FEDERAL ENERGY REGULATORY COMMISSION WASHINGTON, DC 20426

OFFICE OF ENERGY MARKET REGULATION

In Reply Refer To: New York Independent System Operator, Inc. Docket No. ER22-772-000

Issued: February 9, 2022

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

Attention:	David Allen Senior Attorney for New York Independent System Operator, Inc.
Reference:	Comprehensive Mitigation Review, Excluding Certain Resources from Buyer-side Market Power Mitigation Measures, Adoption a Marginal Capacity Accreditation Market Design, and Enhancing Capacity Reference
	Point Price Translation

Dear Mr. Allen:

On January 5, 2022, New York Independent System Operator, Inc. (NYISO) filed, in accordance with section 205 of the Federal Power Act, revisions to its Market Administration and Control Area Services Tariff (Tariff). Specifically, NYISO proposed to modify its currently effective buyer-side capacity market power mitigation measures (BSM Rules), adopt a marginal capacity accreditation market design, and modify its procedures for defining Installed Capacity (ICAP) demand curves.

Please be advised that your filing 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, you propose to determine a resource's Unforced Capacity (UCAP) as the product of its ICAP, its Capacity Accreditation Factor, and its performance or availability derating factor.¹ You propose Tariff revisions that define Capacity

¹ Transmittal at 33.

Accreditation Factor as:

The factors, set annually by the ISO in accordance with Section 5.12.14.3 and ISO Procedures, that reflect the marginal reliability contribution of the ICAP Suppliers within each Capacity Accreditation Resource Class toward meeting [New York State Reliability Council (NYSRC)] resource adequacy requirements for the upcoming Capability Year. Capacity Accreditation Factors for each Capacity Accreditation Resource Class will be determined by the ISO for Rest of State, G-J Locality (excluding Load Zone J), NYC Locality, and Long Island Locality, in accordance with Section 5.12.14.3 and ISO Procedures. Capacity Accreditation Factors are applicable to all Resources and/or Aggregations within each Capacity Accreditation Resource Class that has been established in accordance with ISO Procedures.²

You also propose Tariff revisions that specify how Capacity Accreditation Factors will be reviewed and updated annually. Specifically, Proposed Services Tariff section 5.12.14.3 states:

The annual review shall: (i) use the Installed Reserve Margin/Locational Minimum Installed Capacity Requirement study model that is approved by the NYSRC for the upcoming Capability Year as a starting database, (ii) be performed at the conditions that reflect the expected NYCA system that meets the resource adequacy criterion, (iii) develop Capacity Accreditation Factors for all Capacity Accreditation Resource Classes that reflect the marginal reliability contributions toward meeting NYSRC resource adequacy requirements, and (iv) be performed for Rest of State, G-J Locality (excluding Load Zone J), NYC Locality, and Long Island Locality to the extent there exists an ICAP Supplier or projected ICAP Supplier in the given Capacity Accreditation Resource Classes in the applicable location, as specified in ISO Procedures.³

² Transmittal, attach. I, Proposed Market Administration and Control Area Services Tariff (Services Tariff), § 2.3, Definitions – C (Proposed Services Tariff).

³ *Id.* § 5.12.14.3.

In your transmittal, you explain that "Capacity Accreditation Factors will be calculated using a system 'Effective Load Carrying Capability' ('ELCC') or equivalent methodology,"⁴ and note that:

During market design discussions with stakeholders, the [Market Monitoring Unit (MMU)] proposed a methodology referred to as Marginal Reliability Improvement ("MRI"). The NYISO intends to work with stakeholders during the 'Phase II' process ... to compare the ELCC and MRI methodologies as it develops the tools to perform the annual review of Capacity Accreditation Factors.⁵

- a. Please define "marginal reliability contribution." In your answer, please provide citations, if applicable, to the relevant proposed tariff language that contains this definition.
- b. Please explain in detail how NYISO would calculate the marginal reliability contribution of a Capacity Accreditation Resource Class using a "system [ELCC] methodology."
- c. Please explain in detail how NYISO would calculate the marginal reliability contribution of a Capacity Accreditation Resource Class using the MMU's MRI methodology. In your answer, please highlight any differences between this methodology and the system ELCC methodology described above.
- d. Please identify any additional "equivalent" methodologies NYISO is currently considering. Please explain in detail how NYISO would calculate the marginal reliability contribution of a Capacity Accreditation Resource Class using any of these equivalent methodologies. In your answer, please highlight any differences among these additional equivalent methodologies, the MMU's MRI methodology, and the system ELCC methodology described above.
- e. Please explain the extent to which the selection of one of the methodologies discussed above would affect the measured marginal reliability contribution of Capacity Accreditation Resource Classes. What factors is NYISO considering during Phase II to evaluate and select one of the methodologies

⁴ Transmittal at 34.

