February 6, 2018

Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
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Subject: Case 07-E-0088 – In the Matter of the Adoption of an Installed Reserve Margin for the New York Control Area

Dear Secretary Burgess:

Pursuant to the New York State Public Service Commission's January 3, 2018 Proposed Rulemaking on the New York State Reliability Council's Establishment of an Installed Reserve Margin of 18.2% in the above-entitled proceeding, the New York Independent System Operator, Inc. hereby submits its comments.

Should you have any questions, please contact me at (518) 356-7656 or by email at dallen@nyiso.com.

Respectfully submitted,

/s/ David Allen

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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") January 3, 2018 notice in the above-captioned proceeding.[1] The NYISO supports the 18.2 percent Installed Reserve Margin ("IRM") adopted by the New York State Reliability Council ("NYSRC") for the New York Control Area ("NYCA") in the upcoming 2018-2019 Capability Year,[2] as proposed in its submission to the Commission and 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 2018

[1] *See* Notice of Proposed Rulemaking, "New York State Reliability Council's Establishment of an Installed Reserve Margin of 18.2%," N.Y. Reg., I.D. No. PSC-01-18-00006-P (January 3, 2018).

[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* Case No. 07-E-0088, *In the Matter of the Adoption of an Installed Reserve Margin for the New York Control Area*, Informational Filing: New York State Reliability Council Adoption of Installed Reserve Margin for the New York Control Area (January12, 2018) ("NYSRC Submission"); *New York State Reliability Council, L.L.C.*, Filing of Installed Capacity Requirement for the New York Control Area, FERC Docket No. ER18-524-000 (December 22, 2017) ("NYSRC FERC Filing").

Capability Period ICAP auction scheduled to commence on March 30, 2018. In conjunction with the ICAP Demand Curves, the IRM is a key input to the ICAP auction process, as it is used 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 2018-2019 Capability Year.

II. Background

Section 3.03 of the New York State Reliability Council Agreement, which was 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. 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-

[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).

2012 Capability Year,[9] 16.0 percent for the 2012-2013 Capability Year,[10] 17.0 percent for the 2013-2014, 2014-2015, and 2015-2016 Capability Years,[11] and 17.5 percent for the 2016-2017 Capability Year.[12]

The current IRM of 18.0 percent requires LSEs in the NYCA to procure capacity equal to 118.0 percent of their forecasted peak load.[13] 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.

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,[14] the NYISO conducted a technical study for determining an IRM necessary to meet all applicable reliability criteria in the NYCA for the 2018-2019 Capability Year. The NYISO performed the IRM study according to the procedures set forth in NYSRC's Policy 5 and under the supervision

[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).

[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); *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).

[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] For example, the NYCA forecast peak load for the 2006-2007 Capability Year was 33,295 MW. The 18.0 percent IRM meant that the minimum ICAP requirement was 39,288 MW (*i.e.*, 18 percent more than 33,295 MW).

[14] *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.[15] The NYISO's base case evaluation yielded an IRM of 18.2 percent for the 2018-2019 Capability Year.[16] The NYISO reported its results 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 results were reflected in a Technical Study Report prepared by the ICS and provided to the Commission by the NYSRC on January 12, 2018, in support of its proposed revision to the NYCA IRM for the upcoming Capability Year.[17]

The NYSRC Executive Committee relied on the results contained in the Technical Study Report, as well as its evaluation of modeling changes, sensitivity studies, an assessment of the assumptions, and past experience, and adopted the base case value of 18.2 percent as the IRM for the 2018-2019 Capability Year. On December 22, 2017, the NYSRC filed its proposed revision to the NYCA IRM with the FERC, requesting that the FERC accept and approve the filing no later than February 15, 2018 in order to be timely for the NYISO's ICAP auction for the 2017 Summer Capability Period.[18]

[15] 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.

[16] NYSRC, *Technical Study Report: New York Control Area Installed Capacity Requirement for the Period May 2018 to April 2019* (December 8, 2017), at p. 2.

[17] *See* Case No. 07-E-0088, *Matter of the Adoption of an Installed Reserve Margin*, NYSRC Comments, Exhibits 1 and 2 (January 12, 2018).

[18] NYSRC FERC Filing, at pp 8–12.

III. Comments

A. The NYSRC's Decision to Establish a NYCA IRM of 18.2 Percent for the 2018-2019 Capability Period is Reasonable

As explained above, the NYSRC has proposed to increase the NYCA IRM from 18.0 percent to 18.2 percent for the upcoming Capability Period. The NYISO believes that the proposed increase is reasonable because the NYSRC appropriately applied the Loss-of-Load-Expectation ("LOLE") criterion to select an IRM falling within a range of reasonable IRMs that would maintain reliability in New York State for the 2018-2019 Capability Year.

Specifically, the base case evaluation described in the Technical Study Report yielded a NYCA IRM of 18.2 percent. As described in the NYSRC FERC Filing, the NYSRC Executive Committee considered the base case results, as well as its evaluation of modeling and assumption changes and numerous sensitivity studies, and applied the LOLE criteria to produce IRMs that were higher and lower than the base case results and that would maintain reliability in the NYCA for the 2018-2019 Capability Year.[19] Based on the study results and its experience and expertise, the NYSRC determined that an 18.2 percent IRM produced by the base case evaluation 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 run until March 5, 2018; and therefore the NYISO respectfully requests that the Commission act on the NYSRC's filing by March 6, 2018.[20] A decision by March 6th will address the NYISO's need to know the NYCA IRM sufficiently ahead of the first ICAP auction for the Summer 2018 Capability Period. Once acted upon, the NYISO must complete a number of time-sensitive steps, including several

[19] *Id.*

[20] The 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. ER18-524-000 (January 11, 2018), at pp 7–8.

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.[21] These steps include the NYISO making its calculations as early as possible in advance of providing each LSE with its Summer 2018 Capability Period minimum capacity requirement. Pursuant to its Services Tariff, the NYISO has scheduled the first ICAP auction for the Summer 2018 Capability Period to commence on or before March 30, 2018. 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 2018 Capability Period Auction. This timeline allows market participants sufficient time to take the necessary steps for participation in the upcoming Summer ICAP auctions.

If the Commission acts immediately 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.[22]

[21] 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 18.2 percent IRM adopted by the NYSRC to determine LCRs for the 2018-2019 Capability Year.

[22] The NYISO notes that the FERC has accepted the NYSRC's recommended IRM of 18.2 percent in its February 6 Letter Order. *See* Letter Order, FERC Docket No. ER18-524-000 (February 6, 2018). Therefore, to the extent the Commission issues its determination accepting the recommended IRM of 18.2 percent by March 6th the NYISO is confident that it will complete its seasonal preparations and conduct the March 30th Capacity Market Auction on time.

IV. Conclusion

WHEREFORE, for the foregoing reasons, the NYISO respectfully requests that the Commission: (i) act on the NYSRC filing by the March 6, 2018 Commission session; and (ii) approve the NYSRC's proposed NYCA IRM of 18.2 percent for the 2018-2019 Capability Year.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Rensselaer, NY this 8th day of February 2018.

/s/ John C. Cutting

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