

**Comments from Richard Felak, Independent Member of the NYISO's End Use Consumer Sector
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Market Participant comments concerning NYISO presentations for September 27, 2018
ICAPWG/MIWG/PRLWG meeting

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This concerns aspects of two presentations posted by the NYISO for the September 27, 2018
ICAPWG/MIWG/PRLWG meeting.

The first one, entitled "DER Market Design Update: Wholesale Obligations for Dual Participation" (on its page 2) notes that for "Dual Participation: The NYISO is working to allow resources that provide services to another entity (e.g., the utility or a host facility) to also provide Wholesale Market services. The NYISO believes that providing resources with the flexibility to meet wholesale and distribution system needs will deliver the maximum benefit to New York electricity customers."

The NYISO's aspiration is certainly a very laudable one. However, to actually "deliver the maximum benefit to New York electricity customers" a true global optimization of resource utilization simultaneously spanning both "wholesale and distribution system needs" is required. That is, the arbitrary and outdated separation of attempts to meet the cost-minimization objective for consumers while maintaining the inefficient barriers to competition caused by the existence of separate wholesale and retail markets only serves to sub-optimize the total all-in costs of producing and delivering power. It is not enough to merely provide resources with "flexibility". Rather, an integrated basis for their operation which seamlessly covers production through consumption is needed before the "maximum benefit to New York electricity customers" can occur.

This situation is highlighted by the NYISO's second presentation, entitled "Expanding Capacity Eligibility: DER Market Design", where (on its page 4) it is noted that "As part of the DER project, the NYISO has been evaluating the capacity value of resources with varying duration limitations. This has led to a HOLISTIC (emphasis added) reevaluation of capacity market qualifications, participation requirements, and payments, with the goal of aligning payments with the capacity value provided by each resource. This is a shift from the one-size-fits-all approach currently used today. Resources will now be valued based on the value they provide to the capacity market when considering resource adequacy. Payment is directly tied to the Effective Load Carrying Capability of the resource."

Once again, this is certainly a very laudable aspiration. However, dictionaries define HOLISTIC as being "characterized by comprehension of the parts of something as intimately interconnected and explicable

only by reference to the whole". Thus, since (on page 6) the NYISO also notes that "Revisions to Capacity Market Rules that facilitate dual participation are not part of this presentation", it does not appear that a holistic approach is actually being employed for this purpose.

Realizing that the holistic melding of wholesale and retail power markets could be challenging, and not easily or quickly done in one step, as examples of how to begin to remedy this conundrum I have previously suggested that the NYISO should begin by doing at least these two things:

1) Adopt the VDER (Value of Distributed Energy Resources) approach being used by the NYPSC and their electric utilities for all of the NYISO's economic analysis and consumer impact evaluations. The fact that new market structures and rules being developed by the NYISO and its members (concerning not only DER but also non-DERs) are being rationalized and implemented using justifications and guidelines which are significantly inconsistent with how the NYPSC and the utilities treat the very same resources is a glaring "seam" which can only result in sub-optimal outcomes for end-use consumers.

2) The NYISO and its member utilities provide various necessary reliability services. However, taken as a whole, they are not sufficient to address all of the current and evolving reliability needs and wants of the full spectrum of electricity consumers. For example, the very existence of DER and BTM resources, etc., serves to demonstrate that end users desire the additional flexibility of being able to set their own reliability targets based on (among other things) their own individual cost/benefit situations. As the NYISO noted above in their "DER Market Design Update: Wholesale Obligations for Dual Participation" presentation, the "goal of aligning payments with the capacity value provided by each resource" is a key facet of its own proposal. Thus, I have proposed the concept of "Customized Reliability" to help address this gap in the overall power marketplace. In summary, Customized Reliability would be used by Market Participants to provide and/or receive reliability services on a more locational basis than is currently available. It would be a new capacity product for some Market Participants to have available as an option (i.e., it could be a free-standing product or an adjunct to the existing ICAP market). This improvement wouldn't require a change in the bulk system LOLE bogey of 0.1 days/year, although it might be considered in the future if conditions required it, and if it was cost-effective. The availability of a Customized Reliability market also wouldn't necessarily imply any changes to the intent of other current initiatives such as those in the DER roadmap. Rather, Customized Reliability could serve as an over-arching holistic enhancement designed to make other market improvements even more beneficial. Customized Reliability would be especially useful to help handle the needs of widely dispersed, non-dispatchable, and/or behind the meter resources -- and also the loads buying from non-traditional sources, and/or with their own backup power. Capacity providers would have better and more useful information from consumers with which to facilitate being correctly incented to keep their existing capacity in service, and also to build new facilities -- and consumers would have more flexibility and knowledge with which to purchase or provide a level of reliability which is best for them.

I thank you very much for the opportunity to submit these comments. Please let me know if further information or follow-up is desired.