
NYISO Business Issues Committee Meeting Minutes
November 15, 2017
10:00 a.m. – 2:15 p.m.

1. Introductions, Meeting Objectives, and Chairman's Report

Mr. Scott Butler (Con Edison) called the meeting to order at 10:00 a.m. by welcoming the members of the BIC. The members of the BIC identified themselves and attendance was recorded. A quorum was determined.

2. Approval of BIC Minutes

There were no comments or questions regarding the draft meeting minutes for the October 11, 2017 BIC meeting that were included with the meeting material.

Motion #1:

Motion to approve the October 11, 2017 BIC meeting minutes.

Motion passed unanimously with an abstention.

3. Market Operations Report and Broader Regional Markets Report

Mr. Rana Mukerji (NYISO) reviewed the Market Operations report posted with the meeting material. There were no questions or comments.

Mr. Mukerji reviewed the Broader Regional Markets report included with the meeting material. Mr. Howard Fromer (PSEG) requested clarification regarding the status of the proposed changes to the documentation requirements for capacity imports over the PJM AC ties that were presented at the ICAPWG. Mr. Mukerji stated that the NYISO's currently plans to make the changes to such documentation requirements effective for May 1, 2018.

4. 2017-2018 BIC Vice Chair Election – Kelli Joseph NRG

Ms. Kelli Joseph (NRG) was elected Vice Chair of BIC for 2017-2018.

5. Alternative Methods for Determining LCRs: Final Market Design

Mr. Zachary Stines (NYISO) reviewed the presentation included with the meeting material. Mr. Mark Younger (Hudson Energy Economics) asked whether the proposal would utilize collared or uncollared net cost of new entry (CONE) values in performing the optimization. Mr. Stines replied that this issue will be addressed as part of the tariff development process for the project in 2018. Mr. David Allen (NYISO) noted that the collaring mechanism is transitional and sunsets after the 2020/2021 Capability Year. Mr. Chris Hargett (Con Edison) agreed that this issue should be addressed as part of the process to develop tariff revisions to accompany the proposal in 2018.

Mr. John Borchert (Central Hudson) asked whether the analysis done to date had used collared or un-collared net CONE values. Mr. Stines explained that the analysis completed to date has utilized the data and information related to the 2017-2018 Capability Year ICAP Demand Curves for which the collaring mechanism does not apply.

Mr. Jim D'Andrea (Ravenswood) raised concerns that optimizing Locational Minimum Installed Capacity Requirements (LCRs) to achieve the lowest possible statewide capacity cost increases risks for investors and recommended that the NYISO, instead, focus efforts on addressing other capacity market initiatives to ensure that capacity market price signals are correct. Mr. Stines stated that the NYISO's analysis does indicate that the proposal may provide overall capacity cost savings for consumers, but noted that the proposal is also intended to provide greater stability, transparency and predictability with respect to establishing LCR values, which should be beneficial to both consumers and investors.

Mr. David Clarke (LIPA) provided the following statement for the minutes:

Power Supply LI strongly opposes NYISO's Alternative LCR proposal. We believe the NYISO has advanced this project without fully considering the ramifications of, and alternatives to, the advocated approach. For Long Island (and perhaps other zones), the proposed methodology will result in a significant misalignment of costs and beneficiaries. Since the NYISO has refused to fully study and report on the implications of its proposed methodology, LSEs are now being asked to approve this methodology with inadequate supporting information. For example, our own preliminary analysis of this methodology suggests that it is based on an unrealistically low assumption as to the cost of new capacity on LI. Further, our modeling has identified anomalies where installed capacity exceeding LI peak load will contribute more to reliability than capacity added, for example in NYC, where installed capacity requirements are below 81% of peak load. This mismatch means that reliability benefits from increases in the LCR on LI will not accrue predominately to LI customers. Instead, there will be a direct subsidization of NYC by the LI LCR. There has been no showing by the NYISO that such a result is appropriate—much less a result that would be consistent with beneficiaries pay principles. Power Supply LI also is concerned that this new methodology could result in LCRs at levels that may cause additional cost relative to current procedures, if NYC fails to meet its minimum requirement and capacity additions elsewhere are required. These are just a few examples and we have other concerns as well. Simply, a change of this magnitude must be more fully vetted and LSEs deserve a full accounting from the NYISO of all aspects of its proposed implementation and consideration of alternatives that achieve a more balanced refinement of the LCR methodology.

