

January 12, 2023

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 January 4, 2023 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/ David Allen _____

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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”) January 4, 2023 notice in the above-captioned proceeding.¹ The NYISO supports the 20.0 percent Installed Reserve Margin (“IRM”) adopted by the New York State Reliability Council (“NYSRC”) for the New York Control Area (“NYCA”) in the upcoming 2023-2024 Capability Year,² as proposed in its filing with the Federal Energy Regulatory Commission (“FERC”) on December 22, 2022.³ 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 2023 Capability Period ICAP auction scheduled to commence on March 29, 2023. 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 20.0%,” N.Y. Reg., I.D. No. PSC-01-22-00012-P (January 4, 2023).

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. ER23-821-000-000 (December 22, 2022) (“NYSRC FERC Filing”), available at: [eLibrary | Document Information \(ferc.gov\)](#).

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 2023-2024 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

Capability Year	IRM Percentage
2000 – 2001	18.0%
2001 – 2002	18.0%
2002 – 2003	18.0%
2003 – 2004	18.0%
2004 – 2005	18.0%
2005 – 2006	18.0%
2006 – 2007	18.0%
2007 – 2008	16.5%
2008 – 2009	15.0%

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 the 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*.

2009 – 2010	16.5%
2010 – 2011	18.0%
2011 – 2012	15.5%
2012 – 2013	16.0%
2013 – 2014	17.0%
2014 – 2015	17.0%
2015 – 2016	17.0%
2016 – 2017	17.5%
2017 – 2018	18.0%
2018 – 2019	18.2%
2019 – 2020	17.0%
2020 – 2021	18.9%
2021 – 2022	20.7%
2022 – 2023	19.6%

The current IRM of 19.6 percent requires LSEs in the NYCA to procure capacity equal to 119.6 percent of their forecasted peak load. 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 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,⁶ the NYISO conducted a technical study for determining an IRM necessary to meet all applicable reliability criteria in the NYCA for the 2023-2024 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.⁷ The base case evaluation yielded an IRM of 19.9 percent for the 2023-2024 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 “2023 IRM Study”) prepared by the ICS in support of its proposed revision to the NYCA IRM for the upcoming Capability Year.⁸ The NYSRC Executive Committee relied on the base case results, its identification and evaluation of modeling and assumption changes that drove the decrease in the 2023 IRM Study

⁶ See Agreement Between the New York System Operator and the New York State Reliability Council, Article 3 (December 1, 1999), *available at*: <https://nysrc.org/pdf/Agreements/1999%20NYSRC%20NYISO%20Agreement%20signed.PDF>

⁷ 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.

⁸ *Technical Study Report: New York Control Area Installed Capacity Requirement for the Period May 2023 to April 2024* (December 9, 2022), at 2-3. <https://nysrc.org/PDF/Reports/ICS%20Annual%20Reports/2023%20IRM%20Study%20Technical%20Report%2012-14-2022%20Final%20-%20rev%203.pdf>

from the prior 2022 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.⁹

Table 6.1 of the 2023 IRM Study highlights seven factors that drove increases in the base case IRM between the 2022 and 2023 IRM Studies by a total of 3.5% and 6 factors that drove decreases totaling 3.2%. The two most significant factors driving increases are the addition of 539.3 MW of wind units, which increased the IRM by 1.2%, and the withholding of 350 MW of Operating Reserve at load shedding, which increased the IRM by 1.1%. The two most significant factors driving decreases are the Peaker deactivations in NYC due to New York State Department of Environmental Conservation Peaker Rule,¹⁰ which decreased the IRM by 0.9%, and the updated Energy Limited Resource (ELR) modeling, which enabled greater targeting of their generation and reduced the IRM by 0.8%.

The net effect of the factors driving decreases (3.2%) and increases (3.5%) results in a 0.3% increase in the base case IRM value from 19.6% to 19.9% in the 2023 IRM Study. The NYSRC Executive Committee determined, based upon the base case result, modeling and assumption changes, and numerous sensitivity studies, that a 20.0 percent IRM value best satisfies the resource adequacy criterion and should be adopted for the upcoming Capability Year.¹¹

Based upon the study results and its experience and expertise, the NYSRC adopted the 20.0 percent base case value as the IRM for the 2023-2024 Capability Year. The NYSRC FERC

⁹ NYSRC FERC Filing at pp 9 -13.

¹⁰ Peaker Rule: The New York State Department of Environmental Conservation (DEC) adopted a regulation to limit nitrogen oxides (NOx) emission from simple-cycle combustion turbines (Peaking Units). <https://downloads.regulations.gov/EPA-R02-OAR-2020-0324-0006/content.pdf>

¹¹ NYSRC FERC Filing, Appendices, Attachment B, Resolution by the NYSRC Executive Committee Approving the IRM for the 2023-2024 Capability Year.

Filing requests that the FERC accept its 20.0 percent IRM for the 2023-2024 Capability Year no later than February 15, 2023.¹²

III. Comments

A. The NYSRC's Decision to Establish a NYCA IRM of 19.6 Percent for the 2023-2024 Capability Year is Reasonable.

As explained above, the NYSRC has proposed to decrease the NYCA IRM from 19.6 percent to 20.0 percent for the upcoming Capability Year. The NYISO believes that the proposed decrease 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 2023-2024 Capability Year.

Specifically, the base case evaluation described in the 2023 IRM Study yielded a NYCA IRM of 19.9 percent. As described in its FERC filing, in adopting a 20.0 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 2023 IRM Study from the prior 2022 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.¹³ Based on the study results and its experience and expertise, the NYSRC determined that the base case IRM value of 20.0 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 March 6, 2023. Given its needs for final approval of the IRM by the NYPSC in order to complete preparations for and conduct its ICAP auction on March 29, 2023, the NYISO respectfully

¹² NYSRC FERC Filing, at 1-3, and 13-14.

¹³ *Id.* at 8-13.

requests that the Commission act on as early as possible in March 2023.¹⁴ A decision in early March will address the NYISO's need to know the NYCA IRM sufficiently ahead of the first ICAP auction for the Summer 2023 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 2023 Capability Period minimum capacity requirement. Pursuant to its Services Tariff, the NYISO has scheduled the first ICAP auction for the Summer 2023 Capability Period to commence on March 29, 2023. Moreover, in accordance with its manuals and past practices, the NYISO will provide Market Participants with 2023 Summer Capability Period updates on March 18, 2023 and will make their new minimum capacity requirements available on March 24, 2023 prior to the commencement of the Summer 2023 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. Accordingly, if the Commission acts at its March 16, 2023 Session, 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.

¹⁴ The NYISO similarly supported the NYSRC's request for the FERC to issue an order no later than February 15, 2023. *New York Independent System Operator, Inc.*, Motion to Intervene and Comments, FERC Docket No. ER23-821-000-000 (January 12, 2023), at 1, 5, 8, and 11.

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 20.0 percent IRM adopted by the NYSRC to determine LCRs for the 2023-2024 Capability Year.

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.¹⁶ 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.¹⁷

IV. Conclusion

WHEREFORE, for the foregoing reasons, the NYISO respectfully requests that the Commission: (i) approve NYSRC proposed 20.0 percent NYCA IRM for the 2023-2024 Capability Year following the close of the public comment period at its March 16, 2023 Session; and (ii) coordinate its review with the FERC to avoid inconsistent or contradictory determinations.

Respectfully submitted,

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¹⁶ NYSRC FERC Filing, Docket No. ER23-821-000 (December 22, 2022).

¹⁷ 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.