

January 23, 2019

Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
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Albany, NY 12223-1350
Phone: (518) 474-6530
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Subject: Case 07-E-0088 – In the Matter of the Adoption of an Installed Reserve Margin for the New York Control Area

Dear Secretary Burgess:

Pursuant to the New York State Public Service Commission's December 26, 2018 Proposed Rulemaking on the New York State Reliability Council's Establishment of an Installed Reserve Margin of 17.0% in the above-entitled proceeding, the New York Independent System Operator, Inc. hereby submits its comments.

Should you have any questions, please contact me at (518) 356-7656 or by email at dallen@nyiso.com.

Respectfully submitted,

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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”) December 26, 2018 notice in the above-captioned proceeding.¹ The NYISO supports the 17.0 percent Installed Reserve Margin (“IRM”) adopted by the New York State Reliability Council (“NYSRC”) for the New York Control Area (“NYCA”) in the upcoming 2019-2020 Capability Year,² as proposed in NYSRC’s submission to the Commission and its filing with the Federal Energy Regulatory Commission (“FERC”).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 2019

¹ See Notice of Proposed Rulemaking, “New York State Reliability Council’s Establishment of an Installed Reserve Margin of 17.0%,” N.Y. Reg., I.D. No. PSC-52-18-00010-P (December 26, 2018).

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 Case No. 07-E-0088, *In the Matter of the Adoption of an Installed Reserve Margin for the New York Control Area*, Informational Filing: New York State Reliability Council Adoption of Installed Reserve Margin for the New York Control Area (December 10, 2018) (“NYSRC Submission”); *New York State Reliability Council, L.L.C.*, Filing of Installed Capacity Requirement for the New York Control Area, FERC Docket No. ER19-659-000 (December 21, 2018) (“NYSRC FERC Filing”).

Capability Period ICAP auction scheduled to commence on March 28, 2019. In conjunction with the ICAP Demand Curves, the IRM is a key input to the ICAP auction process, as it is used 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 2019-2020 Capability Year.

II. Background

Section 3.03 of the New York State Reliability Council Agreement, which was 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 for approval before the beginning of the Capability Year to which the change would apply.⁴ The IRM was set at 18.0 percent for the 2000-2001 through 2006-2007, the 2010-2011 and the 2017-2018 Capability Years.⁵ In intervening years, the IRM has varied. Both the Commission and the FERC accepted an IRM of 16.5 percent for the 2007-2008 Capability Year,⁶ 15.0 percent for the 2008-2009 Capability Year,⁷ 16.5 percent for the 2009-2010 Capability Year,⁸ 15.5 percent for the 2011-

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 *New York State Reliability Council*, 90 FERC ¶ 61,313 (2000); 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 2017-2018 Capability Year (February 12, 2010 and February 22, 2017); *New York State Reliability Council*, Letter Order, FERC Docket No. ER17-613-000 (January 31, 2017).

⁶ Case No. 07-E-0088, *Matter of the Adoption of an Installed Reserve Margin*, Order Adopting an Installed Reserve Margin for the New York Control Area (March 8, 2007); *id.*, Confirming Order (March 21, 2007); see *New York State Reliability Council*, 118 FERC ¶ 61,179 (2007).

⁷ 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 2008-2009 Capability Year (February 29, 2008); *id.*, Confirming Order (March 19, 2008); see *New York State Reliability Council*, 122 FERC ¶ 61,186 (2008).

⁸ 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); see *New York State Reliability Council*, Letter Order, FERC Docket No. ER09-437-000 (February 6, 2009).

2012 Capability Year,⁹ 16.0 percent for the 2012-2013 Capability Year,¹⁰ 17.0 percent for the 2013-2014, 2014-2015, and 2015-2016 Capability Years,¹¹ 17.5 percent for the 2016-2017 Capability Year,¹² and 18.2 percent for the 2018-2019 Capability Year.¹³

The current IRM of 18.2 percent requires LSEs in the NYCA to procure capacity equal to 118.2 percent of their forecasted peak load.¹⁴ 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.¹⁵

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,¹⁶ the

⁹ 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 2011-2012 Capability Year (February 22, 2011); *see New York State Reliability Council*, Letter Order, FERC Docket No. ER11-2392-000 (January 24, 2011).

¹⁰ 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 2012-2013 Capability Year (February 17, 2012); *see New York State Reliability Council*, Letter Order, FERC Docket No. ER12-597-000 (February 3, 2012).

¹¹ 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 2013-2014 Capability Year (February 19, 2013); *id.*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2014-2015 Capability Year (February 24, 2014); *id.*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2015-2016 Capability Year (March 2, 2015); *see New York State Reliability Council*, Letter Order, FERC Docket No. ER13-572-000 (February 5, 2013); *New York State Reliability Council*, Letter Order, FERC Docket No. ER14-916-000 (February 21, 2014); *New York State Reliability Council*, Letter Order, FERC Docket No. ER15-821-000 (March 3, 2015).

¹² Case No. 07-E-0088, *Matter of Adoption of an Installed Reserve Margin*, Order Adopting Installed Reserve Margin for the New York Control Area for the 2016-2017 Capability Year (February 26, 2016); *New York State Reliability Council*, Letter Order, FERC Docket No. ER16-623-000 (February 12, 2016).

¹³ Case No. 07-E-0088, *Matter of Adoption of an Installed Reserve Margin*, One-Commissioner Order by John B. Rhodes, Chairman, Adopting Installed Reserve Margin for the New York Control Area for the 2018-2019 Capability Year (March 6, 2018); *New York State Reliability Council*, Letter Order, FERC Docket No. ER18-524-000 (February 6, 2018).

