



540 Broadway · P.O. Box 22222 · Albany, New York 12201-2222 · (518) 426-4600

September 9, 2010

VIA E-MAIL

Mr. David J. Lawrence
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144

Re: Potential Modifications to the Special Case Resource Baseline Methodology

Dear Dave:

Pursuant to the request of the New York Independent System Operator, Inc. (“NYISO”), Multiple Intervenors hereby submits the following comments in response to NYISO staff’s analysis of potential modifications to the Special Case Resource (“SCR”) baseline methodology presented at the August 9, 2010 Installed Capacity Working Group (“ICAPWG”) meeting.

As you may recall, in September 2009, prior to NYISO staff completing the SCR baseline analysis presented at the August 9th ICAPWG meeting, Multiple Intervenors provided the following recommendation for NYISO staff’s consideration in the course of its analysis:

Multiple Intervenors recommends retention of an Average Peak Monthly Demand (“APMD”) methodology for determining capacity performance in the SCR program, with modifications to the current APMD calculation. The current Customer Base Load (“CBL”) methodology would be retained for the purposes of determining eligibility of SCR participants for energy payments relating to performance provided in response to NYISO-called SCR tests and events. Going-forward, Multiple Intervenors recommends that APMD be calculated as the average of the SCR participant’s load during the NYISO’s top 100 load hours from the prior like capability period. In calculating such APMD, the following hours would be excluded from the calculation if they are included in the subset of hours utilized: (a) all hours in which an SCR event or test was called by the NYISO that the SCR participant was obligated to participate in; and (b) if the SCR participant also is enrolled in the Demand Side Ancillary Services Program (“DSASP”), all hours in which the participant’s DSASP bid to provide Operating Reserves or Regulation service

was accepted and the NYISO dispatched the resource to provide such Operating Reserves or Regulation service.

Multiple Intervenors initially recommended further consideration of the NYISO's top 100 load hours to address its concerns related to: (a) ensuring that the data sample utilized in calculating an SCR participant's baseline accurately reflects the participant's ability to perform throughout the entirety of a capability period; and (b) avoid concerns related to the limited number of hours and days that may be encompassed by a smaller subset of the NYISO's top load hours (e.g., NYISO's top 20 load hours) and the unintended consequences that may result for a participant in the event that such a limited subset of hours coincided with maintenance shutdown, unexpected outage or mandatory union-related shutdown of a participant's operations.

Multiple Intervenors appreciates NYISO staff's consideration of its recommendation in conducting its analysis. Moreover, Multiple Intervenors acknowledges that, based on the results of NYISO staff's analysis, NYISO staff is unlikely to proceed with further consideration of this recommendation because other alternative baseline methodologies analyzed may more accurately reflect an SCR participant's ability to perform when called upon by the NYISO.

Accordingly, and in response to the two preferred alternatives to the current APMD methodology presented at the August 9th ICAPWG meeting, Multiple Intervenors expresses its support for the methodology utilizing the top 100 non-coincident hours (assuming such alternatives are the only options being considered at this time). Multiple Intervenors supports this methodology due to its previously-expressed concerns regarding the unintended consequences that could result from relying solely on the NYISO's top 20 load hours. Specifically, the NYISO's top 20 load hours are likely to occur over a very limited number of days that could coincide with a maintenance shutdown, unexpected outage or mandatory union-related shutdown of a participant's operations. Absent a corrective mechanism, utilizing the NYISO's top 20 load hours could eliminate the ability of a resource to participate in the SCR program in years during which such an issue arises.¹

Nevertheless, in an effort to work toward the development of a consensus proposal, Multiple Intervenors hereby indicates its willingness, as a compromise, to further consider the use of an APMD methodology based on as few as 20 coincident hours as described

¹ Significantly, a similar concern previously was recognized, and an appropriate corrective measure was created, in developing the recent modifications to the methodology for determining the amount of unforced capacity that limited control run-of-river resources are qualified to provide to the market. Any consideration for the use of a methodology based on a limited subset of the NYISO's top load hours requires similar consideration and development of an appropriate corrective mechanism to address such concerns.

