

Attachment VIII

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

New York Independent System Operator, Inc.

Docket No. ER14-____-000

**AFFIDAVIT OF
TARIQ N. NIAZI**

Mr. Tariq N. Niazi declares:

1. I have personal knowledge of the facts and opinions herein and if called to testify could and would testify competently hereto.

I. Purpose of this Affidavit

2. The purpose of this Affidavit is to provide the Commission with illustrative information regarding the potential wholesale capacity price outcomes that could result from the New York Independent System Operator's ("NYISO's") proposal to "phase-in" the peaking plant net cost of new entry, upon which the G-J Locality ICAP Demand Curve is set.¹ As discussed below in Section III, the potential capacity price outcomes described in this Affidavit are based on evaluations of the described potential future market scenarios. Each scenario utilized specific assumptions identified by the NYISO staff. The NYISO staff did not attempt to evaluate all possible future scenarios or all combinations of assumptions.
3. This Affidavit is expressly not intended to provide capacity price forecasts. Like my Affidavit supporting the NYISO's proposal to establish the G-J Locality in Docket No. ER13-1380-000,² this Affidavit is meant to provide illustrative information regarding the outcomes that might be expected in a relatively few possible future scenarios. Similarly,

¹ Capitalized terms that are not otherwise defined herein shall have the meaning specified in the filing letter to which this Affidavit is attached or the meaning set forth in the Services Tariff as revised by the Commission's acceptance of the NYISO's filing to establish a New Capacity Zone and subsequent related filings in Docket Nos. ER12-360 and ER13-1380.

² See April 2013 NCZ Filing.

this Affidavit is not intended to evaluate the potential impact of implementing an ICAP Demand Curve for the G-J Locality on consumers' retail bills. Calculating the retail price impacts of significant wholesale market design changes is a very complex task that is beyond the scope of this Affidavit.

II. Qualifications

4. I am a Senior Manager and the Consumer Interest Liaison for the NYISO. I have held this position for two years. My responsibilities include coordinating the NYISO's consumer related initiatives, analyzing market developments and proposed market developments from a consumer perspective, and preparing consumer impact analyses of major NYISO initiatives.
5. Prior to holding my current position, I worked for thirty years at the New York State Consumer Protection Board ("NYS CPB"). During my career there I served as the Director of the Utility Intervention Unit, as Chief Economist, and prior to that, as Principal Economist. While at the NYS CPB, I served as its representative to the NYISO. I also served on the New York State Energy Research and Development Authority's System Benefit Charge Advisory Group and the New York State Public Service Commission's ("PSC") Natural Gas Advisory Group. Additionally, I have taught courses in economics as an adjunct professor at Siena College in Loudonville, New York and at the College of St. Rose in Albany, New York.
6. As noted above, my Affidavit regarding potential consumer price impacts from the creation of a G-J Locality supported the April 2013 NCZ Filing. I am also familiar with the scenario analyses conducted by NYISO staff in connection with the implementation of an ICAP Demand Curve for the G-J Locality and was involved in coordinating that effort.
7. I have appeared as an expert witness in numerous PSC rate cases and policy-making proceedings (commonly referred to as "generic proceedings"). I have appeared as an expert witness in a proceeding before the Commission. I also have testified before the New York Assembly Energy Committee on energy related issues.

8. I received a Master of Economics degree from the State University of New York at Albany and a Master of Public Administration degree from Punjab University in Pakistan. I successfully completed a substantial portion of the Doctoral Program in Managerial Economics at Rensselaer Polytechnic Institute, in Rensselaer, New York, including passing my candidacy examination, completing all required course work and passing all comprehensive examinations.

III. Illustrative Information Regarding Potential Market-Clearing Price Outcomes

A. Scenarios

9. The NYISO staff considered potential Market-Clearing Price outcomes for the two Capability Years encompassed by the phase-in of the proposed G-J Locality ICAP Demand Curves, *i.e.*, 2014/2015 and 2015/2016. For each of these Capability Years, potential clearing price outcomes were examined with and without a phase-in.

B. Assumptions Used in the NYISO Staff's Scenarios

10. The scenarios considered by the NYISO utilized a number of assumptions, which are specified below. Although the NYISO staff believes that all of these assumptions are reasonable, it is certainly possible, as noted below, that actual future market conditions could, and in some cases likely will, be different.
11. The NYISO staff assumed:
 - a. A Locational Minimum Installed Capacity Requirement ("LCR") of 88% for the G-J Locality. That value is equal to the Indicative Locational Minimum Installed Capacity Requirement.³ If the G-J Locality Locational Minimum Installed Capacity Requirement (established after the Installed Reserve Margin is established, and in the first quarter of each calendar year) were different than the Indicative LCR, or if any of the LCRs for other Localities, or the NYCA IRM changed during the years studied, it would have an impact on prices, which could make them differ from the price outcomes under NYISO staff scenarios. The

³ April 2013 NCZ Filing at 5.

actual LCR would also be expected to change if capacity were added to or removed from the G-J Locality.

