

January 20, 2021

By Electronic Delivery

Hon. Michelle L. Phillips
Secretary to the Commission
New York State Public Service Commission
Agency Building 3
Albany, NY 12223-1350

Subject: Case No. 07-E-0088 – In the Matter of the Adoption of an Installed Reserve Margin for the New York Control Area

Dear Secretary Phillips:

In response to the New York State Public Service Commission's December 23, 2020 notice in the above-captioned proceeding in the above captioned proceeding, the New York Independent System Operator, Inc. hereby submits the attached comments.

Respectfully submitted,

/s/ Carl Patka

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**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

Case No. 07-E-0088 – In the Matter of the Adoption of an Installed Reserve Margin for the New York Control Area.

**COMMENTS OF
THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**

I. Introduction

The New York Independent System Operator, Inc. (“NYISO”) respectfully offers these comments in response to the New York State Public Service Commission’s (“Commission”) December 23, 2020 notice in the above-captioned proceeding.¹ The NYISO supports the 20.7 percent Installed Reserve Margin (“IRM”) adopted by the New York State Reliability Council (“NYSRC”) for the New York Control Area (“NYCA”) in the upcoming 2021-2022 Capability Year,² and as proposed in its filing with the Federal Energy Regulatory Commission (“FERC”).³ The proposed change to the IRM falls within a range of reasonable levels of installed capacity (“ICAP”) required to maintain reliability on the NYCA bulk power system.

The NYISO is the independent body responsible for providing open access transmission service, planning for and maintaining bulk power system reliability, and administering competitive wholesale markets for energy, capacity, and ancillary services in New York State. Among its responsibilities is the administration of ICAP auctions, including the Summer 2021 Capability Period ICAP auction scheduled to commence on March 29, 2021. In conjunction with the ICAP Demand Curves, the IRM is a key input to the ICAP auction process, as it is used

¹ See Notice of Proposed Rulemaking, “New York State Reliability Council’s Establishment of an Installed Reserve Margin of 20.7%,” N.Y. Reg., I.D. No. PSC-51-20-00008-P (December 23, 2020).

² Capitalized terms have the meaning ascribed to them in the NYISO’s Open Access Transmission Tariff (“OATT”) and its Market Administration and Control Area Services Tariff (“Services Tariff”).

³ See *New York State Reliability Council, L.L.C.*, Filing of Installed Capacity Requirement for the New York Control Area, Docket No. ER21-671-000 (December 15, 2020) (“NYSRC FERC Filing”).

to calculate Load Serving Entities’ (“LSEs”) minimum capacity requirements. Thus, the NYISO has a direct interest in this Commission’s review of the IRM adopted by the NYSRC for the 2021-2022 Capability Year.

II. Background

Section 3.03 of the New York State Reliability Council Agreement, approved by the FERC in connection with the formation of the NYISO and the NYSRC, obligates the NYSRC to submit any proposed revisions of the NYCA IRM to the FERC and the Commission for approval before the beginning of the Capability Year to which the change would apply.⁴ The approved IRMs for each Capability Year since the inception of the NYISO are as follows:⁵

Approved Installed Reserve Margins for Capability Years 2000-2001 through 2009-2010									
2000 - 2001	2001 - 2002	2002 - 2003	2003 - 2004	2004 - 2005	2005 - 2006	2006 - 2007	2007 - 2008	2008 - 2009	2009 - 2010
18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	16.5%	15.0%	16.5%

Approved Installed Reserve Margins for Capability Years 2010-2011 through 2020-2021										
2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
18.0%	15.5%	16.0%	17.0%	17.0%	17.0%	17.5%	18.0%	18.2%	17.0%	18.9%

The current IRM of 18.9 percent requires LSEs in the NYCA to procure capacity equal to 118.9 percent of their forecasted peak load.⁶ In addition, there are separate location-specific capacity requirements for LSEs in New York City, Long Island, and, collectively, Load Zones G, H, I, and J (the “G-J Locality”) that reflect the existence of transmission constraints in those

⁴ New York State Reliability Council Agreement § 3.03 (December 2, 1999), *available at* <http://www.nysrc.org/pdf/Agreements/NYSRC%20Agreement%20signed.PDF>.

⁵ Both the Commission and FERC have approved each revision to the IRM, as proposed by the NYSRC. *See orders in New York State Reliability Council*, 90 FERC ¶ 61,313 (2000); Case No. 07-E-0088, *Matter of the Adoption of an Installed Reserve Margin*.

⁶ For example, the NYCA forecast peak load used for the IRM Study for the 2020-2021 Capability Year was 32,169 MW. The 18.9 percent IRM means the minimum ICAP requirement for the NYCA was 38,249 MW (*i.e.*, 118.9 percent of 32,169 MW).

areas. These Locality requirements are determined by the NYISO using the NYSRC's determined IRM.

