

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF ENERGY MARKET REGULATION

New York Independent System
Operator, Inc.
Docket No. ER18-1743-000

Issued: 7/10/18

New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144

Attention: Gloria Kavanah
Counsel to New York Independent System Operator, Inc.

Reference: Proposed Tariff Revisions to Determine Locational Minimum Installed
Capacity Requirements

Dear Ms. Kavanah:

On June 5, 2018, New York Independent System Operator, Inc. (NYISO) submitted proposed revisions to section 5.11 of its Market Administration and Control Area Services Tariff (Tariff) to change the rules by which NYISO determines the Locational Minimum Installed Capacity Requirement (LCR) for each Locality (Alternative LCRs Methodology).¹ NYISO states that the Alternative LCRs Methodology is a more robust, transparent, and predictable process for developing LCRs that are designed to maintain reliability while producing an optimized and lower cost for the New York Control Area (NYCA) as a whole than the current LCRs. NYISO requests an effective date of August 5, 2018.²

Please be advised that your submittal is deficient and that additional information is required in order to process the filing. Please provide the information requested below.

¹ New York Independent System Operator, Inc., NYISO Tariffs, [NYISO MST, 2.12 MST Definitions - L, 7.0.0](#) and [NYISO MST, 5.11 MST Requirements Applicable to LSEs, 7.0.0](#).

² NYISO Transmittal at 1.

1. Describe, individually, how the Alternative LCRs Methodology solves for and addresses each of the following requirements: (1) minimize the total cost of capacity at the prescribed level of excess; (2) maintain the loss of load expectation of no more than 0.1 days per year; (3) ensure that transmission security limits are respected. Please provide any studies, exhibits, or other documents that detail the factors that lead to the proposed methodology.
2. You state that the Alternative LCRs Methodology is a more transparent, predictable, and robust process than the current methodology. With regard to these objectives, please explain how the Alternative LCRs Methodology:
 - a. Increases transparency in how LCRs are calculated. In your response, please explain whether, and how, Load Serving Entities are able to independently evaluate and verify the LCRs annually. Please also explain why NYISO's proposal omits from the Tariff (1) the methodology, including the economic optimization algorithm (or a description of it) and any assumptions or inputs that materially affect the calculation of LCRs; and (2) the resulting LCRs.
 - b. Increases predictability in how LCRs are calculated. In your response, please also elaborate on your assertion that LCRs calculated using the Alternative LCRs Methodology "are within the range of historic LCRs given comparable system conditions."³ Please also comment on how NYISO expects the resulting LCRs to impact capacity costs in NYCA and each Locality over the short run and the long run. In doing so, please explain how the LCRs may change in relation to the load being served in each zone(s) within a Locality.
 - c. Increases robustness in how LCRs are calculated. In your response, please explain to what extent the Alternative LCRs Methodology is sensitive to changes in key assumptions or inputs, such as changes in the ICAP Demand Curve parameters. Furthermore, please describe whether and to what extent the Alternative LCRs Methodology is sensitive to changes in "exogenous factors" such as large generator deactivations, changes in transmission topology, etc.⁴ Please describe whether (and how) NYISO reflected the results of its sensitivity analyses into the proposed Alternative LCRs Methodology.

³ NYISO Transmittal at 3.

⁴ Motion to Intervene and Protest of The Long Island Power Authority and Power Supply Long Island, at 25 (June 26, 2018) (internal citation omitted).

3. You state that, in contrast to the current “TAN 45” methodology, the Alternative LCRs Methodology minimizes the total NYCA cost to procure capacity and reduces the volatility of the LCRs due to changes in existing capacity. Please provide a comparison between the Alternative LCRs Methodology and the current “TAN 45” methodology to explain these differences and any other modifications, as well as any similarities between the methodologies.
4. Please elaborate on the purpose of Transmission Security Limits and how they are determined, as relevant to the proposed Alternative LCRs Methodology. In your response, please use examples to explain how the Transmission Security Limits interact with the LCRs resulting from the economic optimization. Please also comment on whether the Transmission Security Limits can result in LCRs for certain Localities that differ from historic values, and how this could impact reliability in such Localities.

This letter is issued pursuant to 18 C.F.R. § 375.307 (2017) and is interlocutory. This letter is not subject to rehearing under 18 C.F.R. § 385.713 (2017). A response to this letter must be filed with the Secretary of the Commission within 30 days of the date of this letter by making a deficiency filing in accordance with the Commission’s electronic tariff requirements. For your response, use Type of Filing Code 170 if your company is registered under program code “M” (Electric Market Based Rate Public Utilities) or Type of Filing Code 180 if your company is registered under program code “E” (Electric Traditional Cost of Service and Market Based Rates Public Utilities).⁵ In addition, submit an electronic version of your response to John C. Miller at john.miller2@ferc.gov. The information requested in this letter order will constitute an amendment to your filing and a new filing date will be established.⁶ A notice will be issued upon receipt of your filing.

⁵ The filing must include at least one tariff record to restart the statutory timeframe for Commission action even though a tariff revision might not otherwise be needed. *See generally Electronic Tariff Filings*, 130 FERC ¶ 61,047, at PP 3-8 (2010) (explaining that the Commission uses the data elements resulting from the tariff filing process to establish statutory filing and other procedural dates).

⁶ *See Duke Power Co.*, 57 FERC ¶ 61,215, at 61,713 (1991) (“the Commission will consider any amendment or supplemental filing filed after a utility’s initial filing . . . to establish a new filing date for the filing in question”).

Pending receipt of the above information, a filing date will not be assigned to your filing. Failure to respond to this letter order within the time period specified may result in a further order rejecting your filing.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kurt Longo". The signature is written in a cursive, flowing style.

Kurt M. Longo, Director
Division of Electric Power
Regulation – East