



FERC Order on New Capacity Zones

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Background

- ◆ On January 4, 2011, the NYISO and NYTOs filed with FERC proposed criteria and considerations for creating new Capacity Zones.
- ◆ On September 8, 2011, FERC issued an Order on Compliance Filing that accepted in part, and rejected in part, the January 4 filing, and directed the NYISO to develop and file tariff revisions within 60 days of the Order implementing the approved criterion.
- ◆ The Order can be retrieved from the NYISO website at http://www.nyiso.com/public/markets_operations/documents/legal_regulatory/index.jsp

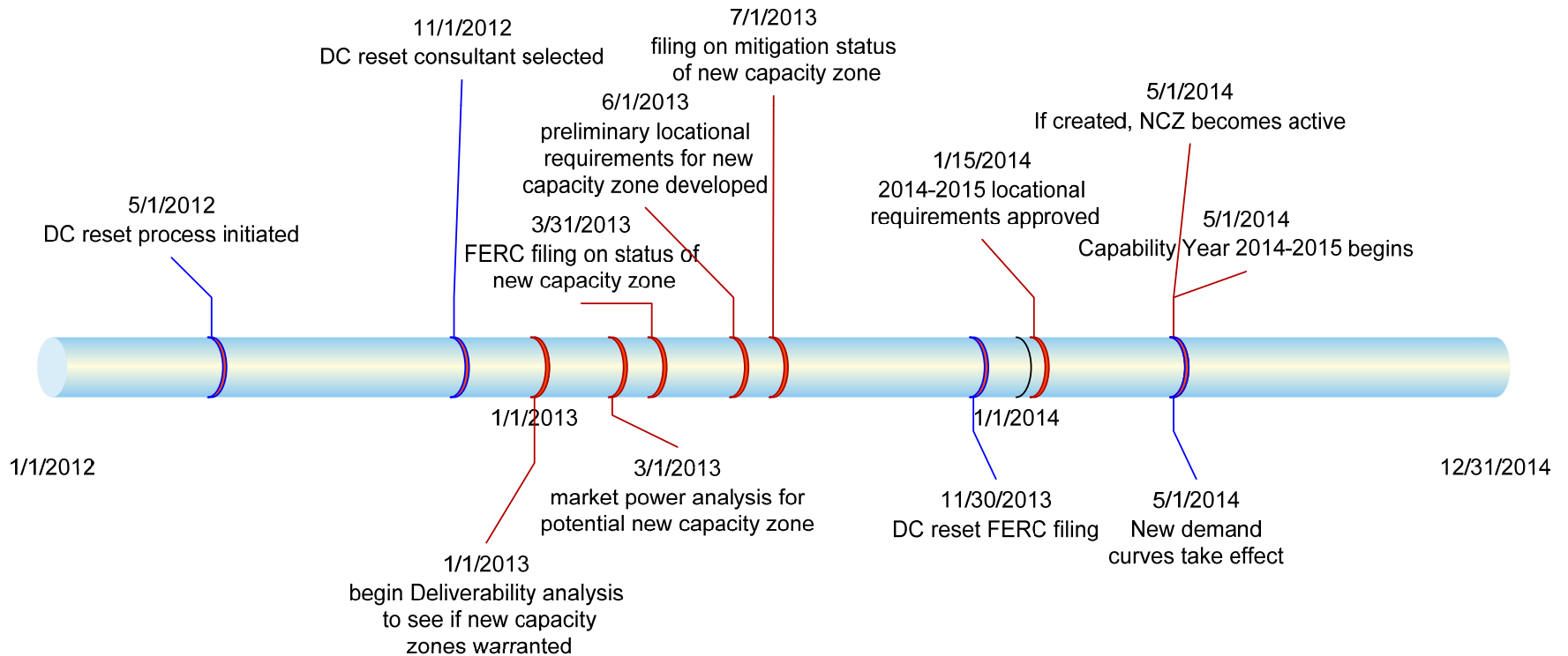
Synopsis of the Order

- ◆ FERC agreed that the test to determine whether new capacity zones should be created should be a Deliverability test performed using system conditions that exist at the time the test is conducted (“as-found”) rather than at the minimum installed capacity requirement (“as-designed”). FERC also specified that the test should follow the Deliverability test methodology in NYISO OATT Att. S, Section 25.7.8.
- ◆ FERC rejected the use of the proposed Reliability Test, along with the additional Considerations proposed in the Jan. 4 filing.
- ◆ FERC accepted the recommendation to align the evaluation of new capacity zones to the Demand Curve reset cycle (i.e., every three years). FERC also indicated that the NYISO should file a report with FERC within six months of the Order, reporting on the desirability and feasibility of creating new zones on an annual basis.

