



# New Capacity Zones Consideration of 1 year vs. 3 years

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NYISO Installed Capacity Working Group Meeting  
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## Background / Overview

- ◆ In its September 8, 2011 Order, FERC directed
  - *“the NYISO, along with its stakeholders, to consider the desirability and feasibility of creating new zones on an annual basis rather than only once every three years.” (136 FERC ¶ 61,165 at P 69)*
  - *the NYISO to file a report with FERC by March 8, 2012.*

# Review – 3 year timeline

Timeline*	Activity
5/1/2012	Demand Curve Reset (DCR) process initiated
9/1/2012	New Capacity Zone (NCZ) Study – start date
10/1/2012	Establish inputs and assumptions of NCZ Study
11/1/2012	DCR consultant selected
1/15/2013	Report to stakeholders on results of NCZ Study
3/1/2013	Determine Indicative LCR for NCZ
3/31/2013	File tariff changes with FERC to establish NCZ ( <i>e.g.</i> , OATT Att. S revisions, NCZ Study results, revise Locality definition to include NCZ boundary)
11/30/2013	Demand Curve (DC) reset filing (establish Demand Curves for next 3 Capability Years including DC for the NCZ(s))
1/15/2014	2014/15 LCRs established for all Localities, including the NCZ (s)
5/1/2014	Capability Year begins, with NCZ, and new Demand Curves

\*example; actual occurs every 3 years

# Considerations

- ◆ The three year process proposed by the NYISO in its November 7, 2011 tariff compliance filing is designed to result in the creation of new capacity zones, if appropriate, and to send efficient price signals to the market.
- ◆ The creation of NCZs on an annual basis introduces significant challenges, particularly in light of the NYISO's processes and market participants' analyses and responses.
- ◆ The NYISO recognizes that there may be benefits of evaluating the need for an NCZ more frequently than every three years.

# Considerations

- ◆ The three year process provides an opportunity for the necessary analysis of the need for one or more new zones, setting zone boundaries, establishing Demand Curves, stakeholder review and input throughout the process, and providing notice to all market parties of the outcomes.
- ◆ Creating new zones on an annual basis introduces challenges that cannot readily be minimized or addressed; for example,
  - *Sufficient time for the NYISO to perform the analysis,*
  - *Adequate stakeholder review,*
  - *Sufficient time for the NYISO to implement, and market parties to adjust their own processes and plans in recognition of an NCZ.*
- ◆ The NYISO is also concerned that it might not yet be aware of all of the challenges, because the NCZ process has not yet been administered.

# Considerations

- ◆ To create NCZs on an annual basis would require significant revisions to existing NYISO processes and to the NYS Reliability Council's (NYSRC) timeline for establishing the IRM: thus at present is not desirable.
  - *Capacity Years begin on May 1. The Summer Capability Period Auction takes place in March, which requires the LCRs to be approved in February. LCR approval in February is dependent on acceptance of the IRM which the NYSRC files with FERC and the NYPSC, each of which issue an order, typically after a 60 day period from the date of filing. The need and the boundary of a new capacity zone – a Locality – must be determined prior to establishing the IRM and LCR requirements, and the load forecasts.*

## Considerations

- ◆ The three year process is coordinated with the Demand Curve reset, which provides the benefit of having the Demand Curves for the NCZs developed based on the economic data and assumptions developed and vetted with stakeholders for the Demand Curves for the other Localities and the NYCA.

# Considerations

- ◆ The NYISO recognizes the interrelationship between the proposed NCZ Deliverability Study and the existing Class Year Deliverability Interconnection Standards (DIS) Study.
- ◆ NYISO will review the Class Year process to consider whether adjustments to it or other processes can be more closely aligned, and provide benefits to the market.



## Next Steps

- ◆ Please submit comments in writing to Leigh Bullock as soon as possible but no later than February 24, 2012: [LBullock@nyiso.com](mailto:LBullock@nyiso.com)
- ◆ That timing is important in order to provide the NYISO an opportunity to fully consider comments and report on the desirability and feasibility by FERC's March 8 deadline.



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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