

**Comments of the New York Transmission Owners on the NYISO’s
“Reliability and Market Considerations for a Grid in Transition” White Paper
July 9, 2019**

The New York Transmission Owners (“NYTOs”)¹ appreciate the NYISO’s leadership in preparing for the “grid of the future” as we transition from an existing generating fleet that includes significant fossil fuel generation to a higher level of clean generation that is non-emitting, including weather-dependent variable renewable generation, storage resources and more localized distributed renewable supplies. The advancement of these new technologies is driven by technological advances and supported by New York State policies to decarbonize the power sector and the State’s economy more broadly. The NYTOs believe that the NYISO’s May 2019 draft “Reliability and Market Considerations for a Grid in Transition” White Paper (“White Paper”), along with the NYISO’s Energy Master Plan, are important and significant steps towards identifying the reforms needed for the wholesale market of the future. The NYTOs believe that the NYISO has outlined many of the major issues that must be addressed to maintain system reliability and address market concerns as the State works to achieve its policy objectives. This transition needs to occur in an environment where load may be increasing due to the electrification of the State’s economy.

The NYTOs appreciate the opportunity to provide comments on the NYISO’s White Paper and provide the following recommendations for consideration in the final release:

- (1) Transforming the New York Power System: The State’s goal of achieving a carbon-free electric system by 2040 will result in significant market changes, and planning for these changes must begin now. The NYISO’s plans should include prioritizing work on

¹ For purposes of these comments, the NYTOs include: Central Hudson Gas & Electric Corp.; Consolidated Edison Company of New York, Inc., National Grid; New York Power Authority; New York State Electric & Gas Corp., Orange & Rockland Utilities; Power Supply Long Island; and Rochester Gas & Electric Company. Each company retains the right to file individual comments on the White Paper.

understanding and developing solutions for the future resource mix, including consideration of the specific resource requirements outlined in the newly-passed Climate Leadership and Community Protection Act. The NYISO must be proactive in its work with stakeholders to identify and implement necessary market, planning and operational redesign.

(2) Enhancements to the Capacity Market and Protecting the Capacity Markets from Market

Power: The NYISO recognizes that a “detailed quantitative assessment of future market revenues and revenue sufficiency should be undertaken to further inform the necessary market design changes that will allow the markets to continue to support grid reliability.”²

In this vein, the NYISO proposes to investigate various potential changes to the capacity market framework, including assessing an ISO-NE Competitive Auctions with Sponsored Resources (“CASPR”) type process.³ NYISO also proposes numerous potential changes to the buyer-side mitigation (“BSM”) structure.⁴ The NYTOs support an evaluation of the continuing effectiveness of the capacity market in light the increasing number of renewable resources that will receive revenues from bilateral sales of non-power attributes. The NYISO’s review should not be limited to the proposals cited in the White Paper. The capacity market needs to continue to send appropriate signals to existing resources that are needed for reliability, while also finding a means for renewable and storage resources procured through competitive auctions sponsored by LSEs or government entities to participate as capacity resources. Otherwise, application of existing BSM rules to these

² White Paper at 33.

³ *Id.* at 52.

⁴ *See id.* at 52-54.

procurements may result in mitigation of state-mandated resources entering the market through competitive solicitations, but not being available for the capacity value they bring.

(3) Reliability Considerations:

a. Planning Challenges:

i. The NYTOs agree with the NYISO that transmission will play an important role in integrating renewable generation and improving system flexibility and resilience. The NYISO should continue to work with the State through the Public Policy Transmission Planning Process to facilitate the construction of the needed transmission to integrate renewables and operate the grid to achieve statewide policy goals.

ii. The NYTOs continue to object to the NYISO's Comprehensive System Planning Process proposal to integrate reliability, economic and public policy planning needs into a single process. The three processes have different timing, procedural and cost allocation methodologies, all of which support their different underlying objectives. While some efficiencies may be achieved through the coordination of planning studies and scenarios and changes to inclusion rules, the essential processes should remain separate.

b. Ancillary Services: The NYISO identifies potential future reliability gaps assuming a high penetration level of variable resources and resources with limited energy and proposes a number of recommendations for enhancements of the ancillary services market to address the identified gaps. The NYTOs recommend the following additions for evaluation:

- i. The NYISO should consider market changes that allow external control areas to provide balancing resources (including storage where warranted) thereby increasing the footprint from which such resources can be drawn.
 - ii. The NYISO should consider that increased renewables may also increase the need for regulation services. Although wind curtailment could provide regulation down, it would do so at the cost of the State's carbon reduction objectives.
 - c. Other:
 - i. Fuel Security: Current dual-fuel capabilities on the system have provided significant reliability value. Reliability requirements may be increasingly challenging to meet in the future as many new resources provide weather-dependent variable energy sources. The NYISO should evaluate the need for dual-fuel requirements across the State to support existing resources and how such requirements could be transitioned to a zero-carbon future, including for variable resources. Environmental impacts should be part of this evaluation.
 - ii. Reliability Standards and Studies: The anticipated changes in the grid will necessitate new reliability standards to preserve the current reliability levels. The NYTOs recommend the NYISO study the sufficient non-intermittent, non-weather dependent resource base necessary to meet reliability standards given the mandated high penetration levels of intermittent, weather-dependent resources. NYTOs recommend that the NYISO actively participate in the development of new standards with North

American Electric Reliability Corporation, the Northeast Power Coordinating Council and the New York State Reliability Council. Reliability studies will need models for new inverter-based devices. The NYTOs recommend that the NYISO lead the effort in New York in the development and testing of required new models and their use in reliability and restoration studies.

The NYTOs urge the NYISO to consider how both State policies and wholesale market initiatives would be well-served by close coordination between the NYISO and State agencies that are working to achieve the State's ambitious carbon neutrality and renewable resource requirements. Better coordination and alignment between State agencies, policymakers and the NYISO can preserve reliability, will be in the best interest of electricity customers, will avoid inefficient and redundant processes, and will help better manage energy supply costs.