UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

New York Independent System Operator, Inc.) Docket No. AD14-6-000

POST-TECHNICAL CONFERENCE COMMENTS OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.

In accordance with the Commission's February 19, 2014 *Supplemental Notice of Technical Conference* ("Supplemental Notice") in this proceeding, the New York Independent System Operator, Inc. ("NYISO") respectfully submits its post-technical conference comments. These comments begin by describing the NYISO's proposal for following up on the February 26 technical conference (the "Conference"). The comments then address each of the three questions posed by the Supplemental Notice and a related question explored by Commission staff at the Conference.

I. THE COMMISSION SHOULD PROVIDE AN OPPORTUNITY FOR THE NYISO TO EXPLORE THE ISSUES AND PROPOSALS DISCUSSED AT THE CONFERENCE THROUGH ITS STAKEHOLDER PROCESS AND REPORT BACK

The Conference featured an informative discussion of several important issues. Consistent with the Supplemental Notice, it properly focused on the question of "whether to model Load Zone K as an export-constrained zone for future Installed Capacity[1] ("ICAP") Demand Curve reset proceedings."[2] Although the NYISO presented background information explaining its rationale for not including Load Zone K (*i.e.,* Long Island) in the G-J Locality in its April 2013 proposal,[3] and certain participants repeated earlier objections to that determination at the Conference, the current boundaries

[1] Capitalized terms that are not otherwise defined herein shall have the meaning specified in the NYISO's Market Administration and Control Area Services Tariff ("Services Tariff").

[2] *See New York Indep. Sys. Operator, Inc.,* 144 FERC ¶ 61,126 at P 52 (2013*)* ("August Order"). ("As discussed below, we find NYISO's proposal to be reasonable; however we will also establish a technical conference to explore the concept of modeling Zone K as an export constrained Load Zone in the next Demand Curve Reset proceeding.")

[3] New York Independent System Operator, Inc., *Proposed Tariff Revisions to Establish and Recognize a New Capacity Zone and Request for Action on Pending Compliance Filing*, Docket No. ER13-1380-000 (April 30, 2013) (the "April 2013 Filing").

of the G-J Locality are outside the scope of this forward-looking proceeding. Even if current boundaries were at issue here, nothing in the discussion at the Conference showed that it was unreasonable for the August Order to accept the implementation of the G-J Locality beginning with the 2014/2015 Capability Year commencing May 1, 2014.[4]

The Conference addressed some of the issues relevant to the treatment of Load Zone K in the next ICAP Demand Curve reset (*i.e.*, for Capability Years 2017/2018 – 2019/2020) and beyond, but could not practically consider or even identify all such issues. Nor could the Conference explore the fundamental market design and software changes that would be needed to accommodate the possible introduction of export constraint modeling, in any of the possible formulations suggested. As the NYISO explained at the Conference, and describes again below, the NYISO has always used a probabilistic approach both to perform the study utilized by the New York State Reliability Council when it establishes the Installed Reserve Margin ("IRM"), and to determine the Minimum Installed Capacity Locational Reserve Requirements ("LCRs") for Localities.[5] Departing from this approach by configuring an "export-constrained" Load Zone K in the auction clearing software using a methodology that is not compatible with the one used to set the IRM and the LCR appears to be technically possible but has not yet been shown to be a necessary or conceptually sound alternative.

[4] The NYISO notes that in Docket No. ER13-1380-000 it proposed a phase-in of price impacts of the G-J Locality's implementation, and its request for rehearing of the Commission's order rejecting a phase-in is pending before the Commission. *See Request for Partial Reconsideration of the New York Independent System Operator, Inc.* (Oct. 28, 2013), Docket No. ER13-1380-000. *See also* New York Independent System Operator, Inc., *Proposed Tariff Revisions to Implement Revised ICAP Demand Curves and a New ICAP Demand Curve for Capability Years 2014/2015, 2015/2016 and 2016/2017 and Request for Partial Phase-In and for Any Necessary Tariff Waivers* (Nov. 29, 2013), Docket No. ER14-500-000 and *Request for Limited Rehearing of the New York Independent System Operator, Inc*. (Feb. 27, 2014), Docket No. ER14-500-001.

