

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

New York State Reliability Council

Docket No. ER18-524-000

**MOTION TO INTERVENE AND COMMENTS OF
THE NEW YORK STATE INDEPENDENT SYSTEM OPERATOR, INC.**

Pursuant to Rules 212 and 214 of the Commission’s Rules of Practice and Procedure,¹ the New York State Independent System Operator, Inc. (“NYISO”) respectfully moves to intervene in this proceeding and offers its comments in support of the filing made by the New York State Reliability Council (“NYSRC”).² The NYISO believes that an Installed Reserve Margin (“IRM”) of 18.2 percent for the New York Control Area (“NYCA”) for the upcoming 2018-2019 Capability Year,³ which runs from May 1, 2018 through April 30, 2019, falls within a range of reasonable levels of Installed Capacity (“ICAP”) required to maintain reliability of the NYCA bulk power system. Accordingly, the NYISO supports the NYSRC’s request that the Commission approve the proposed IRM of 18.2 percent.

The NYISO also requests that the Commission accept and approve the NYSRC’s filing effective February 15, 2018. Such an effective date would provide sufficient time for the NYISO to calculate and post the minimum capacity requirements and for Market Participants to prepare for the first ICAP auction for the Summer 2018 Capability Period, scheduled for March 30, 2018. Without this necessary information, the efficient operation of the NYISO’s Summer 2018 ICAP auction could be seriously impaired.

¹ 18 C.F.R. §§ 385.212, 385.214.

² *New York State Reliability Council, L.L.C.*, Filing of Installed Capacity Requirement for the New York Control Area, Docket No. ER18-524-000 (December 22, 2017) (“NYSRC Filing”).

³ Capitalized terms have the meaning ascribed to them in the NYISO’s Open Access Transmission Tariff and its Market Administration and Control Area Services Tariff (“Services Tariff”).

Finally, as in prior years, the NYISO respectfully suggests that the Commission coordinate its decision in this proceeding with the actions that the New York Public Service Commission (“NYPSC”) may soon take in response to the NYSRC’s filing. Inconsistent determinations by the Commission and NYPSC would create uncertainty about which IRM the NYISO should use and, potentially, subject the NYISO to contradictory regulatory mandates. The NYISO also respectfully requests that the Commission not allow jurisdictional considerations to delay the timely implementation of its ICAP auction process.

In support thereof, the NYISO states:

I. Communications and Correspondence

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II. Background

Section 3.03 of the New York State Reliability Council Agreement, which was approved by the Commission in connection with the formation of the NYISO and the NYSRC, obligates the NYSRC to submit any proposed revisions of the NYCA IRM to the Commission for

approval before the beginning of the Capability Year to which the change would apply.⁴ The IRM was set at 18.0 percent for the 2000-2001 through 2006-2007, the 2010-2011,⁵ and the 2017-2018 Capability Years.⁶ In intervening years, the IRM has varied. The Commission accepted an IRM of 16.5 percent for the 2007-2008 Capability Year,⁷ 15 percent for the 2008-2009 Capability Year,⁸ 16.5 percent for the 2009-2010 Capability Year,⁹ 15.5 percent for the 2011-2012 Capability Year,¹⁰ 16.0 percent for the 2012-2013 Capability Year,¹¹ 17 percent for the 2013-2014, 2014-2015, and 2015-2016 Capability Years,¹² and 17.5 percent for the 2016-2017 Capability Year.¹³

The current IRM of 18.0 percent means that Load Serving Entities (“LSEs”) in the NYCA must procure capacity equal to 118.0 percent of their forecast peak load.¹⁴ In addition, there are separate location-specific ICAP requirements for LSEs in New York City, Long Island, and, collectively, Load Zones G, H, I, and J (the “G-J Locality”) that reflect the existence of transmission constraints in those areas. These Locality requirements are determined by the NYISO given the NYSRC’s recommended IRM.

⁴ New York State Reliability Council Agreement § 3.03 (December 2, 1999), *available at* <http://www.nysrc.org/pdf/Agreements/NYSRC%20Agreement%20signed.PDF>.

⁵ *New York State Reliability Council*, 90 FERC ¶ 61,313 (2000); *New York State Reliability Council*, Letter Order, Docket No. ER10-416-000 (January 28, 2010).

⁶ *New York State Reliability Council*, Letter Order, Docket No. ER17-613-000 (January 31, 2017).

⁷ *New York State Reliability Council*, 118 FERC ¶ 61,179 (2007).

⁸ *New York State Reliability Council*, 122 FERC ¶ 61,186 (2008).

⁹ *New York State Reliability Council*, Letter Order, Docket No. ER09-437-000 (February 6, 2009).

¹⁰ *New York State Reliability Council*, Letter Order, Docket No. ER11-2392-000 (January 24, 2011).

¹¹ *New York State Reliability Council*, Letter Order, Docket No. ER12-597-000 (February 3, 2012).