¹⁴ For example, the NYCA forecast peak load for the 2018-2019 Capability Year was 32,902.5 MW. The 18.2 percent IRM means the minimum ICAP requirement for the NYCA was 38,890.8 MW (*i.e.*, 118.2 percent of 32,902.5 MW).

¹⁵ On October 5, 2018, FERC issued an Order, effective October 9, 2018, accepting revisions to the NYISO’s Market Services Tariff that revised the NYISO’s methodology for the calculation of Locational Minimum Installed Capacity Requirement (“LCR”). *See New York State Independent System Operator, Inc.*, 165 FERC ¶ 61,011 (2018).

¹⁶ *See Agreement Between the New York System Operator and the New York State Reliability Council*, Article 3 (December 1, 1999), *available at*: http://www.nyiso.com/public/webdocs/markets_operations/documents/Legal_and_Regulatory/Agreements/NYISO/iso_nysrc_agreement.pdf.

NYISO conducted a technical study for determining an IRM necessary to meet all applicable reliability criteria in the NYCA for the 2019-2020 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.¹⁷ The base case evaluation yielded an IRM of 16.8 percent for the 2019-2020 Capability Year.¹⁸ 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 described in a Technical Study Report prepared by the ICS and provided to the Commission by the NYSRC on December 10, 2018, in support of its proposed revision to the NYCA IRM for the upcoming Capability Year.¹⁹

The NYSRC Executive Committee relied on the results contained in the Technical Study Report, as well as its evaluation of modeling changes, sensitivity studies, an assessment of the assumptions, and past experience, and adopted 17.0 percent as the IRM for the 2019-2020 Capability Year. On December 21, 2018, the NYSRC filed its proposed revision to the NYCA IRM with the FERC, requesting that the FERC accept and approve the filing no later than

¹⁷ 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.

¹⁸ NYSRC, *Technical Study Report: New York Control Area Installed Capacity Requirement for the Period May 2019 to April 2020* (December 7, 2018), at p. 2.

¹⁹ See NYSRC Submission.

February 15, 2019 in order to be timely for the NYISO's ICAP auction for the 2019 Summer Capability Period.²⁰

III. Comments

A. The NYSRC's Decision to Establish a NYCA IRM of 17.0 Percent for the 2019-2020 Capability Year is Reasonable.

As explained above, the NYSRC has proposed to decrease the NYCA IRM from 18.2 percent to 17.0 percent for the upcoming Capability Year. The NYISO believes that the proposed decrease is reasonable because the NYSRC appropriately applied the Loss-of-Load-Expectation ("LOLE") criterion to select an IRM falling within a range of reasonable IRMs that would maintain reliability in New York State for the 2019-2020 Capability Year.

Specifically, the base case evaluation described in the Technical Study Report yielded a NYCA IRM of 16.8 percent. As described in its FERC filing, in adopting a 17.0 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 decrease in the 2019 IRM Study from the prior 2018 IRM Study base case value, and the numerous sensitivity studies that resulted in a range of IRMs that were higher and lower than the base case IRM.²¹ Based on the study results and its experience and expertise, the NYSRC determined that a 17.0 percent IRM, which is 0.2 percentage points greater than the 16.8 percent result produced by the base case evaluation, best satisfied the resource adequacy criterion and is appropriate to maintain reliability.

²⁰ NYSRC FERC Filing, at pp 10-13.

²¹ *Id.*

B. The Commission Should Act Promptly.

The 60-day comment period for the notice of rulemaking will run until February 24, 2019. Given its needs for final approval of the IRM by the NYPSC in order to complete preparations for and conduct its ICAP auction, the NYISO respectfully requests that the Commission act on the NYSRC's filing by February 25, 2019.²² A decision by February 25 will address the NYISO's need to know the NYCA IRM sufficiently ahead of the first ICAP auction for the Summer 2019 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.²³ These steps include the NYISO making its calculations as early as possible in advance of providing each LSE with its Summer 2019 Capability Period minimum capacity requirement. Pursuant to its Services Tariff, the NYISO has scheduled the first ICAP auction for the Summer 2019 Capability Period to commence on or before March 28, 2019. Moreover, in accordance with its manuals and past practices, the NYISO has informed Market Participants that the new minimum capacity requirements will be available in the first full week of March prior to the Summer 2019 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. If the Commission acts immediately following the close of the 60-day comment period, the NYISO is

²²The NYISO similarly supported NYSRC's request for the FERC to issue an order no later than February 15, 2018. *New York Independent System Operator, Inc.*, Motion to Intervene and Comments, FERC Docket No. ER19-629-000 (January 8, 2019), at pp 1, 7-10.

²³ 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 17.0 percent IRM adopted by the NYSRC to determine LCRs for the 2019-2020 Capability Year.

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.²⁴

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.²⁵ 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.²⁶

²⁴ Due to the extension of the minimum public comment period under the State Administrative Procedure Act from 45 to 60 days, the NYPSC last year acted by issuing a one-Commissioner order to approve the IRM, with subsequent approval by the full Commission at the next regularly scheduled Session. Case No. 07-E-0088, *Matter of Adoption of an Installed Reserve Margin*, One-Commissioner Order by John B. Rhodes, Chairman, Adopting Installed Reserve Margin for the New York Control Area for the 2018-2019 Capability Year (March 6, 2018).

²⁵ NYSRC FERC Filing, FERC Docket No. ER19-659-000 (December 21, 2018).

²⁶ 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.

IV. Conclusion

WHEREFORE, for the foregoing reasons, the NYISO respectfully requests that the Commission: (i) act on the NYSRC filing on February 25, 2019 following the close of the public comment period; (ii) coordinate its review with the FERC to avoid inconsistent or contradictory determinations; and (iii) approve the NYSRC's proposed NYCA IRM of 17.0 percent for the 2019-2020 Capability Year.

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