[5] Transcript of Technical Conference on Modeling Load Zone K as an Export-Constrained Zone for Future Demand Curve Rest Proceedings (Feb. 26, 2014) ("Tr.") at 27, line 20, at 29, line 11; at 39, lines 4-12.; Presentation of the NYISO, *Capacity Zones: Boundary Determination, Administration and Design Implementation Considerations* ("NYISO Presentation") at 8, 17-18.

It is clear, however, that moving to any form of export constraint modeling would very likely be time-consuming and challenging to integrate into an otherwise probabilistic design.[6] A significant threshold issue to considering any change is the difficulty of articulating a principled basis for modeling Load Zone K as export-constrained without establishing a methodology that would also model other Load Zones which, too, might be export-constrained.[7] Proposals that would extend export constraint modeling to most or all NYISO Load Zones would also require fundamental changes in market design and auction clearing software. Such changes are not expected to be implementable in time for the next ICAP Demand Curve reset.

The NYISO, with input from its stakeholders, has already established as a priority project an initiative that may address or facilitate export constraint modeling techniques. In particular, the NYISO has already prioritized work on the MMU's recommendation that the NYISO review possible rules to govern pre-defining and eliminating Localities. If it were determined that such rules should be adopted, they may ultimately prove to enhance the NYISO capacity markets and to be more readily compatible with probabilistic analyses, than the modeling of export constraints.[8] The NYISO therefore believes that possible rules to pre-define and eliminate Localities should be considered at the same time that rules are being considered for modeling export-constrained Localities

As the NYISO[9] and other parties[10] recommended at the Conference, the Commission should permit the NYISO to work through these issues in detail in its stakeholder process. That process

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[6] Tr. at 41, lines 1-15; Presentation at 25-28.

[7] Tr. at 40, lines 20-25; Presentation at 26.

[8] *See* Tr. at 42, lines 10-14 (supporting in principle the concept of have pre-determined zones that can clear and bind based on supply and demand situation and that would be compatible with the concept of every Load Zone in the NYCA clearing based on the LCR concept.)

[9] *See* Tr. at 41, lines 8-11 ("So what I would again say that, yes, it can be done, we really have to have a lot of discussion in the stakeholder process and really examine is this really the right construct?") and NYISO Presentation at 28.

[10] In particular, the Consolidated Edison Company of New York, Inc. ("Con Edison"), which had argued at greater length that Load Zone K be included in the same Locality as Load Zones G, H, I, and J in Docket No. ER13-1380, clearly supported a stakeholder process to explore how Load Zone K should be treated in the

would allow the NYISO to consider the process for setting LCRs and how it may be adapted to properly reflect export constrained aspects of Localities as well as the treatment of export constrained aspects of Localities in the auction clearing mechanism. Further, it would give the NYISO time to continue to consider the potential development of alternative rules to pre-define and eliminate capacity zones. It would not risk displacing other priority projects, including those that are being undertaken in response to earlier Commission compliance mandates or high priority recommendations by the independent market monitoring unit ("MMU") for the NYISO. Providing the stakeholder process time to function would give the NYISO and its stakeholders experience with G-J Locality pricing before completing the evaluation and considering a decision on export constraint modeling. A stakeholder process would also permit the NYISO to consider changes to modeling rules in tandem with the triennial process for evaluating and potentially creating New Capacity Zones.[11] The detailed and specific steps and prescribed dates to complete each step are established in the Services Tariff.[12] That process directly coincides with and supports the timing of the ICAP Demand Curve reset process.[13]

The Commission should bear in mind that it will be approximately two years before the NYISO staff and the selected independent ICAP Demand Curve reset consultant commences the development of ICAP Demand Curves for the 2017/2018 – 2019/20 Capability Years. To the extent that the changes discussed at the Conference are deemed to be worth pursuing, the NYISO, with input from its stakeholders, could pursue and perhaps in some cases begin to implement them by the beginning of that period (*i.e.,* May 1, 2017). However, some of the potentially more dramatic changes mentioned at

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future. *See* Tr. at 72, lines 11-13 (Con Edison's Richard Miller stating that the issue "is clearly something that should be discussed in the stakeholder process") and at 84, lines 14-22 (Con Edison's Mayer Sasson, agreeing that the stakeholder process is preferable).

