

January 27, 2020

By Electronic Delivery

Hon. Michelle L. Phillips
Secretary to the Commission
New York State Public Service Commission
Agency Building 3
Albany, NY 12223-1350

Subject: Case No. 07-E-0088 – In the Matter of the Adoption of an Installed Reserve Margin for the New York Control Area

Dear Ms. Phillips:

In response to the New York State Public Service Commission's December 24, 2019 Notice of Proposed Rulemaking in the above captioned proceeding, the New York Independent System Operator, Inc. hereby submits the attached comments.

Respectfully submitted,

/s/ Carl Patka

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cc: Paul Gioia, Counsel, NYSRC
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**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

Case No. 07-E-0088 – In the Matter of the Adoption of an Installed Reserve Margin for the New York Control Area.

**COMMENTS OF
THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**

I. Introduction

The New York Independent System Operator, Inc. (“NYISO”) respectfully offers these comments in response to the New York State Public Service Commission’s (“Commission”) December 24, 2019 notice in the above-captioned proceeding.¹ The NYISO supports the 18.9 percent Installed Reserve Margin (“IRM”) adopted by the New York State Reliability Council (“NYSRC”) for the New York Control Area (“NYCA”) in the upcoming 2020-2021 Capability Year,² and as proposed in its filing with the Federal Energy Regulatory Commission (“FERC”).³ The proposed change to the IRM falls within a range of reasonable levels of installed capacity (“ICAP”) required to maintain reliability on the NYCA bulk power system.

The NYISO is the independent body responsible for providing open access transmission service, planning for and maintaining bulk power system reliability, and administering competitive wholesale markets for energy, capacity, and ancillary services in New York State. Among its responsibilities is the administration of ICAP auctions, including the Summer 2020 Capability Period ICAP auction scheduled to commence on March 30, 2020. In conjunction with the ICAP Demand Curves, the IRM is a key input to the ICAP auction process, as it is used

¹ See Notice of Proposed Rulemaking, “New York State Reliability Council’s Establishment of an Installed Reserve Margin of 18.9%,” N.Y. Reg., I.D. No. PSC-52-19-00002-P (December 24, 2019).

² Capitalized terms have the meaning ascribed to them in the NYISO’s Open Access Transmission Tariff (“OATT”) and its Market Administration and Control Area Services Tariff (“Services Tariff”).

³ See *New York State Reliability Council, L.L.C.*, Filing of Installed Capacity Requirement for the New York Control Area, FERC Docket No. ER20-655-000 (December 19, 2019) (“NYSRC FERC Filing”).

to calculate Load Serving Entities' ("LSEs") minimum capacity requirements. Thus, the NYISO has a direct interest in this Commission's review of the IRM adopted by the NYSRC for the 2020-2021 Capability Year.

II. Background

Section 3.03 of the New York State Reliability Council Agreement, approved by the FERC in connection with the formation of the NYISO and the NYSRC, obligates the NYSRC to submit any proposed revisions of the NYCA IRM to the FERC for approval before the beginning of the Capability Year to which the change would apply.⁴ The IRM was set at 18.0 percent for the 2000-2001 through 2006-2007, the 2010-2011 and the 2017-2018 Capability Years.⁵ In intervening years, the IRM has varied. For example, both the Commission and the FERC accepted an IRM of 16.5 percent for the 2007-2008 Capability Year,⁶ 15.0 percent for the 2008-2009 Capability Year,⁷ 16.5 percent for the 2009-2010 Capability Year,⁸ 15.5 percent for the 2011-2012 Capability Year,⁹ 16.0 percent for the 2012-2013 Capability Year,¹⁰ 17.0 percent for

⁴ New York State Reliability Council Agreement § 3.03 (December 2, 1999), *available at* <http://www.nysrc.org/pdf/Agreements/NYSRC%20Agreement%20signed.PDF>.

⁵ *New York State Reliability Council*, 90 FERC ¶ 61,313 (2000); Case No. 07-E-0088, *Matter of the Adoption of an Installed Reserve Margin*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2017-2018 Capability Year (February 12, 2010 and February 22, 2017); *New York State Reliability Council*, Letter Order, FERC Docket No. ER17-613-000 (January 31, 2017).