¹² *New York State Reliability Council*, Letter Order, Docket No. ER13-572-000 (February 5, 2013); *New York State Reliability Council*, Letter Order, Docket No. ER14-916-000 (February 21, 2014); *New York State Reliability Council*, Letter Order, Docket No. ER15-821-000 (March 3, 2015).

¹³ *New York State Reliability Council*, Letter Order, Docket No. ER16-623-000 (February 12, 2016).

¹⁴ For example, the NYCA forecast peak load for the 2006-2007 Capability Year was 33,295 MW. The 18.0 percent IRM means the minimum ICAP requirement was 39,288 MW (*i.e.*, 18 percent more than 33,295 MW).

At the request of the NYSRC and in accordance with the Agreement Between the New York Independent System Operator and the New York State Reliability Council, the NYISO conducted a technical study that provided parameters for determining an IRM necessary to meet all applicable reliability criteria in the NYCA in the upcoming Capability Year. The NYISO employed General Electric's Multi-Area Reliability Simulation ("GE-MARS") model to determine the amount of ICAP that is required NYCA-wide to meet the governing resource adequacy criterion that the probability of an unplanned disconnection of firm load would not exceed one occurrence in ten years.¹⁵ The NYISO's base case evaluation yielded a NYCA IRM of 18.2 percent for the 2018-2019 Capability Year.

The NYISO reported its results to the NYSRC's Installed Capacity Subcommittee ("ICS"), which reviewed the results of the study, together with verification of the data inputs and modeling from General Electric, Consolidated Edison of New York, Inc., and PSEG Long Island. The results are reflected in the Technical Study Report prepared by the ICS and attached to the NYSRC's filing.¹⁶

The NYSRC's filing with the Commission highlights portions of the Technical Study Report.¹⁷ As described in its filing, the NYSRC Executive Committee relied on the base case results, as well as its evaluation of modeling and assumption changes and numerous sensitivity studies that resulted in a range of IRMs that were higher and lower than the base case IRM.¹⁸ Based upon the study results and its experience and expertise, the NYSRC adopted an IRM for the 2018-2019 Capability Year of 18.2 percent. On December 22, 2017, the NYSRC filed with

¹⁵ This criterion is known as the "Loss of Load Expectation" or "LOLE" and is the standard prescribed in the reliability rules of the Northeast Power Coordinating Council ("NPCC") and the NYSRC.

¹⁶ NYSRC Filing, Attachment A.

¹⁷ *Id.* at pp 7-11.

¹⁸ *Id.*

the Commission its proposed revision to the NYCA IRM for the 2018-2019 Capability Year, requesting that the Commission accept its filing and issue an order no later than February 15, 2018.¹⁹

The NYPSC has published a notice under the State Administrative Procedures Act to consider the proposed IRM of 18.2 percent for the 2018-2019 Capability Year with a public comment period running until March 5, 2018.²⁰ The NYISO intends to file similar comments with the NYPSC in support of the NYSRC's adoption of an IRM of 18.2 percent for the 2018-2019 Capability Year. The NYISO has been informed by the NYSRC that it will also comment to the NYPSC in support of its adopted IRM.

III. Motion to Intervene

The NYISO is the independent body responsible for providing open access transmission service, maintaining reliability, and administering competitive wholesale markets for electricity, capacity, and ancillary services in New York State. Pursuant to its Commission-approved tariffs, the NYISO is also responsible for administering the ICAP auctions for the NYCA, including the Summer Capability Period Auction scheduled for March 30, 2018.²¹ The NYISO Services Tariff also requires LSEs within the NYCA to procure sufficient levels of capacity, including locational ICAP requirements for New York City, Long Island, and the G-J Locality.

Together with the ICAP Demand Curves, the NYCA IRM is a critical input into the NYISO's ICAP auctions because it is used to calculate each LSE's minimum NYCA-wide capacity requirements and its data inputs are used to calculate the Locational Capacity Requirements ("LCRs"). Specifically, the NYISO uses the adopted IRM to determine the

¹⁹ *Id.*

²⁰ See Notice of Proposed Rulemaking, "New York State Reliability Council's Establishment of an Installed Reserve Margin of 18.2%," N.Y. Reg., I.D. No. PSC-01-18-00006-P (January 3, 2018).

²¹ The ICAP auction processes are described in Sections 5.13 and 5.14 of the Services Tariff.

capacity requirements for the NYCA as a whole for the upcoming Capability Year. It then uses the data underlying the determination of the base case for the IRM and the IRM established by the NYSRC as a starting point in calculating the LCRs for LSEs. Those LCRs, together with the demand curve, determine the minimum amount of capacity that LSEs must procure. The NYISO informs the LSEs of their minimum capacity requirements and conducts auctions for each Capability Period (*i.e.*, summer and winter six-month capability periods), as well as monthly and spot market auctions.²² Because the NYISO cannot fulfill its tariff obligations without the IRM, the NYISO has a unique interest in this proceeding that cannot be adequately represented by any other entity and should, therefore, be permitted to intervene with all of the rights of a party.

