New York Utility Intervention Unit's Comments on
NYISO's Master Plan – Wholesale Markets for the Grid of the Future

5/25/2018

On May 10th 2018, the NYISO released a draft of the *Master Plan – Wholesale Markets for the Grid of the Future* (the "Master Plan") for stakeholder review and comment. The New York Utility Intervention Unit (NYUIU) offers the following comments on the document draft.

The Master Plan provides important initial scope

The NYUIU appreciates the work conducted by the NYISO so far on the Master Plan. The NYISO has appropriately sought to understanding how the integration of DERs as full market participants, the harmonization of public policy objectives with the wholesale markets, and the expected changes in the resource mix might combine challenge the existing market design and operational practices. The master planning effort is based on a recognition that any changes are best considered in the context a coherent strategy to ensure alignment with the strategic objectives and efficient deployment of the NYISO's resources.

The draft Master Plan document identifies a several issues for investigation and discussion; the Master Plan has not gone so far as to establish the need for any of the projects. To provide an effective roadmap for future NYISO/stakeholder work, the Master Plan should be considered a living document that clearly articulates problems statements, strategic objectives (three to five-year outlook), and initiatives, with an intent to revisit, as necessary, as the market and regulatory landscape evolves.

With this objective for the Master Plan in mind, we offer the following recommendations.

1. **The Master Plan should clearly articulate NYISO's strategic objectives and the reason for their selection**

The Master Plan identifies at high level issues related to resource flexibility, grid resilience and price formation. However, the Master Plan provides no insight into what problems the NYISO seeks to address, and how pursuit of initiatives aligned with these objectives might address those problems. A more detailed articulation of the problem statements and strategic objectives should be provided, accompanied by the reasons that the NYISO believes, given its limited resources, it is in the consumers' interest to pursue these objectives over others. Importantly, the NYISO should consider all ways that the problems it has identified may be addressed or mitigated through modest changes (e.g., quantity of resource procured, enhanced performance measures) under the existing market framework before suggesting new products.

The NYUIU offers examples of how it envisions the NYISO clearly articulates what its strategic objectives are and why:

- *Example Objective: Ensure the market provides signals consistent with reliable system operation even as more intermittent resources are added to the power mix.*
  As additional intermittent resources are added, what is the perceived problem? Is the NYISO concerned that it will not be able to balance generation and load in each interval? What about the status quo raises this concern? Is the NYISO concerned about post contingency performance of

the system? Is it concerned that the markets will be unable to efficiently schedule production and signal investment?

- The NYISO states it want flexibility. Flexibility is an input not an output. How is "purchasing" flexibility aligned with the above Example Objective? Why does the ISO want additional flexibility? What problems does the NYISO foresee with the status quo level of flexibility? Is the existing fleet technically sufficiently flexible, just lacking incentives to offer that way? Does the system require investments in different technology that is more flexible than the existing fleet?
- The NYISO points to resilience as an objective. Again, how is "purchasing" resilience aligned with the above Example Objective? Resilience is a measure of how well a system responds to low probability high impact events. How is the system's resilience being measured? What is the catalog of risk events about which NYISO is concerned? How is NYISO distinguishing resilience-enhancing actions from reliability-focused actions?

Furthermore, after the NYISO has a firm grasp of its strategic objectives, it should describe how it would quantify the benefits of each proposed project. As an example, for resource flexibility, the NYISO should develop tangible metrics that stem from established reliability standards and use them in the evaluation of the proposed market design enhancements.

The stakeholder process should be engaged in the development of such metrics. The NYUIU understands that such metrics are difficult to define so early in this effort but is concerned that without a clear understanding of what we are trying to measure, significant resources can be utilized with no benefit.

2. Final Master Plan should better align with NYISO's Budget Priority Process

The NYISO has acknowledged that the Master Plan scope will be fluid, and that the document is intended to be a guide that is subject to revision over time. The NYUIU agrees with this position. However, within the Master Plan the NYISO should establish logical proposed project groupings and describe a progression of this effort. More specifically, the Master Plan should identify those projects that would best be accomplished first and set the stage for those that follow. Stakeholders should be informed on how NYISO prioritize its efforts and the reasons of the proposed order. Both the long-term and near-term schedules would still be subject to revision after a stakeholder discussion, but the NYUIU is concerned that without at least a proposed path by the NYISO, this effort can become too cumbersome for the stakeholders to follow.

In order to provide an effective outcome, the final Master Plan should contain a much more detailed schedule than the draft currently provides. The final version of the document should provide a more specific depiction of the major categories of effort (e.g. data collection, market design, rulemaking, tariff revision, etc.) and an indication of the necessary order of operations for the specific tasks in each category.