

Comments of Consolidated Edison Solutions for New Capacity Zone Criteria

Consolidated Edison Solutions (“CES”) has concerns on the NYISO proposal to create a new Lower Hudson Valley (“LHV”) zone inclusive of the existing J and K capacity zones:

- 1) The implementation of a LHV zone in advance of an identified reliability need will increase the cost for all LSEs to serve load in zones G - K and potentially undermine existing capacity hedging contracts.
- 2) The NYISO’s proposed nesting rules could deprive LSEs in zones J and K of their historical deliverability rights by limiting the ability to import capacity from external resources and those internal resources located zones A-F.

CES, like many retail suppliers in New York, enters into retail contracts with end use customers and hedges its supply obligations with generators and wholesale suppliers. Implementation of a LHV zone will increase the cost to supply load throughout the downstate region and could undermine the effectiveness of existing hedging arrangements, specifically those with external generators and Rest of State (“ROS”) suppliers outside the LHV. Furthermore, because many capacity hedges are not unit specific and are only confirmed one month at a time with the NYISO, it may not be clear if existing ROS capacity contracts are sourced from resources inside or outside the proposed LHV zone. As a result, it would be economically harmful to retail suppliers and their customers to implement a new LHV capacity zone without a clear need and without sufficient lead time to allow pre-existing contracts to expire. Therefore, we recommend that the NYISO delay implementation of a LHV capacity until a reliability need has been identified to avoid prematurely increasing consumer costs and, when implementing such a zone, provide at least five years notice and/or phase in the new obligations over a comparable period.

The NYISO’s proposed nesting approach, to model the existing locational zones within the LHV zone, would require LSEs in zones J and K to satisfy two locational requirements (the existing in-City / on-Island locational requirement AND the new LHV requirement) before they can import any upstate or external capacity. Although the NYISO has not specified what proportion of resources would need to be sourced from the LHV, the nesting would likely undermine the ability for downstate customers to maintain historical levels of purchases from units outside the LHV. Given the historical purchases that have been made from Hydro Quebec, Fitzpatrick, Nine Mile, Gilboa and other resources, constraints on in-City and on-Island customers would be analogous to a loss of deliverability rights historically used by downstate customers to support capacity imports. As a result, the NYISO should consider grandfathering the historical levels of capacity imports when determining the applicability of a LHV requirement on LSEs in zones J and K.