

The New York Power Authority (NYPA) respectfully submit these comments in response to the New York Independent System Operator's (NYISO) proposed Fast-Start Pricing proposal.

### I. Background

NYPA strongly supports the recently passed legislation Climate Leadership and Community Protection Act (CLCPA) and its reliance on renewable resources. We recognize the reliability challenges arising from the changing resource mix and the reliance on variability and unpredictability of weather dependent renewable resources while valuing their importance in reaching the New York State's statutory requirements. NYPA also strongly supports properly valuing fast-start resources and adequately monetizing them to ensure a reliable transition to achieving the renewable energy goals of the CLCPA while also incentivizing new investment in fast ramping resources. NYPA believes its fleet of small clean power plants with their fast-start capabilities can ensure reliability and support significant penetration of renewable resources in the downstate region. While NYISO's Fast-Start proposal is a good beginning, NYISO needs more market products that will reward resources that compliment intermittent resources. To that end, NYPA supports the NYISO's proposal as an initial modification to the fast-start pricing, incremental offer curve and start-up cost amortization in order to adequately address FERC's concerns.

First, with respect to the modifications to the fast-start pricing, such pricing will now extend NYISO's existing pricing logic to all dispatchable units. Equally important, the fast-start pricing will apply to all resources that can start up and synchronize to the grid in 30 minutes or less, that have a minimum run time of one hour or less, and that submit economic offers for evaluation. Third, the revised fast-start pricing logic will include the start-up and minimum generation costs of all fast-start resources in the LBMP calculation in the ideal dispatch and fast-start pricing logic will apply in the withdrawal state for fast-start resources that are eligible to submit commitment costs.

### II. Comments

On December 21, 2017, pursuant to an order instituting a Section 206 Proceeding, the Federal Energy Regulatory Commission (FERC) found that elements of the NYISO's existing fast-start pricing may be unjust and unreasonable because it does not: (1) reflect the marginal cost of serving load; (2) provide price signals that better inform investment decisions; and (3) provide an accurate and transparent price signals reflecting the cost of serving load, minimize production costs, and reduce uplift. On April 18, 2019, FERC issued an Order requiring modifications to the NYISO fast-start pricing logic (1) to allow fast-start resources' commitment costs (i.e. start-up costs and minimum generation [no-load] costs) to be reflected in prices and (2) to allow relaxation of all dispatchable fast-start resources' economic minimum operating limits by up to 100 percent for purposes of setting price. The Compliance filing is due by Dec 31, 2019.

With the recent passage of the CLCPA and its aggressive goals toward reliance on intermittent renewable resources, fast-start resources that can start in 30 minutes or less, will become vitally important as grid volatility grows each year the penetration of renewable resource increases, particularly toward the reliability that fast-start resources provide Energy and Ancillary Services market on very short notice. By broadening the application of fast-start pricing to dispatchable units that can start in 30 minutes or less with a minimum run time of one hour or less, not just fixed block units, the NYISO is expanding the market's ability to address the anticipated large-scale penetration intermittency performance concerns of renewable resources.

In addition, the NYISO proposes to allow fast-start resources to submit offers with minimum generation costs, start-up costs, and incremental cost components, and then calculate the average production cost in \$/MWh for each step in the incremental energy offer curve and determine which step has the minimum average cost. For points on the offer curve that are less than the minimum average cost, the NYISO would adjust the offer curve to be equal to the minimum average cost (for point on the curve greater than minimum average cost, no adjustment would be made). By doing so, such method more accurately reflects commitment costs in pricing and therefore, resources can recover their commitment costs (start-up, minimum generation and no-load costs) through prices that accurately reflect the marginal cost of serving load. This will also incent additional investment in fast-start resources that will provide needed reliability to a system that will be incorporating a significant penetration of intermittent renewables in the very near future. And, reflecting these more accurate prices will result in minimizing the cost of uplift payments to generators while permitting them to hedge their risks better. Moreover, these commitment costs included in pricing will be applicable whether the resource is injecting or withdrawing reflecting the reality of the market for fast-start resources and reflect the full costs to satisfy the grid's demand.

Lastly, NYPA appreciates that the NYISO spent significant time analyzing historical data concerning start-up costs and the allocation of it across the minimum generation period of fast-start resources, reviewed the practices of other ISO/RTOs and considered feedback from stakeholders. In the end, the NYISO determined that start-up costs are accounted for less than 10% of all as-Bids costs. As such, the NYISO has set forth a reasonable proposal (initially introduced by Atlantic Economics on behalf of the New York Transmission Owners), to amortize the start-up costs over the first 15 minutes of the real time schedule or the first hour of its day-ahead schedule. NYPA agrees that this will better improve the ability of fast-start resources to recover operating costs and incentive investment in these necessary resources.

Again, NYPA supports this initiative as a first step toward properly valuing fast-start units. NYPA looks forward to additional proposals that will reward resources that compliment intermittent generation.