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Advanced Energy Management Alliance Comments on Buyer Side Mitigation for Distributed Energy Resources in New York Independent System Operator

Advanced Energy Management Alliance ("AEMA") is a trade association under Section 501(c)(6) of the Federal tax code whose members include national distributed energy resource ("DER"), demand response ("DR"), and advanced energy management service and technology providers, as well as some of the nation's largest consumer resources, who support advanced energy management solutions due to the electricity cost savings those solutions provide to their businesses. These comments represent the opinions of AEMA as an organization rather than those of any individual association members.

During the New York Independent System Operator ("NYISO") Market Issues Working Group meeting held on June 1, 2018, NYISO staff presented to stakeholders the plan for how Buyer Side Mitigation ("BSM") tests will be applied to DERs. AEMA supports the NYISO's decision to exclude pure load reduction resources from being subject to BSM. However, the BSM rules as they currently exist should not be applied to DERs that plan to (net) inject. The drivers for building new DERs and the use cases and physical attributes for DERs vary greatly from those of traditional generators. Compared to an individual generator, an individual DER, (which the majority of the time is < 1 MW), does not have the ability to influence market pricing.

In FERC's February 3, 2017 Order that exempted new Special Case Resources ("SCRs") from being subject to BSM, the Federal Energy Regulatory Commission ("FERC") found it was not just or reasonable for the NYISO Services Tariff to apply BSM measures to SCRs, "which have limited or no incentive and ability to exercise buyer-side market power to artificially suppress ICAP market prices."[1] FERC went on to state that reply comments filed in the case that argued against the exemption, "used the incorrect assumption that SCRs— which are generally individual or small aggregated sets of "resources"—have the same ability to suppress ICAP market prices as a single, large market participant."[2] AEMA strongly believes that this logic is transferrable to DERs.

We have heard one market participant mention that the state can act to subsidize DERs and influence market prices. But this completely fails to recognize that the state has several policy objectives that are driving support for energy storage, including

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[1] FERC Docket No. EL16-92-000, Order Granting Complaint in Part and Denying in Part (February 3, 2017) at p.12 paragraph 30 – https://nyisoviewer.etariff.biz/ViewerDocLibrary/FercOrders/20170203%20Ordr%20Grnt%20Prt%20Dny%20Prt%20Cmplnt%20EL16-92_19098.pdf

[2] Id at p.14 paragraph 32

strengthening system resilience to protect against inevitable superstorms, reducing carbon emissions, facilitating renewable integration, and transmission & distribution system efficiency. As noted in the abovementioned FERC Order, "buyer-side market power mitigation rules are intended to address 'market power exhibited by certain entities seeking to lower capacity market prices.'"[3] Given the state's policy objectives, BSM should not apply. This is not the Hughes case, where states were building generation for the expressed purpose of lowering capacity prices.

Moreover, unlike generators, there are several drivers for building DERs, including avoiding retail demand charges, distribution-level peak shaving programs, Non-Wires Solutions, on-site resiliency, etc. All of these should be perfectly acceptable revenue streams. It would be wildly inefficient for the NYISO to be reviewing these revenue streams and every demand charge for every individual DER. It would grind the market entry process to a snail's pace, and thereby hurt competition and prevent the NYISO control room from having access to these resources.

AEMA requests that the NYISO perform an analysis to study the potential market power of an individual DER. This work should occur before the NYISO finalizes a decision on whether, and how, BSM rules should be applied to DERs. An example may be helpful to illustrate why this study is needed. A mitigated generator today is subject to an offer floor that is a function of the default offer floor and unit-specific Net Cost of New Entry ("CONE"). The default offer floor is based upon the Net CONE of a hypothetical generator that serves as a reference point for the Demand Curve. In this

[3] FERC Docket No. EL16-92-000, Order Granting Complaint in Part and Denying in Part (February 3, 2017) at p.14 paragraph 30

example, such hypothetical generator located in NYC was selected to be a 217MW simple cycle generator with dual fuel capability. The economics, revenue requirement, and ability to suppress ICAP prices of such a resource are not comparable to an individual DER consisting of a few kW or even MW aggregation of solar arrays or a battery storage unit. Therefore, straightforward application of a default offer floor to any DER would not be just and reasonable. Furthermore, looking at unit-specific Net CONE values of DERs would be difficult as breaking out the individual resource benefits from within a larger aggregation (ex. calculating energy and ancillary service revenues) for the purposes of the BSM tests.

AEMA appreciates the opportunity to provide comments to NYISO and looks forward to engaging further on this issue. Please do not hesitate to reach out to me at 202-524-8832 or Katherine@aem-alliance.org should you have questions regarding our position.

Sincerely,

Katherine Hamilton
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