



# INDEPENDENT POWER PRODUCERS OF NEW YORK, INC

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To: David Allen  
From: Chris LaRoe  
Date: 5/26/15  
Re: IPPNY Comments on "NYISO's Proposed Reliability Must Run Framework"

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Thank you for providing the opportunity for stakeholders to comment on the NYISO's proposed Reliability Must Run (RMR) Framework to be filed in compliance with FERC's February order, presented to stakeholders at the April 30, 2015 Installed Capacity Working Group meeting. IPPNY offers the following feedback on the proposal.

### Generator Notice Requirements

The NYISO is proposing to extend the notice period for a generator retirement to 12 months. During this period of time, the NYISO plans on taking two steps: 1) study whether a unit deactivation would lead to a reliability need, and, if a reliability need is identified, 2) trigger a Gap Solution process under a revised set of rules set forth in its OATT, Attachment Y to identify the resource best suited to meet that need. The NYISO's proposal does not include any timelines that specify the amount of time that will be allocated to the study versus the Gap Solution process. The NYISO should clearly define in the tariff timelines for both the reliability study phase and the Gap Solution evaluation/selection phase. PJM's generator deactivation rules in its tariff contain a clearly defined process with built-in timelines.

This change is necessary for two reasons. First, the NYISO is proposing (correctly) to allow a generator not needed for reliability to exit the market once that determination has been made consistent with the generator's notice process with the NYPSC. This is an important provision because continued operations should not be required when there is no reliability need. It would be unreasonable for a pending reliability study to potentially keep such a resource in the market up to a year. A more defined timeline would provide the generator at issue and the market in general with certainty as to the length of time it may be required to continue operations. IPPNY would note that, to date, the NYISO has completed bulk system studies prompted by generator notices within one to two months. While the fact that the NYISO must now also confirm the nature and extent of any local

reliability impacts may add some time to the study aspect of the RMR work, the local impact study itself would still be completed by the Responsible TO, and thus, the amount of additional time required should be relatively limited.

Second, if the generator is needed for reliability, that resource should begin receiving payments to cover its costs once such a determination is made. IPPNY disagrees with the NYISO's proposal that would bar any compensation for a reliability resources until the proposed 12 month study/selection period is completed. At the point that the reliability determination is made, that resource is providing a reliability service to the NYISO and is entitled to compensation. The appropriate level of compensation could be determined in advance through a process very similar to the one utilized in the tariff when Pivotal Suppliers in mitigated capacity zones request the ability to offer at their going forward costs.

#### Generator Compensation / Treatment in Markets

IPPNY believes that the NYISO's proposed compensation (and mechanism for seeking different compensation at FERC) for a resource providing a voluntary reliability service is appropriate, so long as the service is indeed voluntary. IPPNY remains concerned that there are instances where State agencies may order a generator seeking to retire to remain in operation. If such circumstances arise, IPPNY believes the tariff should have default provisions that specify that full cost-of-service compensation shall be awarded, as FERC dictated in its February Order.

All resources receiving compensation via an RMR agreement should be subject to an offer floor to avoid suppressing the capacity price for other market participants. The NYISO has correctly proposed to subject resources needed for resource adequacy to an offer floor (this was stated verbally at the ICAPWG meeting, as a clarification to the reference in the slides from that meeting to "the amount of the need not modeled by the ICAP market"). However, the NYISO proposes to require a generation resource needed to address a transmission security issue to offer into the NYISO's capacity market as a price taker. This is a flawed aspect of the proposal for two reasons. If the argument is that the reliability service being compensated through the RMR agreement under such circumstances is separate from both capacity and energy, i.e., it is, indeed, a "wires" issue, it should not be permitted to offer into the capacity market at all. On the other hand, if transmission security is indeed a reliability service, the market design should be enhanced to incorporate it. In no event, however, can the answer be that these resources may simply be price takers ad infinitum

The NYISO correctly stated that its proposed evaluation, selection, and compensation process will be the sole means of procuring a generation resource in the short term to provide service to meet a reliability need once a reliability determination has been made. IPPNY agrees that FERC has put this responsibility squarely in the domain of the NYISO. Prior to FERC's Order, generators that wished to retire but were needed for reliability were compensated for their continued operation pursuant to reliability support

service agreements (RSSAs, aka RMRs) that were ordered and approved by the Public Service Commission (PSC). These generator agreements were allowed to be reflected in updated Local Transmission Plans, thereby bypassing the NYISO planning provisions to address reliability needs on the system. Now that the FERC has affirmatively invoked its jurisdiction and provided directives in this area, the NYISO must not propose a structure that could allow any further bi-lateral agreements entered into outside of its RMR process to circumvent that process. FERC was very clear in its February order that RMR agreements should be very limited in both their frequency and size, i.e. they must meet the reliability need in the most narrowly tailored manner. Reliability agreements entered into through the PSC process indicated that the result of that process does not always align with FERC's directives. Therefore, the NYISO should provide in its proposed tariff provisions that, irrespective of whether a formal notice is filed, generators wishing to retire but that are needed to maintain reliability must obtain compensation for their continued operation pursuant to the NYISO's RMR procedures.

#### Proposed Changes to Reliability Planning

The NYISO has proposed to make two changes to its Reliability Needs Assessment/Comprehensive Reliability Plan: 1) It will not model RMR units as in service in the base case of reliability studies, and 2) the NYISO may identify critical facilities and the impact their deactivation may have on transmission security during the latter five years of the planning horizon. IPPNY concurs with the first change, as RMR contracts are intended to be short-term and limited in their application. Therefore, a more realistic base case for the studies would anticipate their removal from the market. This point also dovetails with our aforementioned position on mitigating these assets, as the price signals sent during periods of RMR should also reflect reality, i.e. these resources are uneconomic, they would have exited the market but for an RMR agreement, and they will be exiting the market upon the completion of the RMR (assuming the NYISO's proposed anti-toggling provisions as reflected in the April 30<sup>th</sup> presentation, which IPPNY supports, are a sufficient deterrent).

The second proposed change is a non-starter. The NYISO clarified during the April 30<sup>th</sup> meeting that it envisioned selecting one or two facilities to conduct this exercise. However, it is inappropriate for the NYISO, within the context of a formal planning study, to identify the impacts associated with particular merchant facilities leaving the market when such facilities have not issued a retirement notice. Indeed, the NYISO has specifically designed the zones at risk analysis and other constructs within NYISO reliability studies to be generic. IPPNY agrees that it is important to provide transparency to the market. However, such transparency should be provided by defining the existing zones with more precision. IPPNY urges the NYISO to pursue the MMU's long-stated recommendations in this regard. While IPPNY is not necessarily tied to the implementation structure identified by the MMU last fall, IPPNY believes that the underlying zonal definition concept must be pursued expeditiously.