⁶ Case No. 07-E-0088, *Matter of the Adoption of an Installed Reserve Margin*, Order Adopting an Installed Reserve Margin for the New York Control Area (March 8, 2007); *id.*, Confirming Order (March 21, 2007); *see New York State Reliability Council*, 118 FERC ¶ 61,179 (2007).

⁷ Case No. 07-E-0088, *Matter of the Adoption of an Installed Reserve Margin*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2008-2009 Capability Year (February 29, 2008); *id.*, Confirming Order (March 19, 2008); *see New York State Reliability Council*, 122 FERC ¶ 61,186 (2008).

⁸ Case No. 07-E-0088, *Matter of the Adoption of an Installed Reserve Margin*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2009-2010 Capability Year (February 17, 2009); *see New York State Reliability Council*, Letter Order, FERC Docket No. ER09-437-000 (February 6, 2009).

⁹ Case No. 07-E-0088, *Matter of the Adoption of an Installed Reserve Margin*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2011-2012 Capability Year (February 22, 2011); *see New York State Reliability Council*, Letter Order, FERC Docket No. ER11-2392-000 (January 24, 2011).

¹⁰ Case No. 07-E-0088, *Matter of the Adoption of an Installed Reserve Margin*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2012-2013 Capability Year (February 17, 2012); *see New York State Reliability Council*, Letter Order, FERC Docket No. ER12-597-000 (February 3, 2012).

the 2013-2014, 2014-2015, 2015-2016, and 2019-2020 Capability Years,¹¹ 17.5 percent for the 2016-2017 Capability Year,¹² and 18.2 percent for the 2018-2019 Capability Year.¹³

The current IRM of 17.0 percent requires LSEs in the NYCA to procure capacity equal to 117 percent of their forecasted peak load.¹⁴ In addition, there are separate location-specific capacity requirements for LSEs in New York City, Long Island, and, collectively, Load Zones G, H, I, and J (the “G-J Locality”) that reflect the existence of transmission constraints in those areas. These Locality requirements are determined by the NYISO using the NYSRC’s recommended IRM.

At the request of the NYSRC and in accordance with the Agreement Between the New York Independent System Operator, Inc. and the New York State Reliability Council,¹⁵ the NYISO conducted a technical study for determining an IRM necessary to meet all applicable reliability criteria in the NYCA for the 2020-2021 Capability Year. The NYISO performed the IRM study according to the procedures set forth in NYSRC’s Policy 5 and under the supervision

¹¹ Case No. 07-E-0088, *Matter of the Adoption of an Installed Reserve Margin*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2013-2014 Capability Year (February 19, 2013); *id.*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2014-2015 Capability Year (February 24, 2014); *id.*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2015-2016 Capability Year (March 2, 2015); *id.*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2019-2020 Capability Year (March 6, 2019); *see New York State Reliability Council*, Letter Order, FERC Docket No. ER13-572-000 (February 5, 2013); *New York State Reliability Council*, Letter Order, FERC Docket No. ER14-916-000 (February 21, 2014); *New York State Reliability Council*, Letter Order, FERC Docket No. ER15-821-000 (March 3, 2015); *New York State Reliability Council*, Letter Order, Docket No. ER19-659-000 (February 8, 2019).

¹² Case No. 07-E-0088, *Matter of Adoption of an Installed Reserve Margin*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2016-2017 Capability Year (February 26, 2016); *New York State Reliability Council*, Letter Order, FERC Docket No. ER16-623-000 (February 12, 2016).

¹³ Case No. 07-E-0088, *Matter of Adoption of an Installed Reserve Margin*, One-Commissioner Order by John B. Rhodes, Chairman, Adopting Installed Reserve Margin for the New York Control Area for the 2018-2019 Capability Year (March 6, 2018); *New York State Reliability Council*, Letter Order, FERC Docket No. ER18-524-000 (February 6, 2018).

¹⁴ For example, the NYCA forecast peak load for the 2019-2020 Capability Year was 32,383 MW. The 17.0 percent IRM means the minimum ICAP requirement for the NYCA was 37,888 MW (*i.e.*, 117.0 percent of 32,383 MW).

