New York ISO
Independent System Operator

10 Krey Boulevard, Rensselaer, NY 12144
Ph: 518.356.6000 | Fax: 518.356.8899

July 7, 2020

By Electronic Delivery

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: New York Independent System Operator, Inc., Proposed Tailored Availability Metric, Docket No. ER20-___-000

Dear Ms. Bose:

In accordance with Section 205 of the Federal Power Act ("FPA"),[1] the New York Independent System Operator, Inc. ("NYISO") hereby submits proposed revisions to its Market Administration and Control Area Services Tariff ("Services Tariff") to implement its new "tailored availability metric" ("TAM") rules, which will enhance the calculation of capacity ratings for Resources[2] that participate in the NYISO-administered Installed Capacity ("ICAP") Market to better align with the reliability needs of the system.

The tariff revisions proposed in this filing are part of an ongoing effort by the NYISO and its stakeholders to ensure that Resource valuations in the ICAP Market more accurately reflect their reliability contributions in the New York Control Area ("NYCA"). The TAM proposal includes a small set of enhancements to the manner in which the NYISO measures the availability of Resources and the amount of Unforced Capacity ("UCAP") that such Resources are permitted to sell in the ICAP Market based upon the Resources' Installed Capacity megawatt value. In particular, the NYISO is proposing to amend the Services Tariff to revise the manner in which it calculates derating factors for those Resources that use the Equivalent Demand Forced Outage Rate ("EFORd"). Similar changes will be made for the calculation of UCAP values that are based upon availability of individual Energy Storage Resources and distributed energy resources ("DER") for which the NYISO uses the Resources' Upper Operating Limit ("UOL") in the determination of its UCAP megawatt value.[3] The NYISO also is proposing to

[1] 16 U.S.C. §824d (2018)

[2] Capitalized terms that are not otherwise defined herein shall have the meaning specified in the Services Tariff.

[3] The NYISO's proposed market design enhancements for TAM applies fully to its market designs for ESRs and DERs that were filed and accepted by the Commission in Docket Nos. ER19-467, ER19-2276, and ER20-1696. However, certain tariff language filed and approved in these dockets will not be effective until March 1, 2021 or a Commission accepted effective date thereafter for DER participation. The NYISO is requesting a March 1, 2021 effective date as discussed below such that the amendments to the tariff that are being made for these TAM enhancements will be incorporated into previously accepted tariff language for ESRs and DERs, which largely will become effective by March 1, 2021, though certain DER tariff language may become effective after March 1, 2021.

revise the manner in which UCAP is calculated for Intermittent Power Resources, such as wind and solar Resources, and to re-evaluate every four years the Peak Load Window weightings that are used in such UCAP determinations. These changes will be implemented by the NYISO to calculate the UCAP values for ICAP Supply beginning with the start of the 2021 Capability Year, *i.e.*, May 1, 2021. The existing methodology of determining a Resource's UCAP value will remain in place through the Winter 2020 Capability Period, which ends April 30, 2021.

The proposed tariff revisions will better tailor the calculation of the UCAP values for ICAP Suppliers to their contribution to maintaining the reliability of the system when it is most needed, and thus improve the efficiency of the NYISO's ICAP Market outcomes. The proposal has been endorsed by unanimous vote with abstentions of NYISO stakeholders and is supported by Potomac Economics, the NYISO's independent Market Monitoring Unit. The NYISO respectfully requests that the Commission accept the proposed TAM revisions as just, reasonable, and not unduly discriminatory without imposing any conditions or requiring any additional proceedings.

The NYISO respectfully requests that the Commission waive the prior notice requirement in 18 C.F.R. § 35.3, and allow the proposed tariff revisions to be made effective on March 1, 2021. This delayed effective date will allow the NYISO to implement the proposed changes for the start of the 2021 Capability Year and incorporate these enhancements into the relevant sections of Commissioned-accepted tariff for ESRs and DERs, which will be effective on or before March 1 2021, while ensuring that such changes do not interfere with the functioning of the ICAP Market during the current Capability Year.

