assessment
- Wholesale market rules and bidding strategies



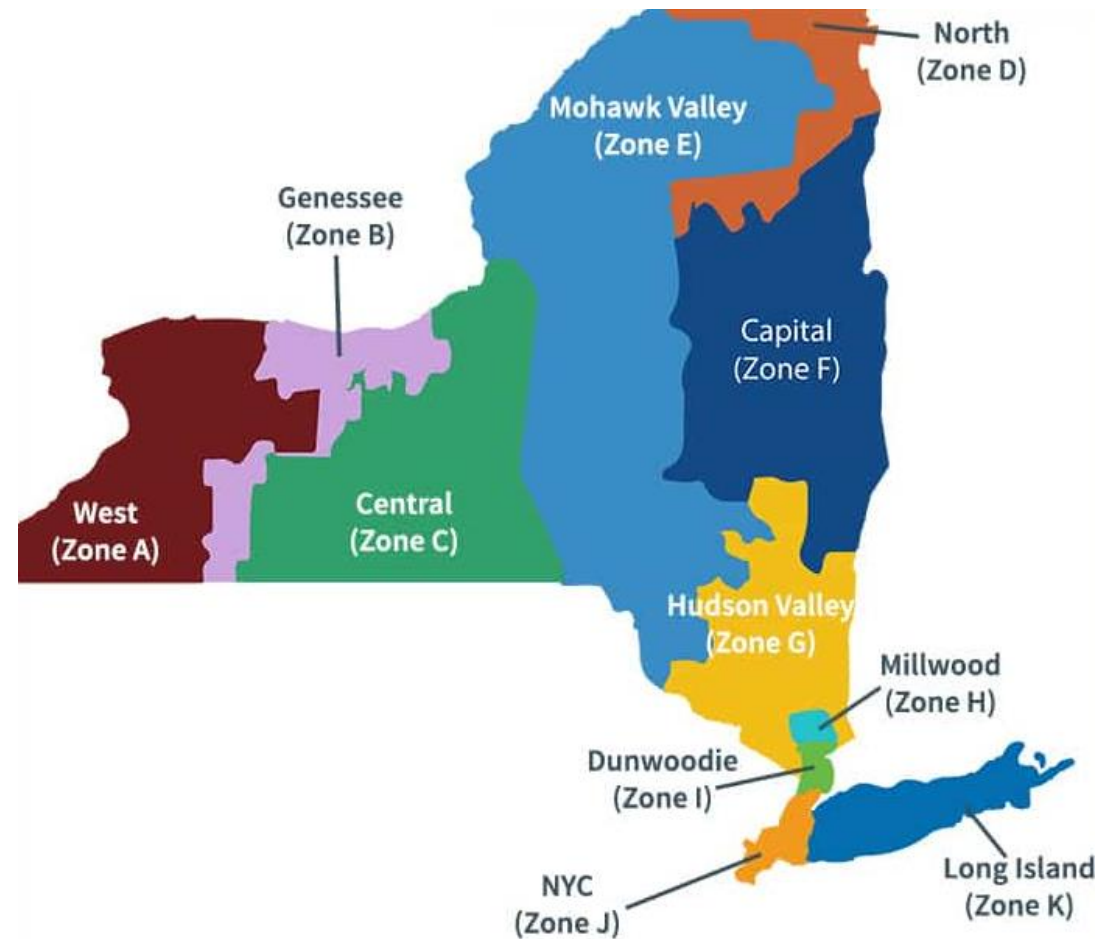
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NYISO Market Overview Selected Slides



NYISO Fact Sheet

- + **NYISO region has a summer peaking system**
 - 2021 summer coincident peak demand: 30.9 GW*
 - 2021 winter coincident peak demand: 22.7 GW*
- + **~41 GW of summer generation capability in 2021; ~42.5 GW in winter****
- + **Net imports accounted for about 27 TWh in 2021, about 18% of NYISO demand***
 - Transmission interconnections to four neighboring systems (New England, PJM, Ontario, and Quebec)
 - 2021 saw a 5 TWh increase in annual imported energy relative to 2019, when imports accounted for 15% of demand*
- + **\$7.5 billion in total revenue in wholesale electricity markets transactions**
- + **NYISO governance – overseen by a board of directors with external market monitor and reliability modeling perform**
 - NYISO wholesale electricity markets were created through federal & state restructuring of the electric industry in the 1990s
 - Potomac Economics serves as the Market Monitoring Unit and the New York State Reliability Council ("NYSRC") serves as the reliability monitoring entity



