

**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 31, 2014, notice in the above captioned proceeding. The NYISO supports the 17.0% Installed Reserve Margin (“IRM”) set by the New York State Reliability Council (“NYSRC”) for the upcoming 2015-2016 Capability Year in its informational filing with the Federal Energy Regulatory Commission (“FERC”) and submission to the PSC.¹

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 2015 Capability Period Installed Capacity (“ICAP”) auction scheduled to commence on March 30, 2015. The IRM is a key input to the ICAP auction process, where it is used—in conjunction with the ICAP Demand Curves—to calculate load serving entities’ (“LSEs”) minimum installed capacity requirements. Thus, the NYISO has a direct interest in this Commission’s review of the NYSRC’s IRM decision for the 2015-2016 Capability Year.

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

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% for the 2000-2001 through 2006-2007, and the 2010-2011 Capability Years.² In intervening and subsequent years, the IRM value has varied. Both the PSC and the FERC accepted an IRM of 16.5% for the 2007-2008 Capability Year,³ 15% for the 2008-2009 Capability Year,⁴ 16.5% for the 2009-2010 Capability Year,⁵ 15.5% for the 2011-2012 Capability Year,⁶ 16.0% for the 2012-2013 Capability Year,⁷ and 17% for both the 2013-14 and 2014-2015 Capability Years.⁸

The current NYCA IRM of 17.0% means that LSEs in the NYCA must procure ICAP equal to 117.0% of their forecast peak load.⁹ In addition, there are separate location-specific ICAP requirements for LSEs in New York City, Long Island and, collectively, Load Zones G, H,

² *New York State Reliability Council*, 90 FERC 61,313 (2000); *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).

³ *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).

⁴ *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).

⁵ *New York State Reliability Council*, FERC 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).

⁶ *New York State Reliability Council*, FERC Docket No. ER11-2392-000 (January 24, 2011); *In the Matter of the Adoption of an Installed Reserve Margin*, Case No. 07-E-0088 (February 17, 2011).

⁷ *New York State Reliability Council*, FERC Docket No. ER12-597 (February 3, 2012); *In the Matter of the Adoption of an Installed Reserve Margin*, Case No. 07-E-0088 (February 16, 2012).

⁸ *New York State Reliability Council*, FERC Docket No. ER13-572 (February 5, 2013); *In the Matter of the Adoption of an Installed Reserve Margin*, Case No. 07-E-0088 (February 19, 2013); *New York State Reliability Council*, FERC Docket No. ER14-916-000 (February 21, 2014); *In the Matter of the Adoption of an Installed Reserve Margin*, Case No. 07-E-0088 (February 24, 2014).

⁹ 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).

I and J (the “G-J Locality”) that reflect the existence of transmission constraints in those areas. At the request of the NYSRC, the NYISO conducted a study to determine the NYCA 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.¹⁰ The NYISO’s base case evaluation yielded a NYCA IRM of 17.3% for the 2015-2016 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 Executive Committee relied on this result as well as on its evaluation of modeling changes, sensitivity studies, and past experience, and determined to again adopt an IRM of 17.0% for the 2015-2016 Capability Year. On January 5, 2015, the NYSRC filed its proposed 2015-2016 NYCA IRM as an informational filing with the FERC.¹¹ The NYSRC’s FERC filing provides highlights of the Technical Study Report at pages 8 - 11, and includes the study itself as an attachment.

¹⁰ 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.

¹¹ Since the ICR for the NYCA has not been changed for the 2014-2015 Capability Year, FERC authorization is not required, and was therefore submitted by the NYSRC for informational purposes only.

III. Comments

A. The NYSRC's Decision to Establish a NYCA IRM of 17.0% is Reasonable

As explained above, the NYSRC has proposed that the NYCA IRM remain at 17.0% for the 2015-2016 Capability Year. The analysis described in the Technical Study Report yielded a base case that resulted in a minimum NYCA IRM of 17.0%. As described in its filing, the NYSRC Executive Committee relied on this base case result as well as its evaluation of modeling and assumption changes and numerous sensitivity studies, which resulted in IRMs higher and lower than the base case IRM. The NYSRC determined that, based upon the base case result, modeling and assumption changes and numerous sensitivities, a 17.0% IRM satisfied the resource adequacy criterion and should be adopted. In its calculation of Locational Capacity Requirements ("LCRs"), the NYISO uses the IRM provided by the NYSRC to meet the LOLE resource adequacy criterion. Accordingly, the NYISO has used the 17.0% IRM provided by the NYSRC to determine LCRs for the 2015-2016 Capability Year.

The NYISO believes that it was reasonable for the NYSRC to adopt the 17.0% 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 2015-2016 Capability Year.¹²

B. The Commission Should Act Promptly

The NYISO respectfully requests that the Commission act on the NYSRC's filing by the time of its session scheduled for February 26, 2015.

The NYISO needs to know the NYCA IRM sufficiently ahead of the first ICAP auction

¹² 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.

for the Summer 2015 Capability Period so that it can finalize 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 2015 Capability Period to commence on March 30, 2015. 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, 2015. 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 ICAP Suppliers and LSEs to make capacity procurement decisions. Accordingly, the NYISO needs to make its calculations as early as possible in advance of the March 18, 2015 deadline.

If the Commission acts at the February 26, 2015 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.

IV. Conclusion

WHEREFORE, for the foregoing reasons, the NYISO respectfully requests that the Commission: (i) act on the NYSRC filing by the February 26, 2015 Commission session; and (ii) approve the NYSRC's proposed NYCA IRM of 17.0% for the 2015-2016 Capability Year.

Respectfully submitted,

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