

New York Capacity Requirements – National Grids Concerns

Presentation to the ICWG

February 17, 2006

Who ensures adequate capacity is available in New York to meet reliability?

- ◆ Regulated utilities used to ensure there was enough resources available to meet their reliability obligations.
- ◆ Today proper market designs that integrate reliability needs with price incentives are needed to ensure that sufficient capacity is available to satisfy LSE obligations. In the event the market fails to provide sufficient resources, regulated Transmission Owners will be required to provide resources that will ensure reliability.
- ◆ In order for developers and LSEs to correctly respond to resource adequacy needs, the NYSRC and NYISO needs to send correct signals that are transparent to both buyers and sellers.

Where the Comprehensive Reliability Planning Process (CRPP) indicate capacity is needed.

12/21/05 NYISO CRPP Reliability Needs Assessment

LOLE Results:

Area	2006	2007	2008	2009	2010
Area A thru F	0.000	0.000	0.000	0.000	0.000
Area G	0.000	0.000	0.000	0.000	0.003
Area H	0.000	0.000	0.001	0.007	0.010
Area I	0.001	0.002	0.029	0.079	0.148
Area J	0.001	0.002	0.383	0.764	2.400
Area K	0.021	0.001	0.031	0.071	0.179
NYCA	0.022	0.004	0.395	0.786	2.429

There is a range of LICAP and NYCA ICAP requirements that will satisfy NYSRC reliability criteria.

- ◆ Zone J and K transmission constraints currently increase the Statewide Installed Reserve Margin (“IRM”).
- ◆ The lower the Locational ICAP requirements, the higher the Statewide IRM
- ◆ Not all Statewide IRM - Locational ICAP combinations satisfy reliability criteria.

Transferring the impact of NYC and LI transmission constraints via increased Statewide IRM impact resource adequacy requirements.

In general, current process for establishing capacity requirements impact market signals by...

- ◆ Minimizing capacity prices in high risk areas (Zone J and K).
 - ◆ **Zonal and NYCA LOLE indicates a looming capacity shortage in LI and NYC.**
- ◆ Increasing capacity prices in areas with little to no LOLE risk
 - ◆ **Upstate LOLEs indicate these areas have little or no risk of a loss of load event.**
- ◆ Signaling for capacity in areas where it is least effective in satisfying NYCA reliability
 - ◆ **Inter Zonal constraints limit the deliverability of capacity to high risk areas.**

What's been done to date...

- ◆ For several years National Grid and others have worked within the NYSRC process to improve IRM requirements i.e., integrate market signals and reliability needs.
- ◆ On 10/6/05 National Grid filed a complaint against the NYSRC and the NYISO opposing 05-06 IRM requirement (Docket No. EL06-1).
 - ◆ Many parties disagreed with National Grid and requested FERC to dismiss the complaint e.g. ConEd et al, NYISO, NYSRC
 - ◆ Several parties supported Grids complaint MI, NYSEG and CH
 - ◆ NYPSC requested FERC to dismiss the complaint without prejudice.
- ◆ On February 2, 2006 FERC Dismisses the National Grid complaint without prejudice.

National Grid's Concerns and Recommendations

National Grid suggested improvements to the current resource adequacy policy

- ◆ Compliance with NERC, NPCC, and NYSRC Reliability Rules must be maintained.
- ◆ The impact Zone J and K transmission constraints have on the Statewide IRM should be assigned completely to Zone J and K.
 - ◆ Eliminate price distortions that uncouple reliability needs from market signals.
 - ◆ Change New York's current resource adequacy policy where "Buffalo's" requirement is influenced by a New York City and Long Island's resource adequacy issues.

The impact of two proposals suggested by National Grid

- A) Zones J & K Locational Capacity Requirements should be at a level that will unconstrain the system (e.g., Free Flowing Equivalent)... this would raise locational ICAP requirements.

PRO:

- ◆ *Good utility practice requires that actions be taken where and how they do the most good*
- ◆ *Would better integrate market signals with reliability needs*
- ◆ *Tariff Compliant*

Con:

- ◆ *May not initially satisfy LOLE criteria.*
- ◆ *May not be the least cost solution for the State in the short term*

- B) For a transition period, cost above the Free Flowing Equivalent IRM (FFE) requirements would be borne by Zone J and K LSEs

PRO:

- ◆ *Could be used as a transition: If Zones J & K have insufficient capacity to unconstraint the system, then their “Statewide” ICAP requirement should be adjusted above the FFE in order to maintain reliability.*
- ◆ *May provide the least cost solution to the State*

Con:

- ◆ *Continues to masks market signals*
- ◆ *Needs to consider separate ROS Demand Curves*
- ◆ *Tariff Changes needed*

Next Steps

- ◆ FERC disagreed with our assertion that “the NYISO stakeholder process is not appropriate to redress [National Grid’s] concerns and would be useful only for determining LCRs.” (P22.) FERC found unpersuasive our argument that because the NYSRC determines the IRM that the NYISO stakeholder process is not appropriate to redress National Grids concerns (P22)
- ◆ National Grid and concerned committees may wish to separate the question of how to minimize the total statewide costs for ensuring the NYCA’s reliability from the question of how to appropriate these costs. National Grid should fully pursue these avenues within the NYSRC and NYISO stakeholder process before filing a complaint with the Commission (P24).
- ◆ FERC requires the NYSRC and the NYISO to file, within 90 days of the order, a report describing the progress that they and National Grid have made in resolving National Grids concerns (P25).

National Grid

- ◆ National Grid as a company does not realize any profit or loss from the sales of energy or capacity. Instead the NYSPSC approved the pass through of those costs to National Grid's retail customers...our "clients".
- ◆ National Grid believes it is in the NYISO's and NYSRC's best interest to file a report that National Grid can support.
- ◆ National Grid will work cooperatively with stakeholders to resolve our concerns in a timely manner.
- ◆ National Grid will likewise follow FERC's instructions to work through the NYISO stakeholder process by filing appropriate motions and appeals (P1) in order to preserve our legal rights in the event that our discussions do not reach a mutually acceptable conclusion. However, we reiterate that we would strongly prefer working collaboratively to produce a resolution of our concerns as efficiently and effectively as possible