
NYISO Business Issues Committee Meeting Minutes
October 20, 2016
10:00 a.m. – 3:15 p.m.

1. Introductions, Meeting Objectives, and Chairman’s Report

Mr. Chris LaRoe (Brookfield) called the meeting to order at 10:00 a.m. by welcoming the members of the BIC. The members of the BIC identified themselves and attendance was recorded. A quorum was determined.

2. Locational Export Capacity Proposal

Mr. Joshua Boles (NYISO) and Mr. Lorenzo Seirup (NYISO) reviewed the presentations included with the meeting material.

The NYISO is presenting the proposal because, absent a rule change, the way the rules exist today would result in inefficient cost increases to consumers in New York State. Mr. Boles noted that the NYISO reported on the consumer impact analysis at the September 19, 2016 ICAP Working Group meeting and the analyses show, at a minimum, the potential for \$144 million in consumer impacts absent any rule changes. The issue is primarily the result of the existing rules treating exports identical to permanent generator retirements, and as having the same impact on market prices as a resource that ceases operating. The NYISO’s proposal identifies that inefficiency and eliminates the inefficient portion.

Mr. John Borchert (Central Hudson) asked if the intent of the efficient capacity costs was to increase the capacity cost in that location to incent new generation. Mr. Boles’ reply explained that the appropriate price signal needs to be sent to attract and maintain generation.

Mr. Mark Younger (Hudson Energy Economics) expressed concern that the proposal essentially results in changes to the Locational Minimum Installed Capacity Requirements (LCR) in the LHV. Mr. Boles replied that the NYISO’s capacity market construct is short-term (monthly); this proposal uses that existing construct to send the most efficient price signals. The NYISO’s reliability planning process is used for the entire year. Therefore, there are two constructs. Mr. Younger stated the proposal pulls back the planning construct to account for LHV without pulling it back in for what would happen in NYC and LI. The impact of adjusting the LCR should be reflected in all Localities. Mr. Boles stated historically, in the installed reserve margin (IRM)-setting process, forward capacity sales have generally not been modeled. Long term grandfathered contracts have been modeled. He noted that there is a discussion at the New York State Reliability Council (NYSRC) regarding creating a methodology to model exports from Localities.

Dr. Kelli Joseph (NRG) stated NRG would not support the proposal and submitted the following statement for inclusion in the minutes to explain NRG’s opposition:

- Essentially, NYISO is claiming that an after-the-fact energy market impact (i.e. a unit is on in the energy market and providing counterflow benefits) ought to be addressed in NYISO’s capacity market design, without an adequate explanation as to why it is appropriate to address energy market impacts in the capacity market.
- NYISO believes that a Locational Capacity Requirement (LCR) – set through a rigorous analysis when determining both the IRM and the LCRs before the capacity market is actually run – ought to be “redetermined” after-the-fact to include an energy market outcome. This is a fundamental change to the assumptions that underlie the capacity market design.
- Capacity markets provide for the physical resource adequacy of the markets they serve. The idea that the same unit can serve both NYISO and ISO-NE resource adequacy needs raises serious questions. A capacity unit needs to serve one market or the other.
- Indeed, NYISO and ISO-NE have previously agreed (together with PJM) that capacity imports must demonstrate that they are “not committed to or sold to more than

one Operating Jurisdiction.” So there should not be a going-in assumption that there can be some overlapping or shared resource adequacy benefit from a single unit to two markets.

- Rather than continue to apply what appear to be “band-aid” fixes, but are really efforts to introduce assumptions that depart from the fundamental design of the capacity market itself, NYISO ought to engage in a complete reevaluation of its existing capacity market design construct, including the modeling assumptions in the IRM/LCR setting process that lead NYISO to believe that the market is producing inefficient outcomes.

Doreen Saia (Greenburg Traurig) expressed concerns regarding seeking a vote on the proposed tariff revisions and noted her preference that the BIC not address the proposed tariff revisions at this time. Mr. Younger expressed his support for Ms. Saia’s position.

Mr. Howard Fromer (PSEG), Mr. Borchert, Mr. James D’Andrea (TC Ravenswood), Mr. Jay Goodman (NYS DPS), Mr. Ben Carron (National Grid) and Mr. Chris Hargett (Con Edison) asked clarifying questions regarding the “Locality Exchange Factor” aspect of the NYISO’s proposal.

