

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF ENERGY MARKET REGULATION

In Reply Refer To
New York Independent System
Operator, Inc.
Docket No. ER21-502-000

Issued: 1/29/2021

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

Attention: Garrett E. Bissell
Senior Attorney

Reference: 2021-2025 Demand Curve Reset

Dear Mr. Bissell:

On November 30, 2020, you filed on behalf of the New York Independent System Operator, Inc. (NYISO), pursuant to section 205 of the Federal Power Act (FPA),¹ proposed revisions to section 5.14.1.2 of NYISO's Market Administration and Control Area Services Tariff (Services Tariff)² to define the demand curves in the Installed Capacity (ICAP) Market for the 2021/2022 Capability Year.³ The proposed revisions also identify the methodologies and inputs to be used for subsequent, annual updates to the ICAP Demand Curves⁴ for the 2022/2023, 2023/2024, and 2024/2025 Capability

¹ 16 U.S.C. § 824d.

² New York Independent System Operator, Inc., NYISO Tariffs, [NYISO MST, 5.14 MST Installed Capacity Spot Market Auction and Installed Capacity Supplier Deficiencies, 32.0.0](#).

³ NYISO's Capability Year consists of the Summer Capability Period (May 1 through October 31) and the Winter Capability Period (November 1 through April 30).

⁴ ICAP Demand Curve is defined as: "A series of prices which decline until reaching zero as the amount of Installed Capacity increases." NYISO, Services Tariff, § 2.9 (29.0.0).

Years (2021-2025 DCR).⁵

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. To the extent that some of the required information may contain confidential material, please submit a non-public version in addition to the public version for Commission review.

1. In your filing,⁶ you state that NYISO considered several factors when selecting dual fuel capability for the peaking facility used to establish the G-J Locality ICAP Demand Curve, including increased revenue earning opportunities when natural gas operation becomes unavailable or uneconomic, and improved siting flexibility. You also state that a peaking facility could bypass mandatory dual fuel requirements by interconnecting to an interstate gas pipeline and that the 2021-2025 DCR does not assume a particular gas interconnection arrangement. Finally, you state that the conditions supporting a dual fuel peaking facility design for the G-J Locality for the 2021-2025 DCR remain the same as those for the annual updates to the ICAP Demand Curves for the 2017-2021 Capability Years (2017-2021 DCR), and you specify that the need for incentives to encourage resource flexibility and availability to operate on other fuel sources has grown since the previous demand curve reset.
 - a. Please provide additional support or examples that describe the anticipated increased revenue earning opportunities that arise for a dual fuel facility when natural gas is unavailable or uneconomic due to natural gas demand or constraints. Please also describe how these anticipated revenues may offset additional capital costs to include dual fuel capability for the peaking facility design for the G-J Locality.
 - b. Please explain whether, and if so, how the fixed costs needed to construct gas laterals (e.g., metering, regulating equipment, and compressor station costs) for a peaking facility to interconnect to an interstate gas pipeline are considered in this determination. Also,

⁵ As required by NYISO's Services Tariff, NYISO solicited stakeholder input and selected an independent consultant for the 2021-2025 DCR. NYISO, Services Tariff, § 5.4.1.2 (30.0.0). NYISO selected Analysis Group, Inc. (Analysis Group), which subcontracted with Burns & McDonnell Engineering Company, Inc. (BMCD) (collectively, NYISO Consultant).

⁶ See NYISO Transmittal at 16-20.

please explain whether the cost to secure firm capacity on an interstate pipeline is included in this assessment and why or why not.

- c. Please explain the conditions that increase the need for siting flexibility. In your answer, please specify how the constrained conditions identified in 2019 are anticipated to persist.⁷
2. In your filing,⁸ you state that, in comparison to NYISO's 2017-2021 DCR, NYISO used a different engineering design firm to estimate owner's costs for the 2021-2025 DCR and that the firms may use different methodologies and categorizations that render a line-by-line comparison of such costs misleading. You also state that the cost estimates developed for electrical and gas interconnections in the 2021-2025 DCR reflect "all-in" costs, which include costs related to development, engineering, permitting, procurement, and construction materials.
 - a. Please explain how development, engineering, and financing costs are accounted for in the owner's cost estimate for the 2021-2025 DCR by explaining which categories are intended to reflect these costs, and how these costs were incorporated as "all in" costs for electrical and gas interconnections.

This letter is issued pursuant to 18 C.F.R. § 375.307 and is interlocutory. This letter is not subject to rehearing under 18 C.F.R. § 385.713. 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).⁹ In addition, submit an electronic version of your response to Katherine Scott at katherine.scott@ferc.gov. The information requested in this letter order will constitute an amendment to your filing and a new filing date will be established.¹⁰ A notice will be

⁷ See NYISO Transmittal at 19 n.97.

⁸ See NYISO Transmittal at 22-23.

⁹ 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).

issued upon receipt of your filing.

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.

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

¹⁰ See *Duke Power Co.*, 57 FERC ¶ 61,215, at 61,713 (1991) (stating that “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”).