

Comments from NYSERDA on the Independent Consultant Draft Report to Establish New York ICAP Demand Curve Parameters for the 2025/2026 through 2028/2029 Capability Years

NYSERDA submits the following informal comments on the *Draft Independent Consultant Study to Establish New York ICAP Demand Curve Parameters for the 2025/2026 through 2028/2029 Capability Years* (“Draft Report”) provided by Analysis Group, Inc. (“AG”) and 1898 & Co. (“1898”) (collectively, the “Consultants”) on June 17, 2024. Broadly, the objective of the demand curve reset (“DCR”) process is to identify candidate peaking units, estimate the net cost of new entry (“net CONE”) for these units, and select the unit (for each Locality and Rest of State) with the lowest net CONE to determine the capacity demand curve parameters. Indeed, the NYISO tariff defines the peaking unit as “the unit with technology that results in the lowest fixed costs and highest variable costs among all other units’ technology that are economically viable.”¹

Over the past ten months the Consultants, NYISO staff, and stakeholders have met in ICAP working group meetings to discuss and advance the DCR process. During this time, stakeholders provided substantial input regarding the costs and assumptions that underlie the Consultants’ analysis of net CONE calculations for the candidate peaking units. The Consultants, having given due consideration to stakeholder input and conducted a thorough analysis, identified that, in all locations, a 2-hour battery energy storage system represents the highest variable cost, lowest fixed cost peaking plant that is economically viable. Accordingly, the Consultants recommended that the 2-hour battery be selected as the peaking plant technology for all locations.²

NYSERDA supports the Consultants’ recommendation to select a 2-hour battery as the proxy unit. As noted above, the Consultants analyzed qualifying technologies and determined that—factoring in available information and input from stakeholders—selecting the 2-hour battery would minimize net CONE costs among all candidate technologies. This comports with the demand curve review process in accordance with the NYISO services tariff.³ NYSERDA also notes that the Consultants focused their analysis on the cost of unforced capacity (“UCAP”) rather

¹ MST § 5.14.1.2.2.

² Draft Report, p. 7.

³ MST § 5.14.1.2.2.

than installed capacity (“ICAP”).⁴ This is appropriate as UCAP incorporates differences in capacity accreditation factors (“CAFs”) across technologies, normalizing resources’ contributions to resource adequacy.

NYSERDA notes that the bulk power system is in a period of significant transformation as both the generation mix and load patterns evolve along with progress towards the state’s decarbonization targets. These changes will require corresponding changes in wholesale electricity market rules and planning procedures. Stakeholder discussions during the DCR process surfaced issues that may have long-term implications for the DCR process and how the capacity market sends accurate and transparent price signals to efficiently ensure reliability. NYSERDA does not expect that these issues will all be resolved in the context of the current DCR process. While NYSERDA makes no initial judgment as to what, if any, market changes are needed, these issues merit dedicated consideration by the NYISO, market participants, and stakeholders. Accordingly, NYSERDA is currently assessing the possibility of supporting the advancement of the 2025 market project candidate entitled, “Demand Curve Reset Process Evaluation.”

NYSERDA appreciates this opportunity to provide comments on the Draft Report and looks forward to continuing to participate in the DCR process.

⁴ Draft Report, p. 7.