below. In considering such a methodology, it is important to note that in addition to the concerns noted above regarding the limited nature of the NYISO's top 20 load hours and the need for a corrective mechanism to address such concerns, Multiple Intervenors shares the concerns expressed by other market participants that utilizing the NYISO's top 20 load hours, as presented at the August 9th ICAPWG meeting, provides an inappropriate signal that the SCR program is being utilized as a peak load reduction program. Moreover, such a methodology is not representative of the entire capability period for which SCR participants are committed to be available to the NYISO. Thus, given the NYISO's ability to call upon SCR participants at any time, utilizing the NYISO's top 20 load hours is not likely to provide an accurate representation of a participant's ability to perform throughout the capability period.

Accordingly, Multiple Intervenors recommends the following methodology utilizing 20 coincident load hours to calculate the baseline for SCR participants going forward, while addressing the concerns noted above:

APMD to be calculated as the average of the SCR participant's metered load during 20 coincident hours comprised of the NYISO's top 5 load hours during each of the middle four months from the prior like capability period (i.e., June-September for the summer capability period, and December-March for the winter capability period), with the following hours being excluded from the calculation if they are included in the subset of hours utilized: (a) all hours in which an SCR event or test was called by the NYISO that the participant was obligated to participate in; (b) if the participant also is enrolled in DSASP, all hours in which the participant's DSASP bid to provide Operating Reserves or Regulation service was accepted and the NYISO dispatched the resource to provide such Operating Reserves or Regulation service; (c) if the participant also is enrolled in the Day Ahead Demand Response Program ("DADRP"), all hours in which the participant's DADRP bid was accepted and the participant reduced load in response thereto; and (d) all hours in which the participant experienced a load reduction equal to or greater than thirty (30) percent of the participant's applicable APMD for the month in which such hours occurred.² For any hours excluded from the calculation in accordance with the foregoing exceptions, such hours would be replaced by the next available NYISO top load hours in which no such exceptions apply with respect to the participant for the applicable month.

² Multiple Intervenors' recommendation to use a reduction in load equal to or greater than thirty (30) percent of the participant's applicable APMD as an exclusion criterion is based on the thresholds for the SCR shutdown rule implemented on November 5, 2009.

For example, assume that: (a) an SCR participant had an APMD of 10 MW for the summer 2010 capability period; (b) the participant's metered load during the NYISO's top 5 load hours for June 2010, July 2010 and August 2010 was 10 MW; and (c) the participant conducted a maintenance shutdown at its facility during three of the NYISO's top 5 load hours in September 2010, resulting in the participant's metered load being reduced to 5 MW during such hours. For the purposes of establishing the summer 2011 capability period APMD for the SCR participant pursuant to Multiple Intervenors' recommended methodology, such APMD would be calculated as the average of the participant's metered load during the NYISO's top 5 load hours from June 2010, July 2010, August 2010 and the two NYISO top load hours from September 2010 not affected by the maintenance shutdown. The participant's metered load during the three NYISO top load hours from September 2010 affected by the maintenance shutdown would be excluded from the calculation because the maintenance shutdown resulted in the participant's metered load being reduced by more than 30 percent below its applicable APMD of 10 MW during the summer 2010 capability period. Assuming that no exclusions applied to the NYISO's top 6-8 load hours from September 2010, the participant's metered load during such hours would be utilized to replace the hours excluded due to the maintenance shutdown in calculating the participant's summer 2011 capability period APMD.

If you have any questions regarding these comments or would like to discuss them further, please do not hesitate to contact me directly at (518) 320-3437, or via e-mail at gbissell@couchwhite.com.

Respectfully submitted,

MULTIPLE INTERVENORS

Garrett E. Bissell

Garrett E. Bissell
Counsel for Multiple Intervenors

GEB/dap

cc: Donna Pratt (via E-mail)
Peter Lemme (via E-mail)

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