At the request of the NYSRC and in accordance with the Agreement Between the New York Independent System Operator, Inc. and the New York State Reliability Council,⁷ the NYISO conducted a technical study for determining an IRM necessary to meet all applicable reliability criteria in the NYCA for the 2021-2022 Capability Year. The NYISO performed the IRM study according to the procedures set forth in NYSRC's Policy 5 and under the supervision of the NYSRC Installed Capacity Subcommittee ("ICS"). As in previous years, the NYISO employed General Electric's Multi-Area Reliability Simulation ("GE-MARS") model to determine the amount of ICAP that is required NYCA-wide to meet the governing resource adequacy criterion that the probability of an unplanned disconnection of firm load not exceed one occurrence in ten years.⁸ The base case evaluation yielded an IRM of 20.7 percent for the 2021-2022 Capability Year.

The NYISO reported its study results for the base case and numerous sensitivities to the ICS, which reviewed the results of the study, together with verification of the data inputs and modeling by General Electric, Consolidated Edison of New York, Inc., and PSEG Long Island. The study results are reflected in the Technical Study Report (the "2021 IRM Study") prepared by the ICS in support of its proposed revision to the NYCA IRM for the upcoming Capability Year.⁹ The NYSRC Executive Committee relied on the base case results, its identification and

⁷ See Agreement Between the New York System Operator and the New York State Reliability Council, Article 3 (December 1, 1999), available at: http://www.nyiso.com/public/webdocs/markets_operations/documents/Legal_and_Regulatory/Agreements/NYISO/iso_nysrc_agreement.pdf.

⁸ This criterion is known as the "Loss of Load Expectation" or "LOLE" and is the standard prescribed in the reliability rules of the Northeast Power Coordinating Council ("NPCC") and the NYSRC.

⁹ *Technical Study Report: New York Control Area Installed Capacity Requirement for the Period May 2021 to April 2022* (December 4, 2020), at 2. <http://www.nysrc.org/PDF/Reports/2021%20IRM%20Study%20Report%20Body%20Final.pdf>.

evaluation of modeling and assumption changes that drove the increase in the 2021 IRM Study from the prior 2020 IRM Study base case value, and numerous sensitivity studies that resulted in a range of IRMs that were higher and lower than the base case IRM.¹⁰

Five factors drove increases in the base case IRM between the 2020 and 2021 IRM Studies by a total of 3.1 percent. The most significant factors are an updated model of load forecast uncertainty (1.0 percent increase), the modeling of Energy Limited Resources (“ELRs”) (0.9 percent increase) and the retirement of the second Indian Point Energy Center Unit 3 along with related topology changes (0.7 percent increase). Five parameters in combination drove decreases in the IRM from the 2020 base case by 1.3 percent. Of these five drivers, the most significant are a reduction in Special Case Resource (“SCR”) registration coupled with improved performance (0.4 percent decrease), and the updated load forecast (0.3 percent decrease). Each of the following three parameters drove a 0.2 percent reduction in the base case IRM value: higher amounts of emergency operating procedure values, improved cable forced outage rates, and more emergency assistance from other Control Areas. The net effect of the factors driving increases and decreases resulted in a 1.8 percent increase in the base case IRM value from 18.9 percent to 20.7 percent in the 2021 IRM Study.

Based upon the study results and its experience and expertise, the NYSRC adopted the 20.7 percent base case value as the IRM for the 2021-2022 Capability Year. On December 15, 2020, the NYSRC filed with the FERC its proposed NYCA IRM of 20.7 percent for the 2021-2022 Capability Year, requesting that FERC accept its filing and issue an order no later than February 15, 2021.¹¹

¹⁰ NYSRC FERC Filing at 12.

¹¹ *Id.* at 12.

III. Comments

A. The NYSRC's Decision to Establish a NYCA IRM of 20.7 Percent for the 2021-2022 Capability Year is Reasonable.

As explained above, the NYSRC has proposed to increase the NYCA IRM from 18.9 percent to 20.7 percent for the upcoming Capability Year. The NYISO believes that the proposed increase is reasonable because the NYSRC appropriately applied the LOLE criterion to select an IRM falling within a range of reasonable IRMs that would maintain reliability in New York State for the 2021-2022 Capability Year.

Specifically, the base case evaluation described in the 2021 IRM Study yielded a NYCA IRM of 20.7 percent. As described in its FERC filing, in adopting a 20.7 percent NYCA IRM, the NYSRC Executive Committee relied on the base case results, its identification and evaluation of modeling and assumption changes that drove the increase in the 2021 IRM Study from the prior 2020 IRM Study base case value, and numerous sensitivity studies that resulted in a range of IRMs that were higher and lower than the base case IRM.¹² Based on the study results and its experience and expertise, the NYSRC determined that the base case IRM value of 20.7 percent best satisfied the resource adequacy criterion and is appropriate to maintain reliability.