IV. Comments

A. The NYSRC's Proposal to Establish a NYCA IRM of 18.2 Percent for the 2018-2019 Capability Year is Reasonable

As explained above, the NYSRC has requested the Commission's approval to increase the NYCA IRM from 18.0 percent to 18.2 percent for the upcoming Capability Year. The NYISO believes that the proposed 18.2 percent IRM falls within a range of potentially reasonable IRM levels as it is the result determined for the base case evaluation as reported in the Technical Study. The Technical Study Report also provided results of numerous sensitivity studies producing a range of reasonable IRM levels that would meet the loss of load criterion in New York State for the upcoming 2018-2019 Capability Year. The NYSRC Executive Committee determined, based upon the base case result, modeling and assumption changes, and numerous sensitivity studies, that the 18.2 percent IRM determined for the base case best satisfies the resource adequacy criterion and should be adopted.

²² See Sections 5.12–5.14 of the Services Tariff.

B. The Commission Should Act Expeditiously

The NYISO requests that the Commission act in time to provide a decision by February 15, 2018.²³ Pursuant to its tariffs, the NYISO has scheduled the first ICAP auction for the six-month 2018 Summer Capability Period to begin on March 30, 2018. The outcome of this auction will affect the monthly and spot capacity auctions that the NYISO will conduct for May 2018.

As a result, the NYISO must know the NYCA IRM sufficiently ahead of the scheduled auction so that it can calculate the minimum NYCA-wide and LCRs capacity requirements and transmit this information to auction participants. If the Commission acts by February 15, 2018, the NYISO is confident that it could complete this work on time.²⁴ In accordance with its manuals and past practices, the NYISO has informed Market Participants that the new minimum requirements will be available by March 19, 2018. This information is conveyed in advance of the capacity auction for the six-month Summer Capability Period to provide Market Participants with sufficient notice of their capacity requirements so that they may develop or adjust their bidding strategies. The NYISO would prefer to start making the necessary calculations as early as possible in advance of this deadline. Further, without timely information, it will be much harder for ICAP Suppliers and LSEs to make economically efficient capacity procurement decisions.

²³ The NYISO similarly intends to ask the NYPSC to act promptly in considering the proposed IRM level for the same reasons discussed herein.

²⁴ Although the NYPSC will likely not issue its order on the proposed IRM level before its public comment period closes on March 5, 2018, Commission approval of the IRM February 15, 2018 will allow the NYISO to proceed with its auction preparations pending action by the NYPSC.

C. The Commission Should Coordinate with the NYPSC to Avoid Imposing Inconsistent IRM Requirements

As in previous years, the NYISO respectfully suggests that the Commission coordinate its review of the NYSRC's proposed revision of the NYCA IRM with the NYPSC's inquiry into the subject. To the extent that both the Commission and the NYPSC address common questions, the NYISO asks the Commission to take reasonable measures to ensure that its determination is compatible with the NYPSC's determination. If the two agencies were to issue conflicting or contradictory orders to the NYSRC concerning the IRM level, confusion may ensue as to what IRM level the NYSRC should provide to the NYISO to use in the locational capacity calculations. If the NYSRC received conflicting regulatory directives, it would be forced to choose between them, leaving its choice susceptible to almost certain litigation. The probability of such litigation and the uncertainty as to its outcome would engender uncertainty about the LSE's minimum requirements for the auction for the six-month Summer Capability Period (and possibly even the subsequent monthly and spot auctions). The resulting disruption and confusion would negatively affect the NYISO-administered markets and potentially threaten the reliability of the NYCA bulk power system.

Conflicting Commission and NYPSC rulings could also put the NYISO in the difficult position of being subject to inconsistent federal and state requirements. This would greatly complicate the NYISO's ability to fulfill its ICAP-related responsibilities under its tariffs. The NYISO could also be exposed to demands for refunds, and other potential legal claims, from either LSEs claiming that the NYISO unlawfully required them to over-procure capacity or generators alleging an unlawful under-procurement and lost revenues.

The NYISO recognizes that the parallel reviews of the NYSRC's proposed revisions to the NYCA IRM could lead to disagreement between the agencies as to whether the Commission

or the NYPSC, or both, have jurisdiction over the NYCA IRM. If a jurisdictional dispute should arise, the NYISO respectfully submits that the Commission should not allow the possibility of such dispute to interfere with the timely administration of its ICAP auctions.

V. Conclusion

WHEREFORE, for the foregoing reasons, the New York Independent Service Operator, Inc. respectfully requests that the Commission: (i) accept its motion to intervene; (ii) approve the NYSRC's proposed revision to the NYCA IRM with an effective date of February 15, 2018; and (iii) coordinate with the NYPSC in order to avoid the possibility of inconsistent federal and state rulings.

Respectfully submitted,

/s/ David Allen

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January 11, 2018

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure, 18 C.F.R. § 385.2010.

Dated at Rensselaer, NY this 11th day of January 2018.

By: /s/ John C. Cutting

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