¹⁵ *See Agreement Between the New York System Operator and the New York State Reliability Council*, Article 3 (December 1, 1999), *available at*: http://www.nyiso.com/public/webdocs/markets_operations/documents/Legal_and_Regulatory/Agreements/NYISO/iso_nysrc_agreement.pdf.

of the NYSRC Installed Capacity Subcommittee (“ICS”). As in previous years, the NYISO employed General Electric’s Multi-Area Reliability Simulation (“GE-MARS”) model to determine the amount of ICAP that is required NYCA-wide to meet the governing resource adequacy criterion that the probability of an unplanned disconnection of firm load not exceed one occurrence in ten years.¹⁶ The base case evaluation yielded an IRM of 18.9 percent for the 2020-2021 Capability Year.

The NYISO reported its study results for the base case and numerous sensitivities to the ICS, which reviewed the results of the study, together with verification of the data inputs and modeling by General Electric, Consolidated Edison of New York, Inc., and PSEG Long Island. The study results are reflected in the Technical Study Report (the “2020 IRM Study”) prepared by the ICS in support of its proposed revision to the NYCA IRM for the upcoming Capability Year.¹⁷ The NYSRC Executive Committee relied on the base case results, its identification and evaluation of modeling and assumption changes that drove the increase in the 2020 IRM Study from the prior 2019 IRM Study base case value, and numerous sensitivity studies that resulted in a range of IRMs that were higher and lower than the base case IRM.¹⁸

Seven parameters in the NYSRC’s study in combination increased the 2020 IRM from the 2019 base case. Of these seven drivers, the most significant are an updated load forecast uncertainty model and an improved representation of the interconnected External Areas. Four parameters in combination decreased the IRM from the 2019 base case. In combination, the

¹⁶ This criterion is known as the “Loss of Load Expectation” or “LOLE” and is the standard prescribed in the reliability rules of the Northeast Power Coordinating Council (“NPCC”) and the NYSRC.

¹⁷ *Technical Study Report: New York Control Area Installed Capacity Requirement for the Period May 2020 to April 2021* (December 6, 2019), at 2.

<http://www.nysrc.org/PDF/Reports/2020%20IRM%20Study%20Body%20Final%2012-9-19.pdf>

¹⁸ NYSRC FERC Filing at p 13.

parameters resulted in an increase of the base case IRM by 2.1 percent from 16.8 percent in 2019 to 18.9 percent in 2020.

Based upon the study results and its experience and expertise, the NYSRC adopted the 18.9 percent base case value as the IRM for the 2020-2021 Capability Year. On December 19, 2019, the NYSRC filed with the FERC its proposed NYCA IRM of 18.9 percent for the 2020-2021 Capability Year, requesting that FERC accept its filing and issue an order no later than February 15, 2020.¹⁹

III. Comments

A. The NYSRC's Decision to Establish a NYCA IRM of 18.9 Percent for the 2020-2021 Capability Year is Reasonable.

As explained above, the NYSRC has proposed to increase the NYCA IRM from 17.0 percent to 18.9 percent for the upcoming Capability Year. The NYISO believes that the proposed increase is reasonable because the NYSRC appropriately applied the LOLE criterion to select an IRM falling within a range of reasonable IRMs that would maintain reliability in New York State for the 2020-2021 Capability Year.

Specifically, the base case evaluation described in the 2020 IRM Study yielded a NYCA IRM of 18.9 percent. As described in its FERC filing, in adopting an 18.9 percent NYCA IRM, the NYSRC Executive Committee relied on the base case results, its identification and evaluation of modeling and assumption changes that drove the increase in the 2020 IRM Study from the prior 2019 IRM Study base case value, and numerous sensitivity studies that resulted in a range of IRMs that were higher and lower than the base case IRM.²⁰ Based on the study results and its

¹⁹ *Id.* at p 13.

²⁰ *Id.*

experience and expertise, the NYSRC determined that the base case IRM value of 18.9 percent best satisfied the resource adequacy criterion and is appropriate to maintain reliability.

