New York Battery and Energy Storage Technology Consortium, Inc.

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Via e-mail

Zach T. Smith
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NYISO
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RE: NY-BEST comments on Capacity Accreditation

Zach:

NY-BEST appreciates the opportunity to provide feedback on the NYSIO's Capacity accreditation proposal, as requested at the ICAP/MIWG meeting of 8/31.

1. De-couple BSM Reform from Finalization of Capacity Accreditation

First, NY-BEST notes that we are supportive of the Buyer Side Mitigation reforms that have been outlined by the NYISO and most notably as discussed at the ICAP working group meting of 9/9/2021. Importantly, these reforms would exempt public policy resources as required under the CLCPA, including energy storage, from BSM, a position that NY-BEST has long supported. However, we do not believe that BSM reforms must be coupled with capacity accreditation. NYISO's own analysis indicates that exempting CLCPA resources from BSM in the near term will not cause disruption in the capacity market or result in supply side market power to be exercised. If NYISO wishes to proceed in coupling BSM and capacity accreditation, NY-BEST urges NYISO, at a minimum, to approach these items in separate phases and move forward with BSM reform as a separate first step while providing the requisite time and attention to fully develop a well thought out and robust capacity accreditation proposal that applies to all resources types equally as a next step in the process. BSM reform is crucial to meeting the State's mandating CLCPA clean energy goals and should not be delayed while the details of the capacity accreditation are being finalized. Redesigning the capacity market is a likewise an extremely important, complex task that will likely have significant ramifications. This effort requires and deserves a thorough process. As we discuss in more detail below, there are still several concerns with the capacity accreditation proposal that will require additional time and analysis.

2. Specific Concerns with Capacity Accreditation Proposal

a. Market Volatility

NY-BEST is extremely concerned that the capacity accreditation proposal will result in a capacity market that is not functional for new resources. NYISO's capacity market is already difficult to leverage for financing purposes, due to its short time horizon of the auction process.

The NYISO capacity accreditation proposal, by relying on an annual accreditation process, as well as a resource's marginal value, would add a significant and unnecessary amount of price volatility and risk for new resources seeking to enter the capacity market. Furthermore, it will be extremely difficult for most market participants to model or forecast revenue. This volatility and risk will make it even more difficult than it is now—if not impossible-- for new resources to secure long term investments. The result will likely be a non-functioning market for new resources and a market that is not just and reasonable.

We understand that the MMU is examining this issue and we request that the analysis, or a separate study, consider whether 10-20 year capital investments can be supported given the increased volatility and risk associated with this proposed framework, as well as include consideration of other potential frameworks that would create less risk and volatility.

b. Methodological Concerns

NY-BEST is concerned about the technical model/mechanism that NYISO proposes to rely on as part of the capacity accreditation process. First, we have general concerns about the reliance on the State's IRM and the IRM study methods. The Energy Systems Integration Group recently published a paper discussing problems with traditional resource adequacy analysis and the need for a new approach.[1] This work and the E3 presentation at the Aug 30, 2021 ICAPWG meeting point out a number of areas where the present IRM study method is deficient. This includes the importance of relevant load data and load participation, properly coupling load and renewable generation for weather scenarios, and addressing the new risks inherent in a high renewable grid. New York's IRM study method should be improved to address the issues of the modern grid. Although we understand that this is beyond the NYISO's sole purview, we note that these issues have a greater effect on the analysis for some of the resources most affected in the proposed capacity accreditation method. It is therefore import that these issues are addressed to ensure a just and reasonable outcome.

Secondly, we are concerned that the proposed methodology may not be effective as increasing amounts of renewable resources are added to the grid. While, NY-BEST agrees with NYISO's proposal to use at-criterion, we are concerned that as we move to the future grid there may be a large difference between "as-found" and "at-criterion" which means that the method of adjusting to at-criterion is important. Just adding flat load may artificially extend peak durations and thus artificially suppress energy storage value. Furthermore the use of the IRM study methodology that reflects the system contribution rather than marginal value to scale up to a required ICAP need and then using a marginal based system derating factor to scale down to the market procurement UCAP, may cause under procurement. It also could result in a different resource mix being procured than that assumed in the calculation methodology. Lastly, the Capacity Accreditation process must closely evaluate thermal resources' performance during extreme weather, the highest peaks, single contingency events (e.g. gas pipeline disruptions). This includes a close examination of EFORd, which was developed in the 1970s and has not evolved despite the changing grid.

As we have suggested in the ICAPWG, we request that the NYISO analyzes future grid scenarios, including the NYISO zero-emission grid scenario, with the full IRM process and proposed capacity accreditation process.

[1] Redefining Resource Adequacy Task Force. 2021. Redefining Resource Adequacy for Modern Power Systems. Reston, VA: Energy Systems Integration Group. https://www.esig.energy/reports-briefs.

We recognize that resource adequacy and capacity accreditation for the modern grid is complex and challenging and greatly appreciate your efforts to create a good system. The issues we have discussed here, along with many others, need to be fully evaluated and vetted. We should not be rushing to conclude this process, or even to lock in certain discissions such as marginal v. average, based on the timeline of BSM reform. This is too important to not have a thorough process with robust review and analysis.

Sincerely,

William Acker
Executive Director