Sources

* NYISO OASIS

**2021 Gold Book p77: <https://www.nyiso.com/documents/20142/2226333/2021-Gold-Book-Final-Public.pdf/b08606d7-db88-c04b-b260-ab35c300ed64?t=1619631804748>



NYISO Has a Unique Set of Programs for Clean Energy

+ RECs - Renewable Energy Standard

- Includes eligible renewable energy in Tier 1 and Tier 2
- 22.25 \$/MWh for Tier 1 RECs, and 35 \$/MWh alternative compliance payment in 2022*

+ ZECs - Zero Emission Standard

- Includes existing qualifying nuclear facilities
- 3.99 \$/MWh ZEC price for 2022 - a notable decline from 17.48 \$/MWh in 2018**

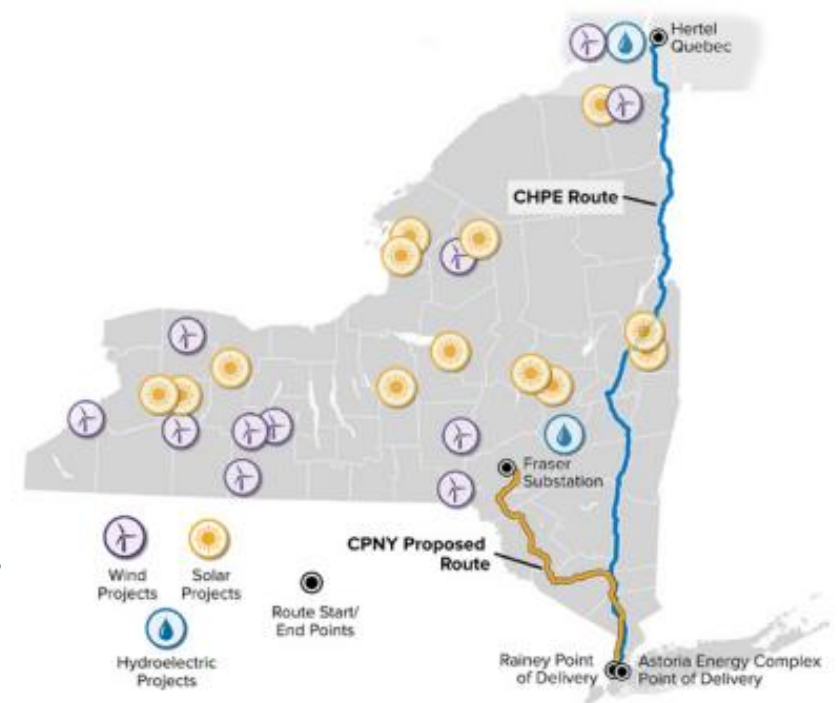
+ Tier 4 RECs program - procure renewable energy for New York City (NYISO Zone J)

- Front of the meter clean resources (excluding offshore wind) located in New York City, or can be delivered via new transmission, were eligible
- The 2021 Tier 4 REC procurement process selected two transmission projects totaling 2,550 MW of capacity expected to come online in 2025 (CPNY) and 2027 (CHPE) **
- The CPNY and CHPE projects are expected to be able to generate and sell Tier 4 RECs at 28.29 \$/MWh once they reach operation – which is expected to raise customer bills by 2% (2 \$/mo.) **