B. The Commission Should Act Promptly.

The 60-day comment period for the notice of proposed rulemaking will conclude on February 22, 2021.¹³ Given its needs for final approval of the IRM by the NYPSC in order to complete preparations for and conduct its ICAP auction, the NYISO respectfully requests that

¹² *Id.*

¹³ Given that the 60th day of the public comment period falls on Sunday, February 21, 2021, the last day for submission of public comments will be Monday, February 22, 2021.

the Commission act on the NYSRC filing by the end of February 2021.¹⁴ A decision by the end of February will address the NYISO's need to know the NYCA IRM sufficiently ahead of the first ICAP auction for the Summer 2021 Capability Period. Once acted upon, the NYISO must complete a number of time-sensitive steps, including several seasonal preparation actions using the new IRM, finalizing the minimum NYCA-wide capacity requirement and the Locational Capacity Requirements ("LCRs"), and communicating this information to auction participants.¹⁵ These steps include the NYISO making its calculations as early as possible in advance of providing each LSE with its Summer 2021 Capability Period minimum capacity requirement. Pursuant to its Services Tariff, the NYISO has scheduled the first ICAP auction for the Summer 2021 Capability Period to commence on March 29, 2021. Moreover, in accordance with its manuals and past practices, the NYISO will provide Market Participants with 2021 Summer Capability Period updates on March 18, 2021, and will make their new minimum capacity requirements available on March 26, 2021 prior to the commencement of the Summer 2021 Capability Period Auction. This timeline is required to allow Market Participants sufficient time to take the necessary steps for participation in the upcoming Summer ICAP auctions. If the Commission acts promptly following the close of the 60-day comment period, the NYISO is confident that it could complete its work on time and provide Market Participants the data they need on a schedule that promotes the effective functioning of its ICAP markets.¹⁶

¹⁴ The NYISO similarly supported NYSRC's request for the FERC to issue an order no later than February 15, 2021. *New York Independent System Operator, Inc.*, Motion to Intervene and Comments, FERC Docket No. ER 21-671-000 (January 5, 2021), at 1, 7–10.

¹⁵ In its calculation of the LCRs, the NYISO uses the IRM provided by the NYSRC to satisfy the LOLE resource adequacy criterion. The NYISO will use the 20.7 percent IRM adopted by the NYSRC to determine LCRs for the 2021-2022 Capability Year.

¹⁶ The NYPSC last year acted by issuing a one-Commissioner order to approve the IRM, with subsequent approval by the full Commission at the next regularly scheduled Session. Case No. 07-E-0088, *Matter of Adoption of an Installed Reserve Margin*, One-Commissioner Order by John B. Rhodes, Chairman, Adopting Installed Reserve Margin for the New York Control Area for the 2020-2021 Capability Year (February 28, 2020); *id.*, *Confirming Order* (March 19, 2020).

C. The Commission Should Coordinate with the FERC.

The NYISO respectfully suggests that the Commission coordinate its review of the NYSRC’s proposed NYCA IRM revision with the FERC.¹⁷ To the extent that the Commission and the FERC address common questions, the NYISO also asks the Commission to take measures to ensure that its determinations are compatible with the FERC’s determination. This Commission has noted the value of such federal-state coordination in its past consideration of IRM issues, and the NYISO urges the Commission to continue with such precedent.¹⁸

IV. Conclusion

WHEREFORE, for the foregoing reasons, the NYISO respectfully requests that the Commission: (i) act on the NYSRC filing by the end of February 2021 following the close of the public comment period; (ii) coordinate its review with the FERC to avoid inconsistent or contradictory determinations; and (iii) approve the NYSRC’s proposed NYCA IRM of 20.7 percent for the 2021-2022 Capability Year.

Respectfully submitted,

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January 20, 2021

¹⁷ NYSRC FERC Filing, Docket No. ER21-671-000 (December 15, 2020).

¹⁸ This Commission has previously noted that it affords “considerable weight” to the NYSRC’s reasoning and recommendations. Case No. 07-E-0088, *Matter of the Adoption of an Installed Reserve Margin*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2009-2010 Capability Year (February 17, 2009), at pp 9–10. The NYISO submits that the process used by the NYSRC for developing the upcoming year’s IRM meets the same standard that the NYSRC has applied in the past and that this Commission has approved.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Rensselaer, NY this 20th day of January 2021.

/s/ Joy A. Zimmerlin

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