B. The Commission Should Act Promptly.

The 60-day comment period for the notice of rulemaking will conclude on February 24, 2020.²¹ Given its needs for final approval of the IRM by the NYPSC in order to complete preparations for and conduct its ICAP auction, the NYISO respectfully requests that the Commission act on the NYSRC filing by the end of February 2020.²² A decision by the end of February will address the NYISO's need to know the NYCA IRM sufficiently ahead of the first ICAP auction for the Summer 2020 Capability Period. Once acted upon, the NYISO must complete a number of time-sensitive steps, including several seasonal preparation actions using the new IRM, finalizing the minimum NYCA-wide capacity requirement and the Locational Capacity Requirements ("LCRs"), and communicating this information to auction participants.²³ These steps include the NYISO making its calculations as early as possible in advance of providing each LSE with its Summer 2020 Capability Period minimum capacity requirement. Pursuant to its Services Tariff, the NYISO has scheduled the first ICAP auction for the Summer 2020 Capability Period to commence on or before March 30, 2020. Moreover, in accordance with its manuals and past practices, the NYISO has informed Market Participants that the new minimum capacity requirements will be available in the first full week of March prior to the Summer 2020 Capability Period Auction. This timeline is required to allow Market Participants

²¹ Given that the 60th day of the public comment period falls on Saturday, February 22, the last day for public comments will be Monday, February 24.

²²The NYISO similarly supported NYSRC's request for the FERC to issue an order no later than February 15, 2018. *New York Independent System Operator, Inc.*, Motion to Intervene and Comments, FERC Docket No. ER19-629-000 (January 8, 2019), at pp 1, 7–10.

²³ In its calculation of the LCRs, the NYISO uses the IRM provided by the NYSRC to satisfy the LOLE resource adequacy criterion. The NYISO will use the 18.9 percent IRM adopted by the NYSRC to determine LCRs for the 2020-2021 Capability Year.

sufficient time to take the necessary steps for participation in the upcoming Summer ICAP auctions. If the Commission acts promptly following the close of the 60-day comment period, the NYISO is confident that it could complete its work on time and provide Market Participants the data they need on a schedule that promotes the effective functioning of its ICAP markets.²⁴

C. The Commission Should Coordinate with the FERC.

The NYISO respectfully suggests that the Commission coordinate its review of the NYSRC's proposed NYCA IRM revision with the FERC.²⁵ To the extent that the Commission and the FERC address common questions, the NYISO also asks the Commission to take measures to ensure that its determinations are compatible with the FERC's determination. This Commission has noted the value of such federal-state coordination in its past consideration of IRM issues, and the NYISO urges the Commission to continue with such precedent.²⁶

²⁴ The NYPSC last year acted by issuing a one-Commissioner order to approve the IRM, with subsequent approval by the full Commission at the next regularly scheduled Session. Case No. 07-E-0088, *Matter of Adoption of an Installed Reserve Margin*, One-Commissioner Order by John B. Rhodes, Chair, Adopting Installed Reserve Margin for the New York Control Area for the 2019-2020 Capability Year (March 6, 2019); *id.*, *Confirming Order* (March 14, 2019).

²⁵ NYSRC FERC Filing, FERC Docket No. ER20-655-000 (December 19, 2019).

²⁶ This Commission has previously noted that it affords "considerable weight" to the NYSRC's reasoning and recommendations. Case No. 07-E-0088, *Matter of the Adoption of an Installed Reserve Margin*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2009-2010 Capability Year (February 17, 2009), at pp 9–10. The NYISO submits that the process used by the NYSRC for developing the upcoming year's IRM meets the same standard that the NYSRC has applied in the past and that this Commission has approved.

IV. Conclusion

WHEREFORE, for the foregoing reasons, the NYISO respectfully requests that the Commission: (i) act on the NYSRC filing by the end of February 2020 following the close of the public comment period; (ii) coordinate its review with the FERC to avoid inconsistent or contradictory determinations; and (iii) approve the NYSRC's proposed NYCA IRM of 18.9 percent for the 2020-2021 Capability Year.

Respectfully submitted,

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