+ Offshore Wind RECs (ORECs)***

- The 2018 and 2020 procurements selected 4,230 MW of OSW developments interconnecting to Zones J and K
 - 2024 – Empire Wind 1: 816 MW into Zone J; Sunrise Wind: 924 MW into Zone K (2018 procurement)
 - 2027/28 – Empire Wind 2: 1,260 MW into Zone J; Beacon Wind: 1,230 MW into Zone K (2020 procurement)
- The 2022 procurement is expected to add an additional 2,000 MW, bringing New York's total OSW portfolio to over 6,000 MW – 75% of the way to their mandate of 9,000 MW by 2035
- Significant transmission development needed in J and K on the sub-transmission level. Exploring radial, backbone, and mesh options

The Clean Path NY (CPNY) and Champlain Hudson Power Express (CHPE) projects selected in 2021's Tier 4 REC program



Sources:

* <https://www.nysersda.ny.gov/All-Programs/Clean-Energy-Standard/LSE-Obligations/2022-Compliance-Year>

** <https://www.nysersda.ny.gov/-/media/Files/Publications/Fact-Sheets/LSR-tier4-fact-sheet.pdf>

*** <https://www.nysersda.ny.gov/All-Programs/Offshore-Wind/Focus-Areas/Offshore-Wind-Solicitations>



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E3 Forecasting Approach Selected Slides



E3 Model Ecosystem for Market Price Forecasts: Built on Decades of Experience and 360° Analysis

E3 Model Toolkit

Input Models

E3 PATHWAYS

Least-cost decarbonization pathways across sectors to meet GHG targets

E3 RESHAPE

Load simulation for building electrification & EVs

E3 Pro Forma Model

Levelized costs of new resources including financing and tax incentives

E3 RECAP

Stochastic reliability modeling for ELCCs of renewables and storage

Output Models

E3 RESTORE

Optimized battery operations and revenues

E3 Scarcity + RT Price Model

Forecasts scarcity and real-time energy prices with regression analysis

E3 Nodal Price Model

Node-zone basis forecast for nodal prices

E3 Ancillary Services Model

Forecasts AS prices with regression analysis and market saturation

E3 Capacity Market Models

Capacity price formation by market, aligned with unique market dynamics

E3 REC Market Models

Renewable Energy Credit prices aligned with unique market dynamics

Market Price Forecasting Approach

Key Scenario Variables

1 Load Forecasts
Regional load growth, energy efficiency, building electrification, and EVs

2 Policies
RPS, CES, GHG, other mandates

3 Regional Coordination
Transmission, Trading, and policy alignment

4 Costs:
• New resource costs
• Gas prices
• Carbon prices

AURORA Model Outputs

5 Long-Term Capacity Expansion (Annual)
New Resource Additions

- Economics
- Policies and mandates (RPS, CES, GHGs)
- System reliability needs
- Retirements

6 Production Cost Simulation (Hourly)
Energy Market Forecasts

- Hourly day-ahead energy prices by zone
- Dispatch, renewable curtailment, and transmission flows

