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December 7, 2010

**VIA E-MAIL**

Ms. Donna Pratt  
New York Independent System Operator, Inc.  
10 Krey Boulevard  
Rensselaer, NY 12144

Re: Proposed Modifications to the Special Case Resource Baseline Methodology

Dear Donna:

Pursuant to the request of the New York Independent System Operator, Inc. (“NYISO”), Multiple Intervenors hereby submits the following comments in response to NYISO staff’s proposed modifications to the Special Case Resource (“SCR”) baseline methodology presented at the December 1, 2010 Installed Capacity Working Group (“ICAPWG”) meeting. In an effort to work toward the development of a consensus proposal, Multiple Intervenors generally supports NYISO staff’s proposed baseline methodology, subject to certain recommended modifications thereto, as further described herein. Moreover, Multiple Intervenors strongly opposes the NYISO’s recommendation to increase the number of mandatory hours for participation in SCR events from four consecutive hours to the lesser of six consecutive hours or duration of the SCR event, as called by the NYISO.

Throughout the process of reviewing the current baseline methodology, Multiple Intervenors consistently has raised concerns regarding the need for any modifications to the methodology to: (a) ensure that the data sample utilized in calculating an SCR participant’s baseline accurately reflects the participant’s ability to perform throughout the entirety of a capability period; and (b) avoid concerns related to the limited number of hours and days that may be encompassed by a relatively constrained subset of the NYISO’s top load hours and the unintended consequences that may result for an SCR participant in the event that the subset of hours utilized coincided with maintenance shutdowns, unexpected outages, mandatory union-related shutdowns or participation in other NYISO-administered demand response programs with respect to the participant’s facilities.

Multiple Intervenors consistently has advocated for exclusions at the SCR participant level to address hours in which an SCR participant that also is enrolled in the Demand Side Ancillary Services Program (“DSASP”) and/or the Day Ahead Demand Response Program

("DADRP") had bids accepted in such other programs and provided load reduction in accordance therewith. Modifications to the current baseline methodology for the SCR program should be designed to facilitate, rather than impede, demand response resource participation in other NYISO-administered demand response programs. While Multiple Intervenors acknowledges that NYISO staff's proposed baseline methodology is, in part, intended to address the concerns raised by Multiple Intervenors, it is important to recognize that the proposed methodology is likely to result in a high coincidence with hours in which SCR participants in other NYISO-administered demand response programs are called upon to respond, thereby artificially reducing the baseline for such participants that would otherwise result absent participation in other NYISO-administered demand response programs. Accordingly, absent an exclusion of hours at the SCR participant level, NYISO staff's proposed baseline methodology is likely to frustrate rather than foster: (a) participation by resources in multiple demand response programs; and (b) delivery of the full benefits attendant to robust demand response participation in the NYISO-administered markets.

With respect to the DADRP, the use of the NYISO's top 40 load hours is likely to coincide with high energy price hours, representing the hours in which DADRP participants would be most likely to place bids and be called upon to reduce load. For the DSASP, the NYISO's top 40 load hours also are likely to be hours that manifest significant resource and system constraints, thereby representing the likely hours in which the NYISO will utilize the fullest extent of resources available to provide ancillary services, including DSASP participants. Therefore, resources participating in these programs are likely to exhibit reduced load during many, if not all, of the hours encompassed by the NYISO's top 40 load hours due to participation in other NYISO-administered demand response programs, resulting in artificially-reduced baselines for such resources. Accordingly, to address this concern and prevent the creation of an unintended barrier to participation in multiple NYISO-administered demand response programs, Multiple Intervenors renews its request to include the following exclusions at the SCR participant level as part of the NYISO's revised SCR baseline methodology:

Exclude the following NYISO top load hours from the calculation of an SCR participant's baseline if they are included in the subset of hours utilized: (a) if the participant also is enrolled in the DSASP, all hours in which the participant's DSASP bid to provide Operating Reserves or Regulation service was accepted and the NYISO dispatched the resource to provide such Operating Reserves or Regulation service; and (b) if the participant also is enrolled in the DADRP, all hours in which the participant's DADRP bid was accepted and the participant reduced load in response thereto. For any hours excluded from the calculation in accordance with the foregoing exceptions, such hours would be replaced by the next-available NYISO top load hours in which no such exceptions apply with respect to the participant.

