

CASE 19-E-0530 - Proceeding on Motion of the Commission to Consider Resource Adequacy Matters

**Questions of the New York Independent System Operator, Inc.
on The Brattle Group Analysis Results Filed by DPS Staff for the
June 19 Technical Conference**

- 1) The Brattle Group report (“Report”) describes within its review of design and implementation choices for Structure 1: Installed Capacity (“ICAP”) Market with Status Quo Buyer Side Mitigation (“BSM”) and Structure 2: ICAP Market with Expanded BSM, the opportunity for the State to pursue BSM design variations “that would tend to reduce the impact of the BSM.”
 - a. Together with its stakeholders, the NYISO developed modifications to the Part A Exemption Test as part of its Comprehensive Mitigation Review (“CMR”). The Part A changes were submitted to FERC on April 30, 2020 under Section 205 of the Federal Power Act. Additionally, NYISO filed modifications to the Renewable Exemption responsive to FERC’s February 20, 2020 Order on April 8, 2020. Did The Brattle Group consider these modifications in its analysis and recommendations? Did it consider other specific proposals that may be pursued through the CMR?
 - b. If not, how would these proposed modifications alter the Report’s findings, given the additional opportunities they are likely to provide for exemptions under the BSM Rules?
- 2) Future system conditions, including minimum system requirements, can significantly impact whether resources will be subject to an offer floor under the NYISO’s current BSM rules.
 - a. Under the NYISO’s BSM Rules, if a resource with an offer floor fully or partially clears for a specified number of months, the offer floor obligation is eliminated for the associated MW (most resources’ offer floors would be set at 75% of the Net CONE). This could occur if future system conditions, including minimum system requirements, are different from those assumed in the BSM analysis. In Structure 1, did The Brattle Group model the possibility that resources subject to an offer floor could clear, thereby eliminating the offer floor? If not, please describe how this would impact the Report’s findings.
 - b. Similarly, an increase to minimum system requirements, for example, can result in additional new resources being exempt from an offer floor under the NYISO’s BSM Rules. Did the Report consider the likelihood or impact on BSM exemptions of increased minimum system requirements?

- 3) The Brattle Group describes the primary advantages of Structure 1: ICAP Market with Status Quo BSM as being the “[l]east effort to design and refine” and “[c]ontinued use of a time-tested ICAP market design and structures that have been proven to reliably meet capacity needs at competitive prices across a wide range of market conditions. The ICAP market will have either a minimal role or no role in guiding investment decisions for contracted resources, but will continue to perform the primary role of managing orderly fossil retirements and attracting/retaining other resources.”
 - a. How does The Brattle Group analysis quantify the economic risk to consumers and the risk to achieving the Climate Leadership and Community Protection Act (“CLCPA”) mandates, in shifting from the current market structure to a different approach? How does the Report reflect the uncertainty for private investors created by transitioning to Structure 3 or a similar model?
 - b. Under Structure 3, retirements and Reliability Must Run (“RMR”) agreements to retain units needed for reliability appear more likely. How does the Report consider the increased likelihood and additional costs that would result from new RMR agreements?
- 4) Structures 3, 4 and 5 introduce the concept of Resource Adequacy Credits (RACs). Ensuring that there are sufficient resources to meet the 1-in-10 Loss of Load Expectation across a constrained system is the core reliability objective of the capacity market.
 - a. Please describe how RACs will work. What do they compensate suppliers for? How will prices be determined? How are they distinct from today’s UCAP or ICAP? Would all types of facilities be eligible to provide RACs — generation, demand response, transmission, imports, *etc.*? How will requirements to procure RACs be established and what would determine the allocation of costs for procuring RACs? Would the current Installed Reserve Margin and Minimum Locational Installed Capacity Requirement process continue to be utilized?
 - b. What obligations will be placed on suppliers if they provide RACs? Would a RAC supplier have an obligation to offer in the energy market and provide dispatchable energy to New York load? If so, what are those obligations and will they vary with different technologies and levels of intermittency or duration limitations? If a RAC supplier fails to provide energy, are there any permissible excuses for unavailability? What penalties and performance mechanisms will be built in to align compensation with availability and performance?
 - c. Is The Brattle Group aware of any other RAC-based resource adequacy market construct that has been, or that is being considered or proposed in any other ISO/RTO region?
- 5) Given that the NYISO capacity and energy and ancillary services markets are designed to work in concert to guide investment decisions, does the Brattle Group see the combined market frameworks under Structures 3, 4, and 5 as an effective mechanism to provide market signals that guide investment decisions? Will price lock-in mechanisms for RACs

play a large role in incenting investment? If so, how will such mechanisms be made available to existing resources? Does The Brattle Group's assessment quantify the risk/cost to consumers associated with transferring the risk of investment to consumers through the use of price lock-in mechanisms? How does this cost change when evaluating different durations of price lock-in mechanisms?

- 6) How did The Brattle Group's Quantitative Analysis establish "RAC demand curves" for the period in question? Does the Brattle Group establish when it would be likely for new technology—other than combustion turbine technology—to begin being used as the proxy peaking plant for purposes of establishing RAC demand curves? What impact does the Demand Curve proxy peaking technology have on The Brattle Group's costs and benefits analysis? Do more public policy resources pass mitigation as the proxy plant technology evolves with the state policy objectives?
- 7) Did The Brattle Group evaluate the equilibrium, end state reliability under each option? Are they similar (are there similar surplus ICAP/RACs procured under each approach)? Or do certain options provide a much greater level of as found reliability than others? What are the incremental costs and benefits of this higher or lower level of end state system reliability? Would differences in the as-found reliability of the system that would be expected under these different structures impact cost allocation mechanisms for procuring RACs?
- 8) Can The Brattle Group please provide additional detail regarding the inputs, assumptions and calculations supporting its quantitative analysis?