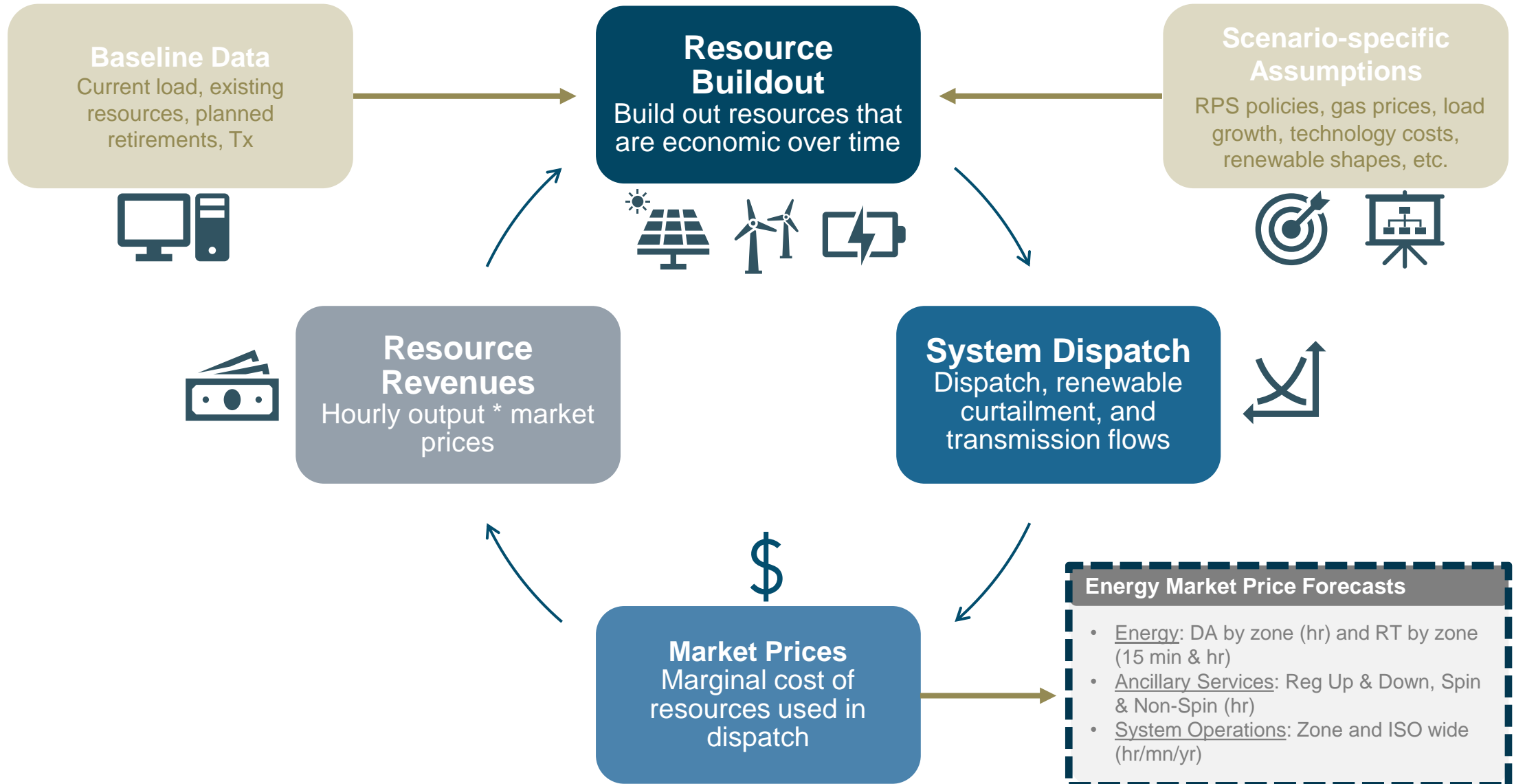
E3 Forecasts

Market Product	Geographic Granularity	Temporal Granularity
Energy (Day-Ahead and Real-Time)	Zonal	Hourly
Capacity (low, medium, high forecasts)	System / Local	Annual
Ancillary Services (Reg, Spin, Non-Spin)	ISO	Hourly
ELCC Curves	Regional	Annual
RECs	State / ISO	Annual
System Operations	System / Local	Hourly / Monthly

Fundamentals-based market modeling built on day-ahead energy prices



Modeling Approach for Long-Run Resource Builds





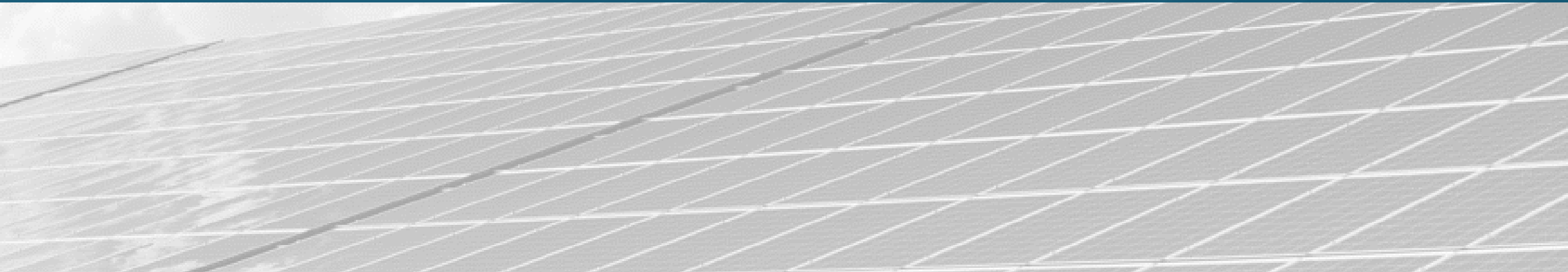
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E3 Modeling Assumptions Selected Slides



