

Via E-Mail to mdesocio@nyiso.com

To: Mike DeSocio
From: Leonard Ashley, IPPNY Director, Market Policy & Regulatory Affairs
Date: November 3, 2021
Re: Comments on Comprehensive Mitigation Review

IPPNY¹ submits the following comments on the NYISO's Comprehensive Mitigation Review proposal and associated presentations at the October 18, 22, 29, and November 2 Installed Capacity Working Group meetings.

IPPNY continues to emphasize that any proposed revisions to the NYISO's BSM rules and an enhanced capacity accreditation process **must be filed with FERC for approval as a comprehensive and balanced set of revisions** to ensure suppliers are neither under nor over-compensated to preserve the long-term reliability of the system, and thus, for the market clearing prices to be just and reasonable as required by Federal Power Act Section 205 and Commission precedent in New York addressing the NYISO's capacity markets in orders spanning more than a decade.²

The NYISO's Comprehensive Mitigation Review ("CMR") Package

The NYISO's Comprehensive Mitigation Review package, as proposed on October 29, includes the following elements:

- BSM Reforms
- Capacity Accreditation
- ICAP/UCAP Reference Price Translation

¹ IPPNY is a trade association representing companies involved in the development of electric generating facilities including renewable resources, the generation, sale, and marketing of electric power, and the development of natural gas and energy storage facilities in the State of New York. IPPNY member companies produce a majority of New York's electricity, utilizing almost every generation technology available today, such as wind, solar, natural gas, oil, hydro, biomass, energy storage and nuclear. IPPNY's comments do not necessarily represent the position of its individual members.

² See *New York Independent System Operator, Inc.*, 118 FERC ¶ 61,182 (2007) at P 17 (establishing capacity market must provide level of compensation that attracts and retains needed infrastructure to support long term reliability of system); see also *New York Independent System Operator, Inc.*, 170 FERC ¶ 61,121 (2020) at P 48 (reaffirming exemption structure must limit risk of significantly impacting market prices).

- The NYISO’s FERC submission is expected to be supported by, *inter alia*, Analysis Group’s Supporting Analysis and the two consumer impact analyses completed by the NYISO’s Consumer Liaison and the NYISO’s Market Monitoring Unit, Potomac Economics

As established throughout the presentations and further supported by these analyses which will be made part of the FERC record, each element in this package is important for the NYISO to incorporate in their tariff filing and the NYISO should continue to work on them as a balanced package.

BSM Reforms Must be Part of a Balanced CMR Package

IPPNY agrees with the NYISO that any changes to the BSM rules must be coupled with other necessary changes to the capacity market in a balanced manner. *As FERC previously has found, exemptions (and, in this latest context, the definition of Excluded Facilities) must be designed so that they limit the risk of significantly impacting market prices, causing them to fall below levels that are sustainable over the longer term (i.e., they fail to adequately reflect the reliability value of resources).* Such changes must ensure the capacity market continues to support just and reasonable capacity prices and maintain its core function of attracting and retaining the resources needed to ensure resource adequacy and preserve the long-term reliability of the system.³ In addition, such changes must be supported by market participants in different sectors and be expected to be approved by FERC and legally durable thereafter. IPPNY also strongly agrees with the NYISO and the Market Monitoring Unit as to the importance of accurately valuing capacity resources’ contribution to resource adequacy at the same time as, and in conjunction with, developing BSM reforms. Therefore, approving the core concepts of an enhanced capacity accreditation process that encompasses an annual timeline for the periodic review and updates levels set to compensate resources in accordance with their marginal reliability value must be coupled with revisions to the NYISO’s BSM rules.

Capacity Accreditation Should be Performed Using the Marginal Approach

IPPNY maintains that accurately valuing resources’ contribution to resource adequacy could significantly reduce the need for BSM rules to address the impact of State-supported public policy resources. In its October 18 presentation, the NYISO stated:

“The NYISO believes that using marginal capacity accreditation values will result in more efficient signals for attracting and retaining resources in New York, regardless of whether those resources receive out of market payments or rely more heavily on capacity market revenues, by properly signaling which resource types are best suited to support grid reliability”

³ FERC established as the fundamental tenet of capacity markets in New York that they must “provide a level of compensation that will attract and retain needed infrastructure and thus promote long-term reliability while neither over-compensating nor under-compensating generators.” *See New York Independent System Operator, Inc.*, 118 FERC ¶ 61,182 (2007) at P 17. That tenet must continue to be upheld here.

IPPNY agrees with the NYISO and the MMU that the CMR Package must include marginal capacity accreditation, a framework that is critical in informing efficient public and private investment decisions in a grid in transition.

IPPNY looks forward to working with the NYISO and its stakeholders to develop the details of marginal capacity accreditation as laid out in the NYISO's plan.

[The NYISO Should Pursue its Proposed ICAP/UCAP Reference Price Translation](#)

IPPNY supports the NYISO's proposal to adopt Potomac Economics' recommendation to translate the ICAP Reference Price to a UCAP Reference Price using the derating factor of the peaking unit underlying the relevant ICAP Demand Curve.

[The CMR Package Must Consider Supporting Analyses](#)

Given the scope and nature of the proposed changes under consideration in the NYISO's comprehensive mitigation review, the Analysis Group's analysis of the economic impacts of substantially revising the BSM rules but implementing a capacity accreditation structure utilizing a marginal methodology is a key component to support the justness and reasonableness of these revisions to the FERC under FPA Section 205. The NYISO must also consider consumer impact analyses completed by the NYISO's Consumer Liaison and the NYISO's Market Monitoring Unit.

[Additional Considerations](#)

[Capacity Market Investment Risk](#)

It cannot be ignored that the BSM reforms proposed as part of the overall CMR Package significantly alter the risk landscape for wholesale energy investors in NY. As such, IPPNY continues to support assessment of the potential for market investment risks resulting from the elimination of major aspects of the BSM Rules as a study metric in future Demand Curve reset process efforts. This assessment, as demonstrated by Potomac Economics in its September 20 presentation, is a necessary component of the NYISO's overall proposal. This assessment will ensure that the risks faced by independent merchant investors who do not receive State subsidies are reviewed in each reset process, and where warranted, reflected in the ICAP market, which will help ensure that non-subsidized resources also will have a reasonable opportunity to recover the costs of their investments going forward.

[Tariff Revisions](#)

Objections raised by some Market Participants that tariff revisions must not be submitted until the defined structure has been fully developed lack basis and ignore the framework that has long been in place over many years to address major market design efforts. The NYISO routinely addresses associated changes to its rules that it identifies when it begins to develop the implementation of a new market design following FERC approval of tariff revisions. There is no reason to depart from that framework here.

IPPNY appreciates the draft tariff language that the NYISO put forth related to the CMR Package. Proposed tariff amendments must be presented as a complete package, voted upon by stakeholders and approved by the NYISO Board for these matters to be filed with FERC under Section 205 of the Federal Power Act. The tariff amendments must be detailed enough to provide the overall structure of the capacity accreditation program and should be filed with FERC in time to inform the Class Year 2021 decision process which is currently projected to take place in April and future REC and OREC solicitations.

Closing Thoughts

IPPNY remains committed to working with the NYISO on crafting revisions to the CMR Package in a timely and balanced manner. Thank you.