[11] *See* Services Tariff at Section 5.16.

[12] *Id.*

[13] *See* New York Independent System Operator, Inc., *Compliance Filing,* Docket No. ER12-360 (Nov. 7, 2011) (proposing Tariff revisions that establish the timing and sequence of the steps required to evaluate and create a new capacity zone) and *New York Independent System Operator, Inc.*, 140 FERC ¶ 61,160 (Aug. 30, 2012).

the Conference, *e.g.,* implementing multiple export-constrained Load Zones, creating financial capacity deliverability rights, and making conforming energy market design changes,[14] would be expected to require more than two years to effectuate. In addition, those changes and their potential implications for other capacity market design features and market products would need to be carefully evaluated in that timeframe.

Accordingly, the NYISO respectfully asks that the Commission not take any further action in this proceeding other than to afford it an opportunity to conduct a stakeholder process regarding these issues and alternative proposals, and submit a report thereon. The NYISO proposes to submit this report by June 1, 2015.

II. COMMENTS ADDRESSING THE SUPPLEMENTAL NOTICE'S QUESTIONS

The Supplemental Notice posed three questions concerning the modeling of Load Zone K as an export-constrained Load Zone and the rationale for including Load Zone K within the NYCA while not including it in the G-J Locality. The NYISO addresses each of these questions in the subsections below.

A. It Is Possible in Principle to Treat Load Zone K as Export-Constrained; However, Because Such Modeling Has Not Yet Been Justified and May Not Be Practically Implementable It Should First Be Evaluated Through the NYISO Stakeholder Process

The Supplemental Notice asked "[w]hether Zone K (Long Island) can be modeled as an export-constrained Load Zone."[15] The NYISO believes that this is likely technically possible, but that it is still far from clear whether doing so would be compatible with other elements of the NYISO capacity market design. It is therefore not yet known whether export constraint modeling would be practically implementable or an appropriate option for the next ICAP Demand Curve reset.

[14] *See, e.g.* Tr. at 120-21. To be clear, the NYISO is not at this time endorsing either this specific proposal, which may prove to be inherently incompatible with its use of the probabilistic methodology for determining LCRs and the IRM, or any of the other proposals mentioned at the Conference (or in these comments). The NYISO is, however, open to further examining all such proposals.

[15] Supplemental Notice, Question 1.

The NYISO's filings in Docket No. ER13-1380, *i.e.,* the 2013 proceeding that addressed the initial creation of the G-J Locality, have previously explained why focusing on the inter-zonal "fungibility" of capacity was a reasonable method for determining whether Load Zone K should be included in the same nested Load Zone as Load Zones G, H, I, and J. As the NYISO explained in the April 2013 Filing:[16]

> As discussed in the Chao/Adams Affidavit, the NYISO's NCZ boundary determination focused principally on resource adequacy assessments. The NYISO ran simulations in which capacity was relocated from Load Zones G, H, and I to Load Zones J and K while monitoring compliance with NYSRC loss-of-load ("LOLE") requirements. The simulations were conducted using General Electric's Multi-Area Reliability Simulation ("MARS") model . . . . The simulations demonstrated that capacity in Load Zones G, H, and I was more fungible with capacity in Load Zone J than it was with capacity in Load Zone K. This meant that Load Zone K could provide only very limited support to Load Zones G, H, and I. By contrast, Load Zone J capacity had a considerably greater value to Load Zones G, H, and I.
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> The NYISO undertook further analyses which demonstrated that adding capacity to Load Zone J would provide greater LOLE benefits per MW in Load Zones G, H, and I than would adding capacity to Load Zone K. In addition, the NYISO conducted a transmission security analysis the results of which were consistent with and reinforced the results from its probabilistic resource adequacy analyses. Finally, the Chao/Adams Affidavit explains that establishing an NCZ that included Load Zone K would be inconsistent with sound market design principles. Such an NCZ would incent capacity additions in Load Zone K even though they would provide "considerably less reliability value to the other Load Zones located on the constrained side of the UPNY-SENY interface and to the NYCA as a whole." The NYISO therefore concluded that an NCZ encompassing the G-J Locality was more consistent with tariff requirements and market design principles than alternative NCZ configurations.

