

January 14, 2011

Hon. Jaclyn A. Brillling  
Secretary to the Commission  
New York State Public Service Commission  
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Subject : Case 07-E-0088- In the Matter of the Adoption of an Installed Reserve Margin for the  
New York Control Area.

Dear Secretary Brillling :

Pursuant to the Public Service Commission's December 29, 2010 Notice Soliciting Comments on Adoption of Installed Reserve Margin in the above-entitled proceedings, the New York Independent System Operator, Inc. ("NYISO") hereby submits its comments via electronic mail. Should you have any questions, please contact me at 518-356-8540 or by email at [kbluvas@nyiso.com](mailto:kbluvas@nyiso.com).

Respectfully submitted,

/s/ Kristin A. Bluvas

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**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

CASE 07-E-0088 - In the Matter of the Adoption of an Installed Reserve Margin for the New York Control Area

**COMMENTS OF  
THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**

**I. Introduction**

The New York Independent System Operator, Inc. (“NYISO”) respectfully offers these comments in response to the New York State Public Service Commission’s (“PSC,” or “Commission”) December 29, 2010 notice in the above captioned proceeding. The NYISO supports the 15.5% Installed Reserve Margin (“IRM”) proposed by the New York State Reliability Council (“NYSRC”) for the upcoming 2011-2012 Capability Year in its recent filing with the Federal Energy Commission (“FERC”).<sup>1</sup> The NYISO requests that this Commission coordinate its consideration of the proposed IRM with the FERC’s action on the NYSRC’s filing, in order to avoid inconsistent agency decisions and to ensure timely implementation of the upcoming capacity auctions.

The NYISO is the independent body responsible for providing open access transmission service, maintaining and planning for bulk power system reliability, and administering competitive wholesale markets for energy, capacity, and ancillary services in New York State. Among its duties is the administration of installed capacity auctions, including the Summer 2011 Capability Period Installed Capacity (“ICAP”) auction scheduled to commence on March 28-29, 2011. The IRM is a key input to the ICAP auction process, where it is used, in conjunction with the Demand Curve, to calculate load serving entities’ (“LSEs”) minimum

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<sup>1</sup> Capitalized terms have the meaning ascribed to them in the NYISO’s Market Administration and Control Area Services Tariff (“Services Tariff”).

installed capacity requirements. Thus, the NYISO has a direct interest in this Commission's review of the NYSRC's IRM proposal for the 2011-12 Capability Year.

## II. Background

Section 3.03 of the NYSRC Agreement, which was approved by the FERC as part of the formation of the NYISO and the NYSRC, obligates the NYSRC to submit any proposed revisions to the New York Control Area ("NYCA") IRM to the FERC for approval before the beginning of the Capability Year to which the change would apply. The IRM was set at 18.0% between the 2000/2001 and the 2006/2007 Capability Years.<sup>2</sup> In recent years, the IRM has varied. Both the PSC and the FERC accepted an IRM of 16.5% for the 2007-08 Capability Year,<sup>3</sup> 15% for the 2008-09 Capability Year,<sup>4</sup> 16.5% for the 2009-10 Capability Year<sup>5</sup> and again at 18% for the current Capability Year.<sup>6</sup>

The current NYCA IRM of 18% means that LSEs in the NYCA must procure ICAP equal to 118% of their forecast peak load.<sup>7</sup> In addition, there are separate location-specific ICAP requirements for LSEs in New York City and on Long Island, which reflect the existence of transmission constraints in those areas.

At the request of the NYSRC, the NYISO conducted a study to determine the NYCA

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<sup>2</sup> *New York State Reliability Council*, 90 FERC 61,313 (2000).

<sup>3</sup> *New York State Reliability Council*, 118 FERC 61,179 (2007); *In the Matter of the Adoption of an Installed Reserve Margin*, Case No. 07-E-0088 (March 8, 2007), 29 NY Reg. 17 (April 4, 2007).

<sup>4</sup> *New York State Reliability Council*, 122 FERC 61, 186 (2008); *In the Matter of the Adoption of an Installed Reserve Margin*, Case No. 07-E-0088 (Feb. 29, 2008), 30 NY Reg. 8 (March 19, 2008).

<sup>5</sup> *New York State Reliability Council*, Docket No. ER09-437-000 (February 6, 2009); *In the Matter of the Adoption of an Installed Reserve Margin*, Case No. 07-E-0088 (Feb.19, 2009), 30 NY Reg. 20 (March 4, 2009).

<sup>6</sup> *New York State Reliability Council*, Docket No. ER10-416-000 (January 28, 2010); *In the Matter of the Adoption of an Installed Reserve Margin*, Case No. 07-E-0088, 32 NY Reg. 9 (February 12, 2010).

<sup>7</sup> For the 2006/2007 Capability Year, for example, the forecast peak load for the NYCA was 33,295 MW. The 18.0% IRM means the minimum ICAP requirement was 39,288 MW (*i.e.*, 18% more than 33,295 MW).

