



**Comments by Cricket Valley Energy Center, LLC on
NYISO's Reliability and Market Considerations for a Grid in Transition**

June 26, 2019

Cricket Valley Energy Center (CVEC) is presently constructing an 1,100 MW generating facility in Zone G, with a total investment of \$1.58 billion, which represents one of the most significant investments in the NYISO system in many years. At this time construction is approximately 80% complete.

NYISO has requested comments on its Reliability and Market Considerations for a Grid in Transition whitepaper. We appreciate NYISO's realization of the role that competition plays in the marketplace and CVEC's comments are focused on ensuring that NYISO's rules will incentivize the retention of competitive, unsubsidized investment in the NYISO grid into the future.

The following are CVEC's comments on the whitepaper:

Impact of state subsidization of generators in NYISO market- need for Buyer Side Mitigation for Rest Of State in order to mitigate the adverse impact of subsidized generation and transmission lines:

A significant proportion of generation and transmission in New York state is supported by state subsidy programs, including ZECs for nuclear plants, RECs for renewables and PPTN transmission lines. The escalating value of out-of-market subsidies is causing price suppression of capacity and energy in the NYISO wholesale market and will adversely impact competitive, non-subsidized merchant generators. These market suppressing subsidies have already had serious repercussions on non-state subsidized merchant generators in NY, including the bankruptcies of Empire and Athens in the last two years. If mitigations are not deployed, other new generation assets in the state may face the same fate.

In addition, New York state, through the NY PSC, is in the process of authorizing the construction of two ratepayer funded PPTN AC transmission lines to bring subsidized generation into Zone G. When the PPTN lines are brought online, capacity prices in Zone G will likely converge with those in the Rest of State (ROS). Energy prices will also be depressed because significant amounts of subsidized generation from upstate New York will be imported into Zone G, leading to further financial distress of unsubsidized generators.

The multiple subsidies of ZECs and RECs, together with ratepayer subsidized PPTN transmission lines, will continue to disrupt wholesale market price signals and disincentivize investment by unsubsidized generation in the NYISO grid for the foreseeable future.

NYISO states in its report that "In the future without market design enhancements, the wholesale market revenues will not support the investment of new flexible generation needed to maintain grid reliability".

To achieve this goal of a competitive wholesale market for electricity, NYISO market structures must evolve to continue to provide accurate long term price signals that support investment in dispatchable generation and the orderly exit of non-competitive resources. Expansion of Buyer Side Mitigation to the entire state will advance this goal of ensuring appropriate price signals to the market.

Buyer Side Mitigation (BSM) for the entire state is essential to avert price suppression from subsidized generation. This will mitigate the potential losses to investors who made substantial investments in competitive, unsubsidized generation based on NYISO's price signals who may in the future be denied a reasonable return due to price suppressing subsidies. CVEC supports expansion of BSM to the ROS with no exceptions, including mitigation of existing resources that are receiving out of market subsidies. This will maintain appropriate market signals for capacity and investment to preserve reliability as intermittent resources become more prevalent in New York.

Market Structure Enhancement

(a) CVEC is also supportive of exploring capacity market enhancements, including the Tailored Availability Metric and Locational Marginal Pricing of Capacity (C-LMP). CVEC believes that it is imperative that NYISO continue to provide capacity price signals that support investment in dependable resources at appropriate locations on the grid that provide the most reliability to the NYISO system.

(b) CVEC agrees with NYISO's assessment that the changing resource mix of NYISO will create new reliability challenges associated with a larger percentage of intermittent and non-dispatchable energy resources. CVEC is supportive of reforms to the ancillary services market that will ensure that flexible, dispatchable resources, which provide the bulk of the ancillary services to the NYISO grid, will receive market revenues that recognize the value that dispatchable generators bring to the grid.

(c) CVEC recognizes that New York has significant and ambitious goals to reduce CO2 emissions from the generation sector. CVEC recommends that competitive market forces and enforceable CO2 emission caps should set the prices for carbon through a CO2 cap and trade program. CVEC does not support the administratively and non-market determined "Social Cost of Carbon" concept.

Retention of dispatchable generation will be critical in the coming years to ensure NY meets its ambitious environmental goals and maintains grid reliability at competitive prices. Rule changes are needed now to demonstrate that NYISO's market rules will support needed investment in the NYISO grid into the future.

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