⁵ *Id.* at n.109.

described above?

- f. In your transmittal letter, you explain that Phase 2 of NYISO's marginal capacity accreditation design "will involve the development of non-tariff implementation details and related procedures."⁶ You further state that "[i]t is consistent with the Commission's 'rule of reason' policy for the additional implementation details and technical specifications to be developed in Phase 2 to be added to the NYISO manuals and ISO Procedures instead of the tariff."⁷ Please provide additional support for your contention that the methodology associated with the calculation of the marginal reliability contribution of Capacity Accreditation Resource Classes and the associated Capacity Accreditation Factors is an implementation detail that is not required to be part of the filed rate.
- 2. In your filing, you propose to "use the Installed Reserve Margin/Locational Minimum Installed Capacity Requirement study model that is approved by the NYSRC for the upcoming Capability Year as a starting database" for the "marginal reliability contribution" calculations.⁸
 - a. Please explain to what extent the resource mix reflected in the NYSRCapproved model reflects the mix of ICAP Suppliers that clear in the NYISO capacity auction.
 - b. Are there any resources included in NYSRC's model that do not participate in the NYISO capacity market?
 - c. If a resource does not clear a NYISO capacity auction, will it be included in the NYSRC-approved model?
- 3. In your filing, you propose to define Capacity Accreditation Resource Class as:

A defined set of Resources and/or Aggregations, as identified in accordance with ISO Procedures, with similar technologies and/or operating characteristics which are expected to have similar marginal reliability contributions toward meeting NYSRC resource adequacy requirements for the upcoming

⁷ *Id*. at 44.

⁸ Proposed Services Tariff § 5.12.14.3.

⁶ Transmittal at 43.

Capability Year. Each Capacity Accreditation Resource Class will be evaluated through the annual review detailed in Section 5.12.14.3. Each Installed Capacity Supplier will be assigned a Capacity Accreditation Resource Class.⁹

- a. Please explain what criteria NYISO would use to determine whether resources have "similar technologies and/or operating characteristics."
- b. Please explain what criteria NYISO would use to determine whether resources "are expected to have similar marginal reliability contributions toward meeting NYSRC resource adequacy requirements for the upcoming Capability Year."
- c. Please explain the process NYISO will use to notify resources of their assigned Capacity Accreditation Resource Class and associated Capacity Accreditation Factor. In your answer, please be specific about the timing of NYISO's determinations and notification.
- d. If a resource owner disputes the Capacity Accreditation Resource Class to which NYISO assigns a resource, would the affected resource owner have an opportunity to appeal their class assignment? If so, how would the process for such a review take place?
- 4. In Attachment III-A to your filing, Analysis Group, Inc. finds that, in 2032, variable and storage resources would comprise over 50% of ICAP in the New York Control Area (38,608 MW of 75,719 MW) and less than 10% of UCAP (3,192 MW of 37,653 MW).¹⁰
 - a. Recognizing that the NYISO capacity market compensates resources in proportion to their UCAP, please explain the basis for the significant decrease in UCAP relative to ICAP for these resources. Why is it just and reasonable for all resources in a given Capacity Accreditation Resource Class to receive compensation based on the value of the marginal resource in that Capacity Accreditation Resource Class?
 - b. Please explain how NYISO would assess the extent to which a resource has

¹⁰ Transmittal, attach. III-A at Table 3. For purposes of this letter, variable and storage resources include onshore wind, offshore wind, utility-scale solar, storage (2 hour), and storage (4 hour).

⁹ *Id.* § 2.3, Definitions – C.

complied with its capacity obligation under NYISO's proposed marginal reliability contribution capacity accreditation market design, including how NYISO would assess any applicable penalties or derating factors for nonperformance.

This letter is issued pursuant to 18 C.F.R. § 375.307 (2021) 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).¹¹

In addition, submit an electronic version of your response to Frank Swigonski at <u>Frank.Swigonski@ferc.gov</u>. The information requested in this letter order will constitute an amendment to your filings and a new filing date will be established.¹² A notice will be 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

¹¹ 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).

¹² 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").