

# National Grids appeal of the February 9, 2006 Operating Committee decision.

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Presentation to the Management Committee  
February 28, 2006

**There is a range of Locational Capacity and Statewide Capacity requirements that will satisfy reliability criteria.**

- ◆ **Zone J and K resource adequacy needs currently increase the Statewide Installed Reserve Margin (“IRM”).**
- ◆ **The lower the LICAP requirements, the higher the Statewide ICAP requirement and vice versa**
- ◆ **Not all Statewide IRM - Locational Capacity Requirements (LCRs) combinations satisfy reliability criteria.**

## The impact of NYC and LI resource adequacy needs, due to transmission constraints, inflate the Statewide IRM.

In general, current process for establishing capacity requirements impact market signals by...

- ◆ Minimizing capacity prices in high risk areas (Zone J and K).
  - ◆ **The RNA indicates a looming capacity shortage in NYC.**
- ◆ Increasing capacity prices in areas with little to no LOLE risk
  - ◆ **Upstate LOLEs indicate these areas have little or no risk of a loss of load event.**
- ◆ Signaling for capacity in areas where it is least effective in satisfying NYCA reliability.
  - ◆ **Inter Zonal constraints limit the deliverability of capacity to high risk areas.**

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# ***National Grid's Concerns and Recommendations***

# ***National Grid recommends a change to New York's current resource adequacy policy***

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- ◆ **Compliance with NERC, NPCC, and NYSRC Reliability Rules must be maintained.**

**The impact of Zone J and K resource adequacy needs should be assigned completely to Zone J and K.**

- ◆ **Eliminate price distortions that uncouple reliability needs from market signals.**
- ◆ **Change New York's current resource adequacy policy where "Buffalo's" resource adequacy requirement is influenced by a New York City and Long Island's resource adequacy needs.**

## Basis for Appeal

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- ◆ In FERC’s recent Order (Docket No. EL06-1), FERC disagreed with National Grid’s assertion that “the NYISO stakeholder process is not appropriate to redress [National Grid’s IRM] concerns and would be useful only for determining of LCRs...”.
- ◆ Instead, FERC agreed with NYSRC that “the appropriate stakeholder committee process to consider National Grid’s concerns is the NYISO Operating Committee” and concluded that “[t]he IRM and zonal LCRs interact to protect electric reliability within New York State and need to be addressed together.”
- ◆ FERC specifically criticized that National Grid “did not request the [Operating Committee] to establish LCRs based on the Free Flowing Proposal for the current 2005-2006 Capability Year, nor did National Grid appeal the NYISO Operating Committee’s February 2005 decision adopting the current LCRs to the NYISO Management Committee...”.

## **Basis for Appeal Cont.**

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- ◆ **Accordingly, in response to FERC's explicit direction, National Grid filed an appeal of the February 9, 2006 Operating Committee decision rejecting Motion #86.02a (Amendment to Motion on Agenda Item #7), that proposed revising the LCRs for Zone J and K that will satisfy reliability criteria and allocated the impact Zone J and K resource adequacy needs completely to Zone J and K.**