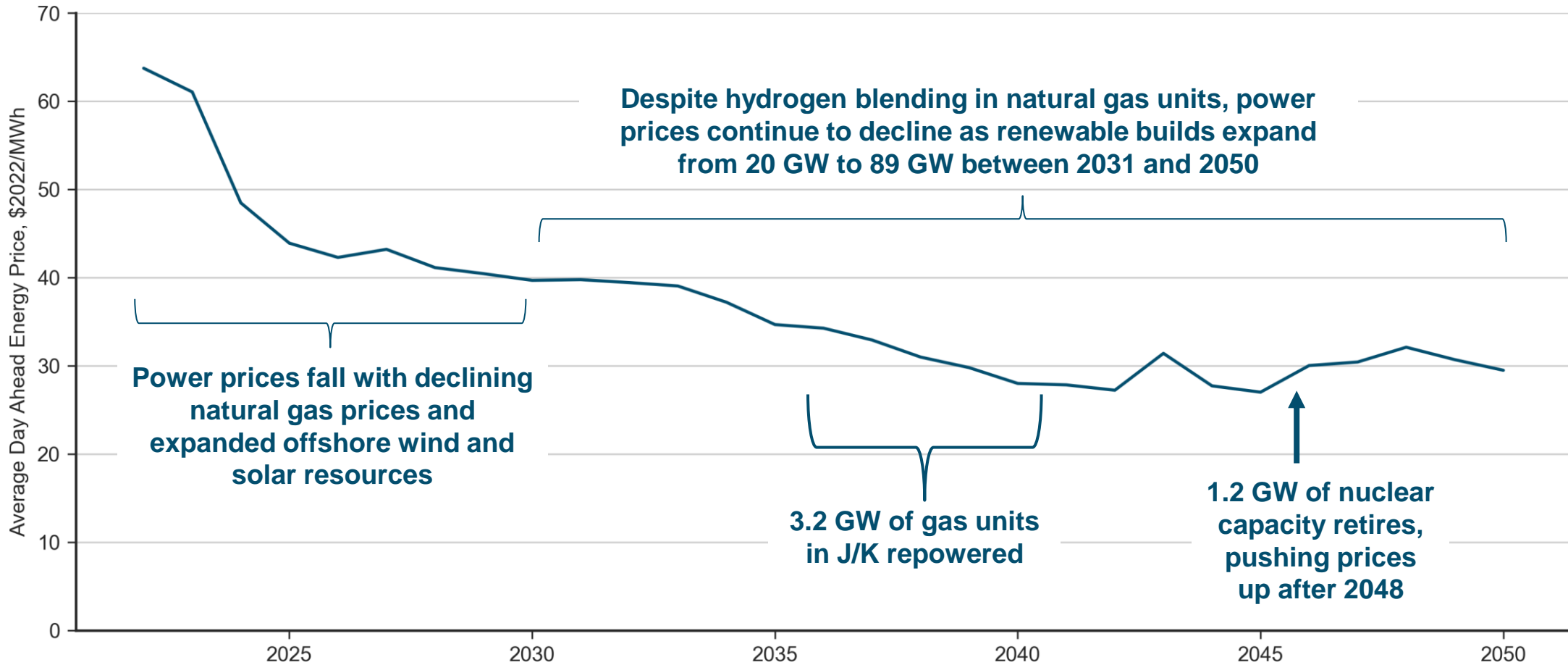
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E3 Forecast Results: 2023-2050 Selected Slides





NYISO Average Annual Energy Prices





Annual Average Ancillary Service Prices