At the Conference, the NYISO further clarified that export constraint Load Zone modeling may not be compatible with probabilistic analyses. The principal element of the NYISO's LCR calculations is the probabilistic evaluation conducted using General Electric's Multi-Area Reliability Simulation Software program ("MARS").[17] As the NYISO explained, it considered as many as 1,500 MARS Monte Carlo simulations to confirm that the Loss of Load Expectation ("LOLE") for the

[16] April 2013 Filing at 12 (footnotes omitted).

[17] Tr. at 9, lines 22-25; at 10, lines 1-2.

NYCA would not exceed 0.1 days per year.[18] These simulations implicitly assumed that capacity electrically located anywhere within the NYCA *(i.e.*, including from a scheduled transmission facility with UDRs) can be used to satisfy the current 117% IRM. LCRs are likewise probabilistic in character. Load Zones can be grouped together and have a single LCR set for the Load Zone Locality based on the assumption that transmission is not constraining within that set of Load Zones, as was done for the G-J Locality.

In the probabilistic analysis, the specific transmission connections between Load Zones, *i.e.,* the "straws" connecting the "bubbles" that were discussed at the Conference,[19] are explicitly considered. It seems possible that modeling export-constrained zones in the capacity auction clearing algorithm would be fundamentally incompatible with the probabilistically determined IRM and LCRs. Once the IRM and LCRs are determined with consideration of various transmission limits, the IRM (which is used as the NYCA Minimum Installed Capacity Requirement) and the LCRs are then used as the basis to procure capacity in different Localities. There may be no need to introduce redundant modeling of a transmission constraint in the auction algorithm.

Mr. Mukerji explained at the Conference that it is "mechanically" possible to model Load Zone K as an export-constrained zone, but that reconciling this deterministic feature with an otherwise probabilistic system may not be workable or theoretically defensible as an appropriate mechanism. He further emphasized that trying to do so could be a significant implementation challenge that would require complete rewrites of major NYISO market software and systems without commensurate benefit. He stated that:

> My fundamental issue is that we model the capacity market based on the premise that all zones are part of NYCA, [LCRs] are determined probabilistically, and when we do the analysis, the zones we have seen the nesting of GHI and J, it makes sense based on a probabilistic determination that a large amount of J can clear into GHI. . . .

[18] Tr. at 19, lines 6-29; at 77, lines 18-23.

[19] *See* Tr. at 39, lines 7-10; at 40, lines 2-13.

> So then we have certain questions as to what are the limits, are they the limits we used in MARS or are they other limits, is this the right way to do it, because now we are taking a probabilistic construct and putting it into a deterministic auction, what other kind of, you know, what is the action rules, what are mitigation rules, and there is a whole slew of things. So what I would again say that, yes, it can be done, we really have to have a lot of discussion in the stakeholder process and really examine is this really the right construct? And implementation wise it's also very significant, because it really up ends how we run the auction process, it would be a complete rewrite of our software, and a complete departure from the current construct. So essentially it can be done in the capacity in K, currently synchs in NYCA because we use the probabilistic construct that all load zones are part of NYCA. If you separate out K you don't know where, whether it should continue to synch [*sic*] in NYCA and the questions of the wisdom of using a probabilistic construct with pulling out a zone and using a deterministic construct and clearing the auction.
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> And there is a question about how you determine the limits. MARS uses certain limits, but I'm not sure that those are the correct limits to use if you go to the deterministic clearing of auctions.[20]