At the same time, for the reasons set forth in Section V, below, the NYISO also respectfully requests that the Commission issue an order accepting the proposed tariff revisions within the normal timeframe – *i.e.*, 60 days from the date of this filing.

I. COMMUNICATIONS

Communications regarding this proceeding should be sent to:

Robert E. Fernandez, Executive Vice President & General Counsel
Karen Georgenson Gach, Deputy General Counsel
Raymond Stalter, Director, Regulatory Affairs
*David Allen, Senior Attorney
10 Krey Boulevard
Rensselaer, NY 12144
Tel: (518) 356-6000
Fax: (518) 356-4702
rfernandez@nyiso.com
kgach@nyiso.com
rstalter@nyiso.com
dallen@nyiso.com

*Ted J. Murphy
Hunton Andrews Kurth, LLP
2200 Pennsylvania Avenue, NW
Washington, DC 20037
Tel: (202) 955-1500
Fax: (202) 778-2201
tmurphy@huntonak.com

***Designated to receive service.**

II. LIST OF DOCUMENTS SUBMITTED

The NYISO submits the following documents with this transmittal letter:

1. A blacklined version of the NYISO Services Tariff revisions proposed in this filing ("Attachment I"); and

2. A clean version of the NYISO Services Tariff revisions proposed in this filing ("Attachment II").

III. BACKGROUND

A. UCAP Overview

UCAP is the quantity of capacity that an Installed Capacity Supplier is compensated for when it sells the Installed Capacity of a qualified Resource in the NYISO's ICAP Market. A Resource's UCAP is "the applicable Adjusted Installed Capacity multiplied by the quantity of 1 minus the Resource's derating factor."[4] The revisions proposed in this filing relate to the derating factor used to calculate a Resource's UCAP.

For most thermal Resources that are able to be dispatched, the derating factor is the EFORd. The EFORd measures the amount of time over a set period that a Resource has been in demand but unavailable to the NYISO grid operations to support system reliability due to a forced outage or a derating of the resources below its ICAP value. Similarly, for Energy Storage Resources, the unavailability factor is the Upper Operating Limit ("UOL"). For these Resources – *i.e.*, Resources for which the derating factor is measured based on availability ("Availability-Based Resources") – the derating factor is currently measured using a rolling average of EFORd or UOL calculations, and is calculated based on data required to be submitted by the ICAP Supplier into the Generating Availability Data System ("GADS") or provided through bids to the NYISO. These derating factor inputs are then used by the NYISO to calculate two separate EFORd or UOL values for the Installed Capacity Resource during the Capability Year. One is calculated prior to the Summer Capability Period and is used to determine the applicable UCAP value for a Resource during the ICAP months of May through October. The other is determined for the Winter Capability Period and is used to determine the applicable UCAP value for a Resource during the November through April period. For each calculation, data is used from a historic period of seventeen months.

For Intermittent Power Resources, the derating factor is measured based on the Resource's actual historic performance during certain peak load hours ("Performance-Based Resources") over a prescribed period of time. While the calculation methodologies currently used for wind and solar Resources differ slightly due to the inherent differences in technologies, the current methodology was determined to not fully reflect the expected reliability value of

[4] Services Tariff Section 5.12.6.2.

these Resources during the anticipated highest peak load. In general, however, the derating factors for the solar and wind Resources are calculated using the Resource's performance during a four-hour daily window during specific months that are anticipated to have the highest loads for each Capability Period. However, the NYISO enhanced its approach to this window as a part of the package of DER-related tariff revisions that the Commission accepted earlier this year in Docket No. ER19-2276-000.[5] As a result it will be implementing a six hour Peak Load Window[6] that will be associated with a 100% capacity value for a six hour Energy Duration Limited Resource until the total incremental penetration levels of all Energy Duration Limited Resources equals or exceeds 1000 megawatts. Currently, a six-hour duration limit is sufficient for a resource to qualify for 100% capacity value. The current methodology treats performance in any hour of this Peak Load Window as providing the same contribution to reliability.