Mr. Andrew Antinori (NYPA) and Mr. Bart Franey (National Grid) requested clarification regarding whether the NYISO’s proposal was a temporary solution and, if so, the process and schedule for developing a permanent solution.

Mr. Kevin Lang (Couch White) noted that while the NYISO’s proposal may not be every party’s preferred solution, it is an appropriate first step in addressing this issue and consumer impacts that could arise in 2017 absent any action.

Mr. Dave Clarke (LIPA), Mr. Fromer, Mr. Lang, Mr. Borchert, Mr. Younger and Ms. Joseph asked clarifying questions regarding certain of the proposed revisions to Attachment H of the Services Tariff presented by Mr. Seirup. Mr. Borchert, Mr. Lang and Mr. Younger requested that the NYISO further consider certain of the proposed revisions to ensure that the tariff includes sufficient details.

Motion #1:

The Business Issues Committee (BIC) hereby approves the NYISO’s Locational Export Capacity Proposal as presented and discussed at the October 20, 2016 BIC meeting. The BIC is not approving the tariff language posted for today’s meeting, such language remains subject to change.

The ISO will conduct an evaluation with its stakeholders of additional modifications to the rules addressing Locational Export Capacity from Import Constrained Localities presented at the October 20, 2016 BIC meeting. The NYISO shall report on its progress at the January and April BIC meetings in 2017. On or before June 1, 2017, the ISO will file with the Commission either an informational report on the evaluation or a filing proposing to amend the ISO Tariffs.

Motion passed by majority with abstentions.

Motion #1A:

Motion to amend motion 1:

The Business Issues Committee (BIC) hereby approves the NYISO’s Locational Export Capacity Proposal as presented and discussed at the October 20, 2016 BIC meeting. ~~Additionally, the NYISO commits to work with Stakeholders further on this issue in 2017.~~ ~~The BIC is not approving the tariff language posted for today’s meeting, such language remains subject to change.~~

The ISO will conduct an evaluation with its stakeholders of additional modifications to the rules addressing Locational Export Capacity from Import Constrained Localities presented at the October 20, 2016 BIC meeting. The NYISO shall report on its progress at the January and April BIC meetings in 2017. On or before June 1, 2017, the ISO will file with the Commission either an informational report on the evaluation or a filing proposing to amend the ISO Tariffs.

Motion passed by majority with abstentions.

Motion #1B:

Motion to amend motion 1A:

The Business Issues Committee (BIC) hereby approves the NYISO's Locational Export Capacity Proposal for the 2017-2018 Capability Year as presented and discussed at the October 20, 2016 BIC meeting. The BIC is not approving the tariff language posted for today's meeting, such language remains subject to change.

The ISO will conduct an evaluation with its stakeholders of additional modifications to the rules addressing Locational Export Capacity from Import Constrained Localities presented at the October 20, 2016 BIC meeting. The NYISO shall report on its progress at the January and April BIC meetings in 2017. On or before June 1, 2017, the ISO will file with the Commission either an informational report on the evaluation or a filing proposing to amend the ISO Tariffs.

Motion failed with 48.09% affirmative votes.

Motion #1C:

Motion to amend motion 1A:

~~The Business Issues Committee (BIC) hereby approves the NYISO's Locational Export Capacity Proposal as presented and discussed at the October 20, 2016 BIC meeting. The BIC is not approving the tariff language posted for today's meeting, such language remains subject to change.~~

~~The ISO will conduct an evaluation with its stakeholders of additional modifications to the rules addressing Locational Export Capacity from Import Constrained Localities presented at the October 20, 2016 BIC meeting. The NYISO shall report on its progress at the January and April BIC meetings in 2017. On or before June 1, 2017, the ISO will file with the Commission either an informational report on the evaluation or a filing proposing to amend the ISO Tariffs~~

The Business Issues Committee hereby approves a filing by the NYISO seeking FERC's authorization for revisions of the relevant provisions of its tariffs to provide that for the Capability Year 2017/2018 capacity exports from a NYISO locational capacity zone to a neighboring control area will be modeled as coming out of the NYCA region rather than the locational capacity zone.

Motion failed with 38.32% affirmative votes.

3. New Business

There was no new business.

Meeting adjourned at 3:15 p.m.