

**New York Utility Intervention Unit's Comments on
Proposed NYISO Installed Capacity Demand Curves for Capability Years 2017/18, 2018/19, and
2019/20, 2020/21**

9/2/2016

Pursuant to the request of the New York Independent System Operator, Inc. ("NYISO") and in accordance with the "DCR Schedule and Content for ICAPWG Meetings" posted by the NYISO, New York Utility Intervention Unit ("UIU") hereby submits these comments in response to NYISO staff's draft recommendations for the 2017-2021 Installed Capacity ("ICAP") demand curve reset process issued on August 17, 2016 ("Draft Recommendations"). The Analysis Group and Lummus ("Consultants") released their combined report on the same day. The NYISO's Draft proposed the Siemens SGT6-5000F(5) unit ("Siemens F Frame") as the proxy unit for each capacity region within its balancing area. The NYISO recommended that the unit be equipped with dual fuel capability and Selective Catalytic Reduction ("SCR") for Zones G-J, NYC and LI and with gas only and SCR for NYCA.

- UIU supports the NYISO's decision to include dual-fuel capability for the proxy unit in the NYC and LI localities, since such capability is required to meet local electric reliability requirements.
- UIU agrees with the NYISO proxy unit selection for the upstate locations, but does not agree with its decision to include dual-fuel capability in Zones G-J.
- UIU does not agree with its selection of the Siemens F Frame for NYCA.
- Including SCR costs for the NYCA region is unsubstantiated, regardless which proxy unit is selected.
- The level of excess calculations should be adjusted to reflect current expectations of system conditions.

Our concerns are detailed below.

Proxy Unit

- UIU does not support the inclusion of dual-fuel capability in Zones G-J, because no detailed analysis has been performed to substantiate the claim that new entrants would opt for dual-fuel capability in these capacity zones. The adoption of dual-fuel capability without clear reasoning does not justify the additional costs to consumers. NYISO has initiated a capacity performance project, where among others items, we anticipate the merits of requiring dual-fuel capability will be discussed. Given the purpose of this project is to identify capacity market reforms that most cost effectively assure regional reliability, it seems premature to assume an outcome and build it into the DCR assumptions.
- The Draft Recommendations Report on page 12 states the following:

The Consultants have weighed development and permitting risks and the potential for significant additional cost of future SCR retrofitting (relative to the cost of including SCR in the original plant design), and concluded that “the developer of a new unit in any Load Zone in New York would more likely than not seek to include SCR technology at the time of construction.”

The Consultants’ report did not include an assessment of the retrofit costs for the proxy unit with SCR technology in any New York Load Zone. Without such cost estimates, it is unclear how the Consultants arrived at the conclusion provided in the above statement. Therefore, UIU requests that the costs to retrofit a unit be assessed and reported out prior to drawing conclusions and finalizing assumptions.

Based on the information provided by NYISO and the Consultants, the proposed proxy unit does not require post-combustion NOx controls to meet current environmental requirements. We do not feel that NYISO has provided sufficient support to justify the cost of additional SCR-based NOx controls to the proxy units.

- UIU does not agree that the Siemens F frame is the appropriate proxy unit for the NYCA capacity region and instead recommends that NYISO use the GE 7HA.02 H class frame (“H Frame”) machine. As stated in the Analysis Group report, a GE 7HA.02 resource has cleared the ISO-NE Forward Capacity Market for the period 2019-2020.

The UIU believes that the NYISO should adopt as its proxy unit the most efficient plant that is commercially available. At this time, that is the H-Frame technology. UIU does not believe that NYISO has fully supported its proposal and seeks to understand in more detail why the NYISO rejected the H-frame technology.

Energy and Ancillary Services (EAS)

- The EAS modeling assumes that Ginna and Fitzpatrick retire in 2017. Based on the methodology used by NYISO and the Consultants that requires the reduction of load in zones A-F to reach IRM, the exclusion of these units results in a higher Reference Price for Zones A-F. The Level of Adjustment mandated by Tariff must reflect the current state of the resource mix in New York State. UIU requests that the NYISO reevaluate the Level of Excess Adjustment Factors for all Zones to reflect the expected capacity in the region. A more accurate representation of the New York resources in the GE model serves the consumers and to the greater extent the market because the results produced will align with the correct assumptions.
- The Consultants used an alternative methodology for calculating the expected E&AS revenues of a “peaking plant” based on a co-optimized historic dispatch scheme that differs from the econometric approach used in the previous DCR. UIU supports NYISO’s conclusion that the modeling logic included in the net EAS revenues model developed by the Consultants “balances tradeoffs between accuracy, transparency, and feasibility.”

Upon review of the information provided by NYISO and the Consultants, UIU does not find that inconsistencies between RTC and RTD and fuel price premiums pointed out by some stakeholders materially affect the results. UIU does not see the benefit of adding more complexity at the expense of transparency to gain little additional accuracy.