- b. The Load forecast for the G-J Locality was based on values set forth in the NYISO's *2013 Load and Capacity Data* report (*i.e.*, the "Gold Book").⁴ The G-J Locality Load forecast is an estimate that is expected to change and be updated for each Capability Year.
- c. Special Case Resources would sell capacity based on current enrollments. Actual Special Case Resource sales during the three years considered in the illustrative scenarios are expected to vary from current levels. It is also likely that Special Case Resource enrollment will increase as a function of price.
- d. Capacity associated with existing Unforced Capacity Deliverability Rights ("UDRs") would participate consistent with recent participation levels for the 2014/2015 Capability Year. For the 2015/2016 and 2016/2017 Capability Years, the NYISO staff scenarios made adjustments based on the MW anticipated to be offered and that would clear. Capacity associated with UDRs may behave in a manner different than set forth in the assumptions, which could result in a large variation from forecasted prices.
- e. The MW of capacity not offered into the market would remain at historic averages. Actual unoffered MW are highly likely to vary during the periods presented in the scenarios.
- f. A system average Equivalent Forced Outage Rate ("EFORd"), using October 2013 data. Actual future system EFORd values are likely to be different, but are not expected to cause significant price variance.
- g. There would be no plant retirements in the G-J Locality, or any other zone, except for the announced retirement of the Danskammer generation station. As with all

⁴ See Tables I-2a & I-2b of the 2013 NYISO Gold Book (*available at* http://www.nyiso.com/public/webdocs/markets_operations/services/planning/Documents_and_Resources/Planning_Data_and_Reference_Docs/Data_and_Reference_Docs/2013_GoldBook.pdf).

of the NYISO staff's assumptions, its assumption regarding plant retirements is not intended to be a prediction. One change that could have a significant effect on price outcomes would be if the approximately 500 MW Danskammer Generating Station ("Danskammer") were to return to service.⁵

- h. There would be no new capacity entry, nor would any existing mothballed capacity in the NYCA return during the three years encompassed by the proposed ICAP Demand Curves.⁶ This assumption is not intended to imply that the NYISO believes that capacity prices will not provide an adequate signal to attract new capacity, for mothballed capacity to return to service, or to retain existing capacity adequate to satisfy requirements. As described in the Mukerji Affidavit, the NYISO believes that the three years of G-J Locality capacity prices will be adequate for these purposes.
- i. Capacity imports not associated with UDRs, and exports, would remain at their most recent levels, with the exception of Winter Capability Period imports from the Hydro Quebec Control Area ("HQ"), which were included at their historic average. Actual Winter Capability Period imports from the HQ Control Area would likely vary month-to-month, and such variations would likely affect intra-seasonal capacity prices.
- j. A zero crossing point of 115%. This is the same zero crossing point that was used in the NERA Report and the NYISO Staff Report.

C. Summary of Illustrative Capacity Clearing Price Impacts

12. For illustrative, informational purposes, the results of the NYISO staff's scenario analyses using the assumptions specified above are compiled in Table 1 below.

⁵ Danskammer was damaged during Superstorm Sandy in October 2012 and has been non-operational since that time.

⁶ This assumption does not signify that the amount of capacity transacted was held constant over the period studied in the scenarios. In particular, the capacity associated with UDRs was reasonably assumed to increase starting in the 2015/2016 Capability Year.

13. The Summer 2013 value is the actual value. The Winter 2013/2014 value considers the actual Market-Clearing Prices in the November and December ICAP Spot Market Auctions and a forecast for the remaining months of the current Capability Period. The forecast of the remaining months considers historic patterns observed in the behavior of Market Participants. The NYISO cannot know with certainty what Market Participants will do in the remaining auctions of this Capability Period. The 2013/2014 Annual Average is the average of those two values.
14. For the first two Capability Years under the proposed ICAP Demand Curves, potential clearing price outcomes were examined with and without a phase-in. For the “without phase-in” scenarios, the NYISO staff utilized the ICAP Demand Curve parameters described in the Brattle Report and identified in the filing letter.⁷ For the 2014/2015 and the 2015/2016 “with phase-in” scenarios, the NYISO utilized the G-J Locality ICAP Demand Curves proposed in the filing letter. For the third year, the NYISO is proposing that the G-J Locality ICAP Demand Curve reference price be set utilizing the full cost of the G-J Locality peaking plant, escalated using the escalation factor. Therefore, Table 1 simply utilizes that number.

⁷ Such values are proposed for use in relation to the buyer-side mitigation determinations for Class Year 2011 and Class Year 2012 projects in the G-J Locality, as described in Section V of the filing letter. The Brattle Report parameters are proposed for use in Capability Year 2016/2017, as set forth for that year on Attachments I and II.

Table 1 -- Summary of Results of G-J Locality Scenarios

Capability Year – Scenario	Summer (\$/kW-month)	Winter (\$/kW-month)	Annual (\$/kW-month)
2013/14	\$ 5.80	\$ 2.85	\$ 4.33
2014/15 -- without Phase-In	\$10.65	\$ 6.11	\$ 8.38
2014/15 -- with Phase-In	\$ 8.09	\$ 4.64	\$ 6.37
2015/16 – without Phase-In	\$ 10.18	\$ 5.63	\$ 7.91
2015/16 – with Phase-In	\$ 8.95	\$ 5.00	\$ 6.98
2016/17	\$ 11.72	\$ 7.12	\$ 9.42

15. These results indicate that even with the proposed phase-in, ICAP Spot Market clearing prices for capacity in the G-J Locality can be expected to increase above 2013/2014 Capability Year NYCA price levels during the 2014/2015 Capability Year, and increase in the G-J Locality from the 2014/2015 Capability Year to the 2015/2016 Capability Year under the assumptions outlined herein.

This concludes my Affidavit.

ATTESTATION

I am the witness identified in the foregoing affidavit. I have read the affidavit and am familiar with its contents. The facts set forth therein are true to the best of my knowledge, information, and belief.

Tariq Niazi
Tariq N. Niazi

Subscribed and sworn to before me
this ²⁵ day of November 2013.

Pamela J Mead
Notary Public

My commission expires: 6/24/2014