Furthermore, to more adequately address the concerns related to coincidence with facility maintenance shutdowns, outages and mandatory union-related shutdowns, Multiple Intervenors urges the NYISO to broaden the scope of the subset of NYISO top load hours from which an SCR participant's top 20 load hours are determined. Although NYISO staff's proposed methodology is, in part, intended to address this concern, it is critical to note that the NYISO's top load hours often occur over a relatively limited number of days that fall within consecutive days. For example, with respect to the NYISO's top 40 load hours from the Summer 2010 capability period that would be utilized to derive the baseline for SCR participants located within the Rest of State region for the Summer 2011 capability period, these hours encompass only a total of nine days, with nearly 98 percent of all the hours falling within one of three groupings of consecutive days, and nearly half of such hours occurring during the July 4<sup>th</sup> holiday week. Such a high concentration of hours over a limited number of consecutive days is unlikely to adequately address the concerns that the proposed methodology would produce artificially low baselines for SCR participants due to the inclusion of hours that do not accurately represent the otherwise-anticipated load of participants when called upon by the NYISO. Accordingly, to further diversify the hours upon which an SCR participant's baseline is determined, Multiple Intervenors recommends that the NYISO increase the number of NYISO top load hours utilized in calculating the baseline (e.g., utilizing the NYISO's top 50 load hours).

Moreover, Multiple Intervenors adamantly opposes NYISO staff's newly-introduced recommendation to increase the number of mandatory hours for participation in SCR events from four consecutive hours to the lesser of six consecutive hours or the number of hours encompassed by an SCR event, as called by the NYISO. This proposal was interjected into the discussions regarding potential modifications to the current SCR baseline methodology at the last minute and without any prior substantive discussions with market participants. Moreover, the NYISO has failed to articulate or provide any legitimate rationale regarding the need to modify this aspect of the current SCR program rules. Furthermore, such a modification to the existing program rules likely would have a significant, detrimental impact on resource participation, thereby significantly reducing the benefits provided by the SCR program to the NYISO with respect to system operations and reliability. For all the foregoing reasons, the NYISO should immediately discard this aspect of its proposal.

If, *arguendo*, the NYISO is able to articulate a legitimate rationale for further discussing this proposal, and provide supporting data regarding the same, at a minimum, the NYISO should divorce further discussions regarding this proposal from those related to SCR baseline and aggregation discussions, and market participant action relating thereto, in order to avoid unnecessary delays in addressing these matters. In the event that substantial justification warranting further discussion with respect to this proposal is provided by the NYISO, Multiple Intervenors recommends that such a modification to the SCR program would, consistent with the NYISO's proposal regarding potential longer-term modifications to the SCR program presented at the July 31, 2008 ICAPWG meeting (but not discussed

recently), be more appropriately addressed by the creation of a two-tiered program with differing operational requirements attendant to each such tier of SCR participants.<sup>1</sup> For example, consistent with the NYISO's prior proposal, a second tier of SCR participants with longer mandatory and/or faster response times could be created, with such resources being provided increased payments to provide such additional operational flexibility to the NYISO. The other tier of SCR participants would remain subject to the current notice and four consecutive hour mandatory participation requirements.

Lastly, while Multiple Intervenors supports the request of certain parties to expedite market participant action through the stakeholder process with respect to the proposed modifications to the SCR baseline and aggregation rules in order to provide adequate notice and clarity to the market with respect to potential significant changes in the SCR program rules, Multiple Intervenors strongly opposes any attempt to implement the proposed rule changes prior to the Summer 2011 capability period. The NYISO consistently has maintained since at least the August 9, 2010 ICAPWG meeting that any proposed modifications to the SCR baseline methodology would not be implemented prior to the Summer 2011 capability period, due in part to the need for the NYISO to implement software changes to accommodate any changes to the current program rules. Prior to the December 1, 2010 ICAPWG meeting, no market participant had objected to this implementation timing.

Furthermore, it is important to note that a significant portion of SCR participants already have made commitments for the entire Winter 2010/2011 capability period through the capability period auction based on the baseline methodology that has been, and continues to be, in effect for the SCR program. To implement a substantial modification to the SCR program mid-capability period would create an unnecessary level of risk and disruption to the overall program and all SCR participants. Moreover, the NYISO's final proposed methodology remains in flux, and equity mandates that the market be given an adequate opportunity to plan for such a substantial change in the SCR program rules. Accordingly, Multiple Intervenors maintains that any market participant-approved modifications to the SCR baseline methodology be implemented no sooner than the Summer 2011 capability period – consistent with the implementation timing the NYISO has proposed since at least August 2010, which previously was not objected to by any market participant.

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<sup>1</sup> NYISO, *Proposed SCR Rule Modifications* (July 31, 2008) at 14.

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If you have any questions regarding these comments or would like to discuss them further, please do not hesitate to contact me directly at (518) 320-3437, or via e-mail at [gbissell@couchwhite.com](mailto:gbissell@couchwhite.com).

Respectfully submitted,

MULTIPLE INTERVENORS

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