Mr. D'Andrea questioned whether the proposal needs to be reviewed by the Operating Committee to ensure that it does not present any reliability concerns. Mr. Borchert stated that there did not appear to be any need for Operating Committee review because the proposal expressly requires that the 0.1 loss of load expectation (LOLE) be maintained in establishing LCRs. Mr. Mayer Sasson (Con Edison) stated that the proposal is intended to produce more stable LCRs which is beneficial to the market generally, including investors. Mr. Sasson also stated that because both the current LCR methodology and the proposal ensure that the 0.1 LOLE criteria is maintained there does not appear to be any reliability implications that require further consideration by the Operating Committee.

Mr. Younger asked if the current plan, assuming approval of the proposal, was to implement the new methodology for determined LCRs for the 2019-2020 Capability Year. Mr. Stines confirmed that Mr. Younger's understanding of the planned implementation was correct. Mr. Younger commended the NYISO on all the analysis done to date, but stated he would like to see NYISO commit to provide additional analysis utilizing the 2018 Installed Reserve Margin (IRM) base case data, updated transmission security limit values, and data from the 2018-2019 Capability Year ICAP Demand Curves. Mr. Mukerji stated that the NYISO would try to complete an updated analysis in advance of seeking stakeholder approval in 2018 of tariff revisions to implement the proposal.

Mr. Hargett provided the following statement for the minutes:

Con Edison and Orange & Rockland appreciate the NYISO's efforts on this complex issue. While recognizing that we have additional work to do early next year, we can support this proposal today because of the inclusion of a Transmission Security Level that considers the reliability needs of the system while producing more stable and predictable LCRs. It should address the reliability concerns Con Edison expressed about this project. We thank NYISO staff for working with us and other stakeholders on this creative solution.

Mr. Borchert expressed Central Hudson's support for the proposal noting that the proposal: (i) appears to address concerns related to the potential for counterintuitive results from changes in generation that have been experienced under the current methodology for determining LCRs; and (ii) provides greater stability in LCR values and improves capacity market price signals in comparison to the current methodology for determining LCRs.

Motion #2:

The Business Issues Committee (“BIC”) hereby approves the market design, as presented at today’s BIC, subject to the resolution of the issue presented concerning the net cost of new entry curve to be used in instances when the collar mechanism is triggered, and requests that the NYISO develop a tariff proposal, with input from the Installed Capacity Working Group (“ICAP Working Group”), to implement the Locational Minimum Installed Capacity Requirement Optimization Methodology and return to BIC and MC for discussion and action.

Motion passed with 81.1% affirmative votes.

6. IPP Project Update

Mr. Mike DeSocio (NYISO) reviewed the presentation included with the meeting material.

Mr. Kevin Lang (Couch White) and Mr. Jay Brew (Nucor) expressed concerns regarding the need to ensure for consideration of alternative methods other than carbon pricing in the wholesale energy market for harmonizing wholesale markets with State public policies. Mr. Lang also stated that this initiative must consider the need for additional transmission to increase the capability to flow power between upstate and downstate.

Mr. Lang and Mr. Brew noted concerns regarding the proposed charter for the Integrating Public Policy Task Force (IPPTF) and the scope of work to be undertaken by the task force. Mr. DeSocio clarified that the IPPTF is intended to provide a forum for providing an initial examination of carbon pricing in the wholesale markets and issues/considerations relating thereto, as well as alternatives that seek to leverage wholesale markets to further assist with the achievement of the State’s carbon emissions reduction goals.

Ms. Joseph (NRG) stated that carbon pricing in the wholesale energy market needs to be complemented by other initiatives, including potential revisions to the capacity market.