IRM necessary to meet all applicable reliability criteria for the upcoming Capability Year. The NYISO performed the IRM study according to the methodology set forth in NYSRC Policy 5 and under the supervision of the NYSRC Installed Capacity Subcommittee. As in prior years, the NYISO employed General Electric's Multi-Area Reliability Simulation model to determine the amount of installed capacity that is required NYCA-wide to meet the governing resource adequacy criterion that the probability of an unplanned disconnection of firm load not exceed one occurrence in ten years.<sup>8</sup> The NYISO's base case evaluation yielded a minimum NYCA IRM of 15.5% for the 2011/2012 Capability Year.

The NYISO reported its results to the NYSRC's Installed Capacity Subcommittee in a Technical Study Report. That subcommittee reviewed the results of the study, with verification of the data inputs and modeling by General Electric. The NYSRC's FERC filing provides highlights of the Technical Study Report at pages 8, 9 and 10, and includes the study itself as an attachment. As described in that filing, the NYSRC Executive Committee relied on this result as well as on its evaluation of modeling changes, sensitivity studies, and past experience, and determined to adopt an IRM of 15.5% for the 2011-12 Capability Year.

On December 16, 2011, the NYSRC filed its proposed 2011/2012 NYCA IRM with the FERC and requested action on its filing by February 16, 2011. The PSC Notice seeking comments on the establishment of an IRM of 15.5% was published in the New York State Register on December 29, 2010.

### **III. Comments**

#### **A. The NYSRC's Proposal to Establish a NYCA IRM of 15.5% is Reasonable**

As explained above, the NYSRC has proposed to decrease the NYCA IRM from 18% to

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<sup>8</sup> This criterion is known as the "Loss of Load Expectation" or "LOLE" and is a standard applied in the reliability rules of the Northeast Power Coordinating Council ("NPCC") and the NYSRC.

15.5%. The NYISO believes that the proposed IRM falls within a range of potentially reasonable IRM levels.

The analysis described in the Technical Study Report yielded a minimum IRM of 15.5% that meets the governing loss of load expectation (“LOLE”) resource adequacy criterion. The NYSRC Executive Committee concluded that the minimum NYCA IRM satisfies the resource adequacy criterion and should be accepted. The NYISO believes that it was reasonable for the NYSRC to adopt the 15.5% level, and believes the NYSRC’s evaluation correctly applied the LOLE criterion to select an IRM level within a range of reasonable IRM levels that will maintain reliability in New York for the upcoming 2011-2012 Capability Year.<sup>9</sup>

**B. The Commission Should Act Promptly**

The NYISO respectfully requests that the Commission act on the NYSRC’s proposal by the time of the session scheduled for February 17, 2011. As noted above, the NYISO and the NYSRC have asked the FERC to issue an order on the IRM effective February 16, 2011.

The NYISO needs to know the NYCA IRM sufficiently ahead of the generation capacity auction so that it can calculate the minimum NYCA-wide and locational capacity requirements and transmit this information to auction participants. Pursuant to its tariff, the NYISO has scheduled the first ICAP auction for the Summer 2011 Capability Period to commence on March 28, 2011. Moreover, in accordance with its manuals and past practice, the NYISO has informed Market Participants that the new minimum capacity requirements will be available by March 18, 2011. The intent of this timeline is to allow Market Participants enough time to develop or adjust their bidding strategies. Without timely information, it is much harder for

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<sup>9</sup> This Commission has previously noted that it gives “considerable weight” to the NYSRC’s reasoning and recommendations. *In the Matter of the Adoption of an Installed Reserve Margin*, Case No. 07-E-0088 (Feb. 17, 2009) at 9-10. The NYISO submits that the process utilized by the NYSRC for developing the upcoming year’s IRM meets the same standard that the NYSRC has applied in the past and that this Commission has approved.

ICAP Suppliers and LSEs to make economically efficient capacity procurement decisions. Accordingly, the NYISO needs to make its calculations as early as possible in advance of the March 18th deadline.

If the Commission acts at the February 17, 2011 session, the NYISO is confident that it could complete its work on time and provide Market Participants the data they need on a schedule that promotes the effective functioning of the ICAP markets.

### **C. The Commission Should Coordinate with the FERC**

The NYISO respectfully suggests that the Commission coordinate its review of the NYSRC's proposed NYCA IRM revision with the FERC. To the extent that both commissions address common questions, the NYISO also asks that the Commission take measures to ensure that its determinations are compatible with the FERC's. This Commission has noted the value of such federal/state coordination in its past consideration of IRM issues, and the NYISO urges the Commission to continue with that approach.<sup>10</sup>

Conflicting determinations could put the NYISO in the difficult position of trying to choose between inconsistent federal and state requirements. This would greatly complicate the NYISO's ability to fulfill its ICAP-related tariff responsibilities. The NYISO could also be exposed to demands for refunds, and other legal claims, from either LSEs claiming that the NYISO unlawfully required them to over-procure, or from generators alleging an unlawful under-procurement and lost revenues.

## **IV. Conclusion**

WHEREFORE, for the foregoing reasons, the NYISO respectfully requests that the Commission: (i) act on the NYSRC proposal by the February 17, 2011 Commission session;

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<sup>10</sup> *Id.*, at 8-9.

(ii) coordinate its review with the FERC to avoid inconsistent determinations; and (iii) approve the NYSRC's proposed NYCA IRM of 15.5% for the 2011/2012 Capability Year.

Respectfully submitted,

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