Elements of the Order

- ◆ Conduct Deliverability Test
- ◆ Market power analysis
- ◆ Establish demand curve
- ◆ Intersection with other processes

Timeframe for New Capacity Zone Determination



Conduct Deliverability Test

- ◆ Based upon methodology in OATT Attachment S, Section 25.7.8
 - *Highway test is relevant to consideration of new capacity zone.*
 - *Assessment of byway facilities would not provide an indication of whether the transmission system interfaces between Load Zones are constrained.*
 - *Project Impact Assessment also not relevant to this study - only meaningful when identifying the impact of a particular project or group of projects on the transfer capability of Highways.*

Conduct Deliverability Test

Element	Assumption
Generators and Merchant Transmission (UDRs)	Projects accepting cost allocation from a completed Class Year by Jan 1 (NCZ Deliverability study start date)
Retirements	Retirements scheduled to occur within five years based on the prior year's Gold Book
SUFs	Modeled if associated project modeled
SDUs	Modeled only if construction has been triggered
External CRIS Rights	Modeled until ability to transfer expires
NYSEG ETCNL	1080 MW ETCNL modeled
Grandfathered External Installed Capacity	Modeled capacity reflected in ICAP Manual, Att. E
Load Forecast	Summer Peak five years out from prior year's Gold Book
TO transmission plans	Firm plans from Gold Book
Exports	Modeled if confirmed for 5-year study horizon

Conduct Deliverability Test

- ◆ The Deliverability test to identify the need for new capacity zones would begin in January of the year in which the demand curve filing is due (“demand curve filing year”).
- ◆ The NYISO will provide to stakeholders the inputs and preliminary results of the analysis, and will provide an opportunity for stakeholder comments.
- ◆ By March 31 of the demand curve filing year, the NYISO would file with FERC the results of the NCZ deliverability study, and identify whether a new capacity zone is warranted.
- ◆ If warranted, the NYISO will specify the load zones comprising the new capacity zone and file the necessary tariff revisions to identify that zone.

Market Power Analysis

- ◆ If a new capacity zone is warranted, the NYISO will evaluate the proposed new zone from a market power perspective and identify any need for mitigation measures
 - *Market power analysis would begin on or about March 1 of the demand curve filing year.*
 - *The NYISO will provide to stakeholders the inputs and preliminary results of the analysis and any recommendations for mitigation measures if needed, and will provide an opportunity for stakeholder comments.*
 - *By July 1 of the demand curve filing year, the NYISO will file with FERC its determination of whether mitigation measures are appropriate and, if so, what measures are recommended.*

Establish Demand Curve

- ◆ Develop economic parameters of the demand curve for the new capacity zone within the demand curve reset process.
 - *Timeframe for all inputs consistent with the demand curve reset timeline.*
 - *Ultimately reflected in revisions to Services Tariff Section 5.14.1.*

Establish Demand Curve

- ◆ Develop the locality requirement for the new capacity zone.
 - *NYISO will determine a preliminary value for the new capacity zone requirement by June 1 of the demand curve filing year.*
 - Will reflect expected load and capacity conditions at that point in time for the next Capability Year.
 - Will be updated as part of the approval process for the Locality requirements for the next Capability Year.
 - *NYISO is communicating with the NYS Reliability Council Installed Capacity Subcommittee on issues that affect Policy 5-5, “Procedure for Establishing New York Control Area Installed Capacity Requirements.”*

Intersection with Other Processes

- ◆ Creation of new capacity zones will likely divide existing interfaces with control areas into multiple interfaces at that control area (e.g., a LHV zone would split both PJM and ISO-NE interfaces into two interfaces each).
 - *Will need to be reflected in studies that model external interfaces for capacity purposes.*
 - *May also impact External CRIS rights*
- ◆ Multiple deliverability analyses will be in progress at the same point in time:
 - *Class Year Deliverability*
 - *Import Rights Deliverability*
 - *Demand Curve Deliverability to evaluate SDU costs*
 - *New Capacity Zone Deliverability*

Next Steps

- ◆ The NYISO is preparing a filing in compliance with the Commission’s Order, due November 7, 2011.
- ◆ The NYISO will provide an update on the tariff filing at the October 28th ICAPWG.
- ◆ Stakeholders may submit written comments to the NYISO by COB Friday, October 21 to Leigh Bullock (lbullock@nyiso.com) – indicate if your comments are to be considered confidential.

The New York Independent System Operator (NYISO) is a not-for-profit corporation that began operations in 1999. The NYISO operates New York's bulk electricity grid, administers the state's wholesale electricity markets, and provides comprehensive reliability planning for the state's bulk electricity system.

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