Mr. Brew stated that it is important to clearly define the role and intended scope of efforts to be undertaken through the IPPTF. Mr. Michael Mager (Couch White) and Mr. Lang raised concerns regarding the need to avoid unnecessary duplication of efforts by reviewing issues at both MIWG/ICAPWG and IPPTF. Ms. Doreen Saia (Greenburg Traurig) recommended that the NYISO develop a very clear framework to outline the scope of efforts that will be addressed through MIWG/ICAPWG in 2018 in order to help clarify the roles of MIWG/ICAPWG and IPPTF. Mr. DeSocio clarified that the IPPTF is intended to be a forum for considering only one aspect of the NYISO’s broader public policy integration efforts – the capability of leveraging the wholesale markets to assist in achieving the State’s carbon emission reduction goals – while other initiatives focused on the assessing any changes needed to wholesale market rules, products and structures in response to the State’s energy policy goals and Clean Energy Standard will be considered at MIWG/ICAPWG. Mr. DeSocio noted that a draft work plan will be developed in early 2018 that will help to clarify the scope of efforts being undertaken through the IPPTF. Mr. Rich Dewey (NYISO) clarified that IPPTF will not supplant the normal stakeholder governance process. Mr. Dewey stated that the task force was developed as a way to allow people to get involved that don’t typically participate in NYISO governance. Mr. Dewey further noted that the ultimate goal is to use the task force to maximize stakeholder input as part of the efforts to develop a proposal for further consideration through the normal NYISO governance process.

Mr. DeSocio stated that the NYISO intends to develop an initial list of potential initiatives for discussion at the December 5, 2017 MIWG meeting related to the broader efforts to integrate the State’s public policies into the wholesale markets. Mr. DeSocio further noted that an expanded list of potential initiatives for consideration would be identified in the Integrating Public Policy White Paper that the NYISO plans to post by the end of the year. The intent is for this to serve as a starting point for discussions with stakeholders in early 2018 to identify high priority market design concepts that should be further pursued through MIWG/ICAPWG in the near-term.

7. Working Group Updates

- Billing and Accounting and Credit Working Group – The group met on October 23, 2017 and reviewed the standard accounting/settlement reports.
- Electric System Planning Working Group – ESWPG has met twice since the last BIC meeting. The group met on October 26, 2017 and reviewed key study assumptions for the Binghamton power plant generator deactivation assessment, Local Transmission Plan updates, 2017 CARIS Phase I updated benchmark and base case results, an update on historic congestion data reporting, an update on proposed changes to the RNA base case inclusion rules and lessons learned from Western NY public policy transmission planning process. The group also met on November 3, 2017 and reviewed Local Transmission Plan updates.
- Installed Capacity Working Group – ICAPWG has met three times since the last BIC meeting. The group met on October 11, 2017 and reviewed the on ramps and off ramps proposal, the consumer impact analysis for alternative methodologies for determining LCRs, and deliverability requirement for capacity imports and a proposed change to the documentation requirements for imports over the PJM AC ties. On October 24, 2017, the group met and reviewed the on ramps and off ramps proposal, a proposal regarding awarding CRIS to entities that increase transfer capability into Rest of State from an external Control Area and updated gross cost of new entry data related to the annual update of the ICAP Demand Curves for the 2018-2019 Capability Year. The group also met on November 6, 2017 and reviewed the final results of the annual update of the ICAP Demand Curves for the 2018-2019 Capability Year, the Performance Assurance Study conducted by Analysis Group, a supplement to the consumer impact analysis for alternative methodologies for determining LCRs, the consumer impact analysis for the on ramps and off ramps proposal and the on ramps and off ramps proposal.
- Electric Gas Coordination Working Group – The group has not met since the last BIC meeting.
- Load Forecasting Task Force – The group met on October 23, 2017 and reviewed Moody's Analytics' national and New York economic outlooks.
- Market Issues Working Group – The group has met three times since the last BIC meeting. On October 16, 2017, the group met and reviewed the NY wind overview and 2016 operation report, and the market impact assessment being conducted as part of the Integrating Public Policy initiative. On October 30, 2017, the group met and reviewed alternative methods for LCRs, distributed energy resources (DER) aggregations and dual participation and initial findings from the DER meter data study. The group also met on November 2, 2017 and reviewed the consumer impact analysis for securing 100+kV transmission facilities in the market model, energy storage integration and optimization, the large scale solar participation model, proposed revisions to the current price correction deadlines and a presentation by NRG regarding potential market reforms for consideration as part of the Integrating Public Policy initiative.
- Price Responsive Load Working Group – The group met jointly with the MIWG on October 30, 2017 and reviewed the DER-related topics.

8. New Business

Mr. Younger requested an update regarding the status of the Indian Point generator deactivation assessment. Mr. Dewey stated that the NYISO is currently seeking complete the assessment by the end of December 2017.

Meeting adjourned at 2:15 p.m.