



**Comments by Cricket Valley Energy Center, LLC on
NYISO's Capacity Zone Creation /Zone Elimination Proposal**

January 3, 2018

NYISO has requested comments on its capacity zone creation and zone elimination tariff amendment proposal, sometimes called "on ramps and off ramps." The following are Cricket Valley Energy Center, LLC's (CVEC) comments on NYISO's zone creation/elimination proposal.

Cricket Valley Energy Center is presently constructing a 1,100 MW generating facility in Zone G in Dover, NY, with total investment of \$1.58 billion, of which \$709 million is equity and the rest (\$871 million) is debt and letter of credit facilities. At this time, construction is about 9% complete. CVEC selected a site within the G-J Locality because of the capacity price premiums over Rest of State (ROS) capacity prices. It was precisely the higher G-J Locality capacity price that justified the \$1.58 billion investment necessary given the high cost of development, construction and operation of the new 1,100 MW generation station and associated facilities, including a new GIS substation located at the CVEC plant, a new 14.5 mile 345kV transmission line and reconductoring of the existing 345kV transmission line from the Pleasant Valley substation to Eversource's Long Mountain substation in Connecticut. Development and permitting of the generator and transmission line took nearly nine years in New York's complex permitting process.

CVEC strongly objects to the NYISO zone creation/elimination proposal for the following reasons:

- (a) Unreasonable and premature elimination of the G-J Locality capacity zone will cause unreasonable financial harm to CVEC:

NYISO's materials presented at the 2017 ICAPWG meetings indicate that the G-J Locality could be eliminated as early as 2022, leaving Zone J and K as permanent zones. If the NYISO capacity zone creation/elimination proposal is approved as an amendment to the NYISO Tariff, the elimination of the G-J Locality would place the CVEC facility into the ROS zone, which currently has significantly lower capacity prices. The CVEC facility is projected to go on line in 2020, less than two years prior to NYISO's potential elimination of the G-J Locality. Elimination of the G-J Locality and putting CVEC in the ROS so soon after CVEC's commercial operation date would create a material financial hardship on CVEC by reducing cash flows well below those forecasted on the basis that the G-J Locality would remain in place. As a result of this potential change in the Tariff, CVEC's investors will need to evaluate continued support for construction of the project, which, as noted, is only about 9% completed.

It is fundamentally unfair for NYISO to have created the G-J Locality in 2013 with the express intent to induce investment in the G-J Locality, and thereafter, having successfully induced a \$1.58 billion investment by CVEC, to remove the inducement shortly after CVEC comes on line. The fact that NYISO is moving to make this abrupt market change in market rules so soon after inducing the investment by CVEC and others is particularly troubling and has the distinct feel of a classic “bait and switch” scheme: NYISO induces the investment necessary to preserve reliability in the G-J Locality following the shutdown of Indian Point, and then artificially crashes the prices by eliminating that Locality.

(b) Elimination of G-J Locality will be very disruptive to NYISO capacity markets:

Rapid change or “toggling” of capacity zones by NYISO is highly disruptive to the capacity markets. Investors who otherwise might invest in generation or transmission in NYISO in the future will need to think twice if they cannot rely on the capacity zone price signals that are intended to convey signals for new entry when needed. More broadly, investors will not invest (or will demand significant premiums) in generation and transmission facilities in the NYISO grid without some reasonable degree of rule stability and some assurance of a reasonable opportunity for a recovery of, and on, their investment. Abrupt regulatory changes of this sort will cause instability in the market and undermine the fundamental purpose of the capacity market as a means of conveying accurate price signals for needed investment. The bottom line is that premature elimination of the G-J Locality will have a profound chilling effect on future investment in facilities in the NYISO territory as investors will be unable to rely on price signals conveyed by the capacity market.

(c) Elimination of the G-J Locality will cause NYISO reliability issues:

Elimination of the G-J Locality could result in the termination of construction of the CVEC plant and removal of its capacity from the G-J Locality, premature retirement of other G-J Locality resources or cancelation of proposed repowering projects. NYISO has already recognized the construction of the CVEC plant as essential to preventing reliability problems in the G-J Locality when Indian Point retires. The reliability problems that will result will not be ones that can be easily or quickly overcome, especially when investors have little reason to rely on the price signals conveyed by the NYISO capacity market or on the stability of NYISO’s market rules. The end result will be the need for NYISO to create a new capacity zone in G-J Locality with higher Net CONEs to avoid reliability problems that will occur when the G-J Locality doesn’t have sufficient generation capacity.

(d) Markets will effect price convergence over time; zone elimination proposal is not needed:

FERC has required the NYISO market be administered by market price signals. Over time, prices in the G-J Locality can be expected to converge towards ROS capacity prices as new capacity is added in the G-J Locality. NYISO should let the markets work and not artificially truncate this process by imposing a

precipitous regulatory change that will disrupt the markets, chill future investment and be unfair and unreasonable as applied to CVEC and similarly situated generators and their investors.

(e) Comments on Tariff language:

CVEC opposes the zone elimination portion of the NYISO proposal. However, since the entire zone creation/elimination proposal has not been well developed at this point and has not been supported by adequate analysis, it is premature to comment on the draft Tariff language until CVEC has a better understanding of the final proposal that will be approved by NYISO. Once this is known appropriate Tariff language can be drafted and CVEC will provide detailed comments on the proposed Tariff language.

Thank you for your attention to these comments.

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