The NYISO's presentation at the Conference also highlighted the potential complexity of modifying transfer limit and LCR determinations, the ICAP Demand Curve reset process, market power mitigation rules, and auction-clearing rules (and software) in order to move to export constraint Load Zone modeling.[21]

As noted above, there was widespread support at the Conference for having a stakeholder process before determining whether some form of export constraint modeling should be pursued. For example, Con Edison stated that it supported:

> the statement by Rana Mukerji that with respect to the proposal for the export-constrained zone, we do think it does merit further consideration, we are not taking a position for or against, but we fully support his statement that this is a matter that should be discussed within the NYISO stakeholder process and resolved by the NYISO stakeholders, because it's obviously something that contemplates very significant changes to the operation of the NYISO capacity market.[22]

By contrast, no party argued, let alone demonstrated, that export constraint Load Zone modeling could be easily or quickly implemented in New York. Mr. Younger, who suggested that the

[20] Tr. at 40, lines 14-19; at 41, lines 1-25; and at 42, lines 1-2.

[21] NYISO Presentation at 28.

[22] Tr. at 72, lines 14-23.

ultimate implementation method might be "simple," recognized that "there would need to be a very large discussion spread across a year or two" before moving to his preferred alternative.[23] Similarly, although the MMU was the original proponent of treating Load Zone K as export-constrained[24] and supported finding ways to enhance its price modeling at the Conference,[25] the NYISO understands that the MMU is open to alternatives including the possible use of "pre-determined" zones.[26]

In short, it is "technically possible" that Load Zone K could "mechanically" be modeled as an export-constrained Load Zone but it is far from a settled question of whether it should, or practically could, be. As discussed above, because these issues are complex they should be explored in detail through the NYISO stakeholder process before the Commission takes any further action.

B. The Current Separation of Load Zone K from the G-J Locality Continues to Be a Well-Supported Approach

The Supplemental Notice poses a series of questions concerning the rationale for including Load Zone K within the NYCA while excluding it from the G-J Locality. The NYISO addresses the questions, and a related item from the Conference below.

1. "Whether Zone K (Long Island) Should Be Included as a Nested Zone Within the Current G-J Locality so that the Larger Zone Would Become a G-K Locality"

The simulations performed by the NYISO in relation to its April 30 filing demonstrate that Load Zone K could provide only very limited support to Load Zones G, H, and I. By contrast, Load Zone J capacity had a considerably greater value to Load Zones G, H, and I. That analysis supports the market design principle of incenting capacity additions in locations that would provide material reliability value. While resources electrically located in Load Zone K provide limited reliability

[23] Tr. at 121, lines 14-16.

[24] Attachment XI to April 2013 Filing, Affidavit of David B. Patton, Ph. D. at PP 14-17. Dr. Patton also noted that, based on the NYISO's reliability analysis, the "proposal to exclude Long Island is consistent with the market design principles." *Id.* at P 16.

[25] *See* Tr. at 46, line 9, 47, line 25.

[26] *See* Tr. at 42, lines 3-19.

benefits to Load Zones G, H, and I, the NYISO has determined that these benefits are not material because Load Zone K is transmission constrained to Load Zones G-J. Including Load Zone K would thus be inconsistent with the principle of incenting additions where they are needed because capacity additions in Load Zone K would provide less reliability value to the other Load Zones located on the constrained side of the UPNY-SENY interface, *i.e.,* to Load Zones G-J.

2. "If not, what rationale supports allowing Zone K to be a nested zone within NYCA, but not a nested zone within the G-J Locality? Specifically, how can generation capacity located in Zone K be made available to serve the reliability needs of Zones A-F but not the reliability needs of Zones G-J?"