IV. PROPOSED TARIFF REVISIONS

A. Proposed Revisions Applicable to "Availability-Based" Resources

For Availability-Based Resources that require an EFORd, the NYISO is proposing to modify the derating factor calculation. Rather than to continue to use a rolling average of six twelve-month EFORds to determine a Resource's UCAP calculation for the upcoming Capability Period, the NYISO proposes that each Resource will use the average EFORd of the past two "like" Capability Period EFORds. Thus, for the Summer Capability Period, the UCAP calculation would be based on the average EFORd for the last two Summer Capability Periods for a given Resource. For the Winter Capability Period, the UCAP calculation will be based on the average EFORd for the last two Winter Capability Periods for a given resource. The same time period is proposed to be applied for Resources that use the UOL unavailability factor.

To the extent that a Resource has EFORd or UOL data for only one previous "like" Capability Period, the UCAP calculation will use the average of the EFORd or UOL for that period and the class average EFORd or UOL for that Resource's technology type for the missing period. Similarly, if a Resource only has some months of actual reported data for a given Capability Period, the Class Average EFORd or UOL will be used for the months without complete Resource-specific data. For Resources that have been in a prolonged outage state that extends beyond the prior two "like" Capability Periods such that there is no Resource-specific data available, the NYISO will "look back" to prior "like" Capability Periods until it identifies appropriate and comparable data to use in the UCAP calculations. These enhancements to the methodology for calculating derating factors, which are reflected in the proposed revisions to

[5] *New York Independent System Operator, Inc.*, 170 FERC ¶ 61,033 (2020).

[6] The existing Peak Load Window is a six-hour window that varies between the Summer and Winter Capability Periods. For the Summer Capability Period, the current Peak Load Window is from Hour Beginning ("HB") 13 through HB 18, while the Peak Load Window for the Winter Capability Period is from HB 16 through HB 21. Once the penetration of Resources with Energy Duration Limitations into the NYISO ICAP Market reaches 1,000 MW, the Peak Load Window will expand to eight hours. Currently, the eight-hour Peak Load Window for the Summer Capability Period will be from HB 12 through HB 19, while the Peak Load Window for the Winter Capability Period will be from HB 14 through HB 21.

Section 5.12.6.2 of the Services Tariff, will provide incentives for dispatchable Resources to be available during the periods that the NYISO expects to need them most often to maintain system reliability.

B. Proposed Revisions Applicable to Wind and Solar Resources

Wind and solar Resources' ability to respond to incentives to be available and perform during the hours of greatest demand is largely limited by the weather and diurnal solar activity of the seasons. Nevertheless, the NYISO is also proposing to enhance its calculation of the UCAP values for wind and solar Resources by assigning specific weightings across the hours in the current Peak Load Windows for these categories of units. This enhancement will better capture the reliability contributions associated with the Installed Capacity procured from wind and solar units.[7]

For the time when the six-hour Peak Load Window defines the shortest period for which an Energy Duration Limited Resource receives 100% capacity value, the calculation will weigh the top four hours more heavily than the remaining two hours in the window. In particular the HB 14 through HB 17 for the Summer Capability Period and HB 16 through HB 19 for the Winter Capability Period will each have 18.75% of the weighting, for an aggregate weighting of 75%. The remaining two hours in each six-hour Peak Load Window will be weighted at 12.5% each.

