

June 23, 2014

Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
Agency Building 3, 19th Floor
Albany, NY 12223-1350

Subject: Matter No. 14-00933: In the Matter of a Technical Conference on Winter Energy Pricing and Supply.

Dear Secretary Burgess:

Submitted for filing herewith in the above-entitled matter are “Comments of the New York Independent System Operator, Inc.,” in response to the Commission’s May 23, 2104 Notice Seeking Comments concerning the issues that were considered at the May 15, 2014 Technical Conference.

Please contact me at (518) 356-7659 or at jsweeney@nyiso.com if you have any questions or concerns.

Very truly yours,

/s/ James H. Sweeney

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**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

Matter No. 14-00933

**In the Matter of a Technical Conference on Winter Energy
Pricing and Supply**

Comments of the New York Independent System Operator, Inc.

The New York Independent System Operator, Inc. (“NYISO”) respectfully submits these comments in the above-captioned matter.

I. Background

On May 23, 2014, the State of New York Public Service Commission (“PSC” or “Commission”) issued a notice seeking comments (“Notice”) in the above-captioned matter. The Notice followed the May 15, 2014 PSC Technical Conference that “examined the contribution of tight energy supply conditions to gas and electric price spikes during this past winter.”¹ In the Notice, the Commission is specifically seeking input on several questions arising from or related to the Technical Conference.

II. PSC Questions and NYISO Responses

The NYISO provides the following responses to a subset of the questions set forth in the Notice.

NYSPSC Question 2.a.: Some participants expressed the view that the electric day-ahead and real-time market energy price separation between Western New York and the Capital District region was aggravated by electric transmission constraints. Which electric transmission interfaces experienced significant congestion that is not economic?

NYISO Response: During the 2013-2014 Winter, there were no electric transmission interfaces that experienced significant uneconomic congestion. Any time a transmission constraint is present, the most economic unit, given the constraint, is selected. Absent the constraint, the energy price could decrease, since a different unit could have been selected.

Day-ahead transmission constraints that influence the West and Capital price separation include: the Central-East Interface, Dysinger East, and West Central.

The NYISO’s Day-Ahead Market congestion revenue increased during the 2013-2014 Winter, largely driven by the increase in natural gas price spreads between Western and Eastern

¹ Notice at 1.

New York State. The majority of this Day-Ahead Market congestion revenue occurred across the Central-East interface.

NYSPSC Question 4.a.: Did exports to Independent System Operator New England aggravate price increases in the Capital District?

NYISO Response: The NYISO observed significant gas price spreads between Eastern New York and Western New York during the cold weather periods of the 2013-2014 Winter. According to the NYISO's Independent Market Monitoring Unit, locational spreads between different natural gas indices increased notably in the cold weather periods of 2013 compared to prior years. These variations in natural gas prices led to comparable variations in electric energy prices between Western New York and Eastern New York due to frequent west-to-east electric transmission congestion.² Price spreads between trading hubs on the natural gas pipeline system affected transmission congestion patterns in the energy markets, particularly during the winter months. Natural gas costs were higher on average in Eastern New York than in most of Western New York during cold weather in 2013. This contributed to electric congestion across the Central-East interface, which resulted in LBMPs in the Capital Zone exceeding those in Western New York by 30 percent on average during the early part of the Winter.³ In addition, a substantial portion of the generation in Western/Northern New York (including Imports from Hydro Quebec and Ontario) is not dependent on natural gas. Although maximizing the Western/Northern generation can lead to price separation along the Central-East interface, it is still the most economic solution during periods when natural gas prices are high. The transmission congestion patterns that arise during these situations are driven by the need to maximize economic electricity schedules from Western/Northern New York and flow that electricity in to Southeastern New York.

During most intervals, in cold weather periods, electricity is exported from NYISO to ISO-NE and may contribute to slightly higher Capital District energy prices. However, based on the large gas price difference between Western and Eastern New York State this past winter and the much smaller gas price difference across the NYISO/ISO-NE interface,⁴ the major contributing factor to higher Capital District energy prices was the constrained natural gas pipeline system into Eastern New York State. Energy Exports to ISO-NE were only a minor contributing factor to the locational price in New York's Capital Region.

New York State electricity consumers benefited substantially from the market forces that scheduled high levels of electricity Imports from Hydro Quebec, IESO (Ontario), and from PJM during most of the 2013-2014 Winter and maximized the use of lower cost resources located in upstate New York State.

² See 2013 State of the Market Report for the New York ISO Markets by Potomac Economics at 6, http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_miwg/meeting_materials/2014-05-19/NYISO%202013%20SOM%20Report_2014-05-05.pdf.

³ See 2013 State of the Market Report for the New York ISO Markets by Potomac Economics at A-10, http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_miwg/meeting_materials/2014-05-19/NYISO%202013%20SOM%20Report_2014-05-05.pdf.

⁴ Natural gas prices in the New York's Capital Region are often similar to the natural gas prices in New England.

III. Conclusion

The NYISO respectfully requests that the New York State Public Service Commission consider these comments in its further review of 2013-2014 Winter energy pricing and supply.

Respectfully submitted,

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