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VIA ELECTRONIC MAIL

Mr. Michael Bemis
Chairman of the Board
c/o Mark Siebert
New York Independent System Operator
10 Krey Boulevard
Rensselaer, NY 12144

RE: Comments of Cogen Technologies Linden Venture, LP on Proposed NYISO Installed Capacity Demand Curves For Capability Years 2017-2018 and Annual Update Methodology and Inputs for Capability Years 2018-2019, 2019-2020, and 2020-2021

Dear Chairman Bemis:

Over approximately the past year, the New York Independent System Operator (the “NYISO”), independent consultants retained by the NYISO,¹ and numerous stakeholders have participated in the demand curve reset (“DCR”) process through which the NYISO has proposed to make certain adjustments to the demand curves for capability years 2017/2018 and establish an annual update methodology and inputs for capability years 2018/2019, 2019/2020 and 2020/2021. On September 15, 2016, NYISO Staff issued a report outlining their final recommendations regarding modifications of the DCR (the “Final Recommendations”).² Cogen Technologies Linden Venture, LP (“Linden Cogen”), by and through its attorneys Harris Beach PLLC, respectfully submits these comments to the NYISO Board in response to the Final Recommendations.

Linden Cogen is the owner/operator of a 777 megawatt (“MW”) combined-cycle gas-fired cogeneration facility located in Linden, New Jersey (the “Facility”). Linden Cogen sells electric generation from the Facility into the Zone J market administered by the NYISO via an underground cable to Consolidated Edison Company of New York, Inc.’s, Goethals Station in Staten Island. Accordingly, Linden Cogen has an interest in the outcome of this proceeding.

Linden Cogen has been following the DCR process since its inception but only began participating in earnest in mid-2016. Since that time, Linden Cogen has contributed in relevant

¹ The NYISO retained the Analysis Group, Inc. (“AGI”) and Lummus Consultants International, Inc. (“LCI”) (collectively, the “Independent Consultants”) to conduct a periodic review of its Installed Capacity Demand Curves and suggest modifications and updates thereto in accordance with the NYISO’s Market Administration and Control Area Services Tariff.

² NYISO, *Proposed NYISO Installed Capacity Demand Curves for Capability Year 2017/2018 and Annual Update Methodology and Inputs for Capability Years 2018/2019, 2019/2020, and 2020/2021- NYISO Staff Final Recommendations* (Issued Sept. 15, 2016).

ICAP working group meetings and submitted comments to the NYISO in response to the Independent Consultants' preliminary *Study to Establish New York Electricity Market ICAP Demand Curve Parameters*, issued on June 23, 2016 ("Preliminary Study").³ Upon release of the Preliminary Study, it became clear to Linden Cogen that the Independent Consultants were dramatically underestimating gas interconnection costs for newly constructed generating facilities. The Preliminary Study states that, based on research and experience with gas laterals, LCI, with whom AGI partnered to develop ICAP Demand Curve parameters, used an installed pipeline cost of \$200,000 per inch diameter per mile. The Preliminary Study further states that using recent combined cycle projects in New York State (with one project next to a pipeline and another 8 miles from the pipeline), LCI developed costs reflecting an average gas lateral length of four miles. Assuming a typical 16-inch diameter pipe interconnection and a length of four miles, LCI determined gas interconnection costs to be \$12.8 million. Adding \$2.8 million as the average cost for a metering and regulation station, LCI arrived at a total gas interconnection cost of \$15.6 million. The Preliminary Study applied this cost to all load zones.

Linden Cogen has significant experience with construction of natural gas pipelines in the New York/New Jersey area and has encountered counter-factual costs as compared to LCI's assumptions. In fact, as Linden Cogen explained in its comments, recent experience demonstrates that actual gas interconnection costs in proximity to the New York City area can be on the magnitude of three to five times greater than the values used by LCI. Linden Cogen cautioned the NYISO that the objectives of the Demand Curve process will not be achieved if capital investment costs are set too low and fail to reflect the reality of constructing new electric generation. Consistent with the real world approach used to determine electrical interconnection costs used in the Preliminary Study, Linden Cogen requested that AGI and LCI revisit their assumptions regarding gas interconnection costs, perhaps inquiring with LDCs and interstate pipelines for order-of-magnitude cost estimates, particularly for Zone J, and revise the Preliminary Study accordingly. Ultimately, AGI rejected Linden Cogen's comments. AGI's flawed assumptions were then carried forward to the Final Recommendations.

Linden Cogen recognizes that its entrance into this proceeding may have come too late to meaningfully impact the inputs into the Preliminary Study and therefore the Final Recommendations. Nevertheless, LCI's approach to estimating the gas interconnection cost was not revealed until the Preliminary Study, preventing LCI and AGI to consider and act upon reasonable alternatives. With respect to such future demand curve proceedings, Linden Cogen respectfully requests that, in any determination issued in this proceeding, the NYISO Board give direction to Staff to guide the analysis conducted in future demand curve proceedings. Many of the other cost components of the demand curve were researched meticulously by the Independent Consultants. The same cannot be said, however, for gas interconnection costs as shown from the discussion above. In order for the demand curves to accurately reflect the cost of new entrants,

³ NYISO, *Proposed NYISO Installed Capacity Demand Curves for Capability Year 2017/2018 and Annual Update Methodology and Inputs for Capability Years 2018/2019, 2019/2020, and 2020/2021 – NYISO Staff Recommendations* Initial Draft (Issued Aug. 17, 2016), http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2016-08-19/Initial%20Draft%20NYISO%20DCR%20Recommendation%20Final.pdf.

each cost component must receive the same thorough analysis. The NYISO Board should take this opportunity to establish that equal emphasis is placed on forecasting accurate, real-world cost estimates for all components of the demand curve formula.

Linden Cogen appreciates the hard work of NYISO Staff and the Independent Consultants in reaching the Final Recommendations. Linden Cogen looks forward to working with the NYISO, the Independent Consultants, and other interested stakeholders in future demand curve proceedings.

Thank you for your consideration.

Respectfully submitted,

/s/ Steven D. Wilson

Steven D. Wilson

cc: Tina Lee (*via electronic mail*)
Malcolm Jacobson (*via electronic mail*)