Once the Peak Load Windows moves up to eight hours, the weightings will have three tiers. The top four hours for each period – the same top four hours as those for the six-hour Peak Load Window – will be weighted at 17.5% each, for an aggregate weight of 70%. The next top two hours for each Capability Period – HB 13 and HB 18 for the Summer Capability Period, and HB 20 and HB 21 for the Winter Capability Period – will be weighted at 10% each. Finally, the lowest two hours during each Capability Period will be weighted at 5% each. These revisions all are contained in Services Tariff, Section 5.12.6.2

In addition to these modifications, the NYISO is proposing to conduct a study to re-evaluate the weighting factors for wind and solar Resources once every four years. The NYISO conducts a review every four years, pursuant to Services Tariff, Section 5.12.14.3, to evaluate the reliability benefit of Resources with Energy Duration Limitations in meeting Resource Adequacy criteria. The NYISO proposes to conduct the re-evaluation of weighting factors for wind and solar Resources in conjunction with this broader reliability study.

[7] An improved calculation of this UCAP value that better reflects the value of these supply technologies to the resource adequacy of the system will lead to a more efficient ICAP market and a more reliable system.

V. STAKEHOLDER AND INDEPENDENT MARKET MONITORING UNIT REVIEW

The proposed tariff revisions that are included in this filing were approved by the NYISO's stakeholder Management Committee on April 29, 2020. The proposal was passed unanimously with abstentions.

VI. REQUESTED EFFECTIVE DATE

The NYISO respectfully asks that the Commission waive the prior notice requirements set forth in 18 C.F.R. § 35.3, and allow the Services Tariff changes proposed in this filing to become effective on March 1, 2021. The Commission allows for waiver of the prior notice requirements, including (as requested here) the requirement that a tariff change not be filed more than 120 days before it is to become effective, when there is good cause for granting such a waiver.[8] In this case, there is good cause to delay the effective date of the proposed revisions to the Services Tariff until March 1, 2021. Delaying the effective date of the proposed revisions will allow the NYISO to implement those revisions in time for the 2021 Capability Year and coordinate these enhancements with relevant sections of the ISO Tariff which become effective for ESRs and DERs on or before March 1, 2021. The requested delay will also ensure that the proposed revisions do not interfere with the functioning of the ICAP Market during the current Capability Year. Indeed, because the revisions involve the change to the calculation of UCAP values for ICAP Suppliers, a March 1, 2021 effective date will help to avoid any uncertainty in the calculation of UCAP values for the Winter 2020 Capability Period. Making the tariff revisions effective on March 1, 2021 ensures that the current derating factor parameters and calculations will remain in effect for the Winter 2020 Capability Period. Furthermore, as indicated in the proposed tariff revisions, these changes will not impact the market outcomes prior to the 2021 Capability Year, which begins May 1, 2021, but a March 1, 2021 effective date is required such that the NYISO can calculate the appropriate UCAP values for ICAP Suppliers in advance of the Summer 2021 ICAP market auctions.

The NYISO also respectfully requests that the Commission issue an order accepting the proposed tariff revisions within the normal timeframe – *i.e.*, sixty days from the date of this filing. As the Commission is aware, the NYISO is engaged in a comprehensive project to revise many of the rules governing its ICAP Market, and the NYISO seeks to ensure that those revisions can be implemented in an orderly manner. Providing an order on the proposed tariff revisions within 60 days will ensure that the NYISO is able to plan effectively for the implementation of the tariff revisions, and implement them in an orderly manner next March.

[8] *See, e.g., Pacific Gas and Electric Company*, 129 FERC ¶ 61,202 at P 21 (2009).

VII. SERVICE

The NYISO will send an electronic link to this filing to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, and to the New Jersey Board of Public Utilities. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com.

VIII. CONCLUSION

In conclusion, the NYISO respectfully asks that the Commission accept the proposed TAM revisions, and make them effective on March 1, 2021, without imposing any conditions and without instituting any further proceedings.

Respectfully Submitted,

/s/ *David Allen*
David Allen
Senior Attorney
New York Independent System Operator, Inc.

cc: Anna Cochrane
Jignasa Gadani
Jette Gebhart
Kurt Longo
John C. Miller
David Morenoff
Daniel Nowak
Larry Parkinson
Douglas Roe
Frank Swigonski
Eric Vandenberg
Gary Will