

January 25, 2016

Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
Empire State Plaza
Agency Building 3
Albany, NY 12223-1350
Phone: (518) 474-6530
Email: secretary@dps.ny.gov

Subject: Case 07-E-0088 – In the Matter of the Adoption of an Installed Reserve Margin for the New York Control Area

Dear Secretary Burgess:

Pursuant to the Public Service Commission's December 23, 2015 Proposed Rule Making on New York State Reliability Council's Establishment of an Installed Reserve Margin of 17.5 % in the above-entitled proceeding, the New York Independent System Operator, Inc. ("NYISO") hereby submits revised comments to fix a clerical error in the original submission. Should you have any questions, please contact me at (518) 356-6054 or by email at bhodgdon@nyiso.com.

Respectfully submitted,

/s/ Brian R. Hodgdon
Robert E. Fernandez
General Counsel
Brian R. Hodgdon
Attorney
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, New York 12144
Tel: (518) 356-6054
Email: bhodgdon@nyiso.com

**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 23, 2015 notice in the above-captioned proceeding. The NYISO supports the 17.5 percent Installed Reserve Margin (“IRM”) set by the New York State Reliability Council (“NYSRC”) for the upcoming 2016-2017 Capability Year in its 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 2016 Capability Period Installed Capacity (“ICAP”) auction scheduled to commence on March 30, 2016. The IRM is a key input to the ICAP auction process, as it is used—in conjunction with the ICAP Demand Curves—to calculate load serving entities’ (“LSEs”) minimum installed capacity (“ICAP”) requirements. Thus, the NYISO has a direct interest in this Commission’s review of the NYSRC’s IRM decision for the 2016-2017 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 percent 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 percent for the 2007-2008 Capability Year,³ 15.0 percent for the 2008-2009 Capability Year,⁴ 16.5 percent for the 2009-2010 Capability Year,⁵ 15.5 percent for the 2011-2012 Capability Year,⁶ 16.0 percent for the 2012-2013 Capability Year,⁷ and 17.0 percent for the 2013-2014, 2014-2015, and 2015-2016 Capability Years.⁸

The current NYCA IRM of 17.0 percent means that LSEs in the NYCA must procure ICAP equal to 117.0 percent of their forecast peak load.⁹ In addition, there are separate location-

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. 8 (March 19, 2008).

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 (February 28, 2008), 20 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 (February 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. ER12-597-000 (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. ER13-572-000 (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); *New York State Reliability Council*, FERC Docket No. ER15-821-000 (March 3, 2015); *In the Matter of the Adoption of an Installed Reserve Margin*, Case No. 07-E-0088 (March 2, 2015).

⁹ For the 2006-2007 Capability Year, for example, the forecast peak load for the NYCA was 33,295 MW. The 18.0 percent IRM means the minimum ICAP requirements was 39,288 MW (*i.e.*, 18 percent more than 33, 295 MW).

specific ICAP requirements for LSEs in New York City, Long Island, and, collectively, Load Zones G, H, 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 2016-2017 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 previous years, the NYISO employed General Electric’s Multi-Area Reliability Simulation (“GE-MARS”) 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 17.4 percent for the 2016-2017 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 decided to adopt a revised IRM of 17.5 percent for the 2016-2017 Capability Year. On December 22, 2015, the NYSRC filed its proposed 2016-2017 NYCA IRM with the FERC, requesting that the Commission accept and approve NYSRC’s filing no later than February 21, 2016.¹¹ The NYSRC’s FERC filing provides

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 See *Filing of Installed Capacity Requirement for the New York Control Area of the New York Reliability Council, L.L.C.*, FERC Docket No. ER16-623-000 (Dec. 22, 2015).

highlights of the Technical Study Report at pages 8 – 10 and includes the study itself as an attachment.

III. Comments

A. The NYSRC's Decision to Establish a NYCA IRM of 17.5 Percent is Reasonable

As explained above, the NYSRC has proposed to increase the NYCA IRM from 17.0 percent to 17.5 percent. The NYISO believes that it was reasonable for the NYSRC to have adopted the 17.5 percent level because it correctly considered the Technical Study Report and applied the Loss-Of-Load-Expectation (“LOLE”) criterion to select an IRM level within a range of reasonable IRM levels that will maintain reliability in the NYCA for the upcoming 2016-2017 Capability Year.

The analysis described in the Technical Study Report yielded a base case that resulted in a minimum NYCA IRM of 17.4 percent. 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 17.5 percent IRM satisfied the resource adequacy criterion and is appropriate to maintain reliability for the NYCA. In its calculation of Locational Capacity Requirements (“LCRs”), the NYISO uses the IRM provided by the NYSRC to satisfy the LOLE resource adequacy criterion. Accordingly, the NYISO has used the 17.5 percent IRM provided by the NYSRC to determine LCRs for the 2016-2017 Capability Year.

In summary, the NYISO believes that it was reasonable for the NYSRC to adopt the 17.5 percent level and believes that 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 2016-2017 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 23, 2015. The NYISO has also requested FERC to issue an order on the NYCA IRM no later than February 21, 2015.

The NYISO needs to know the NYCA IRM sufficiently ahead of the first ICAP auction for the Summer 2016 Capability Period so that it can finalize the minimum NYCA-wide and LCRs and transmit this information to auction participants. Pursuant to its Services Tariff, the NYISO has scheduled the first ICAP auction for the Summer 2016 Capability Period to commence on March 30, 2016. Moreover, in accordance with its manuals and past practices, the NYISO has informed market participants that the new minimum capacity requirements will be available by March 18, 2016. 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, 2016 deadline.

If the Commission acts at its February 23, 2016 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.

¹² This Commission has previously noted that it affords "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 (February 17, 2009) at 9–10. The NYISO submits that the process used 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.

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 the Commission to take measures to ensure that its determinations are compatible with the FERC's determinations. 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 such precedent.¹³

Conflicting determinations could put the NYISO in the difficult position of applying inconsistent federal and state requirements and would greatly complicate the NYISO's ability to fulfill its ICAP-related tariff responsibilities in a timely manner. Further, the NYISO could be exposed to demands for refunds, in addition to other legal claims, from either LSEs claiming that the NYISO unlawfully required them to over-procure or 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 filing by the February 23, 2016 Commission session; (ii) coordinate its review with the FERC to avoid inconsistent or contradictory determinations; and (iii) approve the NYSRC's proposed NYCA IRM of 17.5 percent for the 2016-2017 Capability Year.

¹³ *Id.* at 8-9.

Respectfully submitted,

/s/ Brian R. Hodgdon

Robert E. Fernandez

General Counsel

Brian R. Hodgdon

Attorney

New York Independent System Operator, Inc.

10 Krey Boulevard

Rensselaer, New York 12144

Tel: (518) 356-6054