The NYISO has articulated a clear and correct rationale for treating Load Zone K as nested within the NYCA but not within the G-J Locality. "Nesting" Load Zone K within the NYCA but not within Load Zones G-J means that capacity electrically located in Load Zone K can be used to satisfy the overall NYCA Minimum Installed Capacity Requirement, which includes all Load Zones within the NYCA (A-K) but would provide limited support to the locational needs the G-J Load Zones.

As the NYISO previously explained in Docket No. ER13-1380:

> [I]t is reasonable for the NYISO to rely on Load Zone K capacity to meet the New York Control Area ("NYCA") capacity requirement but not to rely on it to satisfy the Indicative NCZ Locational Minimum Installed Capacity Requirement ("Indicative NCZ LCR") or a LCR for a hypothetical "SENY" NCZ. As explained in detail below, it is not reasonable to utilize Load Zone K capacity to satisfy a locational requirement for Load Zones GHI or any other locational requirement in the NYCA, except its own (Load Zone K) LCR because the transfer capability to and from Load Zone K is significantly limited.
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> Because the NYCA Minimum Installed Capacity Requirement includes the requirements of Load Zone K, capacity located in Load Zone K does in fact contribute directly to meeting the NYCA requirements. Because capacity in Load Zone K (existing or capacity additions) has very little ability to be transferred to Load Zones GHI, it cannot adequately be relied on to satisfy the reliability needs of Load Zones GHI. Thus including Load Zone K in the NCZ would dilute the important price signal which the NCZ is designed to send for investment to maintain existing, and attract new, economic capacity to meet the LCR most notably of Load Zones GHI, because Load Zones J and K each have their own LCR. . . .
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> Although the NYISO can and does rely on capacity located in Load Zone K to help satisfy the NYCA minimum requirement, it does so in accordance with the parameters established in the Services Tariff.

> If Load Zone K were included in the NCZ (either with or without Load Zone J,) capacity located in Load Zone K could be used to satisfy the LCR for the NCZ. The mere fact that capacity is electrically located within a Load Zone that is on the same side of the constrained Highway interface does not mean that it can reasonably be considered to be available to the other Load Zones on the same side of the constraint if there is a loss of load event. Therefore, it is important to consider transmission constraints and transfer capability between Load Zones when determining the boundary for an NCZ.[27]

In addition, as Mr. Mukerji explained, including Load Zone K with Load Zones G, H, I, and J to create a Locality (*i.e.*, a capacity area with its own LCR) would amount to assuming "that every megawatt in K, whether it's in the tip of the Montauk Point, can go to the Hudson Valley."[28] But the NYISO's probabilistic analysis demonstrated that such an assumption would not be valid. As Mr. Mukerji also noted, if Load Zone K retained its own LCR within a "G-K Locality" there would not appear to be a clear rationale for not having individual LCRs for all eleven NYISO Load Zones.[29]

Moreover, it is reasonable and consistent with the overall NYISO capacity market design to recongize Load Zone K within the NYCA because the Load Zone K LCR (*i.e.,* 105% for the 2013 Capability Year) is lower than the NYCA minimum requirement (presently 117%). This means that 12% of Load Zone K capacity needs can be met from anywhere in the NYCA. It is therefore reasonable to exclude Load Zone K from the G-J Locality even though it is probabilistically assumed that Load Zone K may receive benefits from other NYCA Load Zones.

3. Commission Staff's Question Regarding the Implications of Load Zone K's 660 MW Import Limit

At the Conference, a member Commission staff (Mr. David Mead) asked a series of questions that prompted discussion. The questions explored whether Load Zone K's ability to import up to 660 MW at criterion meant that capacity increases on Long Island would necessarily improve

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[27] New York Independent System Operator, Inc., *Response to Request for Additional Information Concerning Proposed Tariff Revisions to Establish and Recognize a New Capacity Zone, Request for Shortened Notice Period and Request for Expedited Action,* Docket No. ER13-1380-000 (June 12, 2013) at 5-6.

[28] Tr. at 110, lines 13-17.

[29] Tr. at 111, lines 13-15; at 112, lines 14-16.

reliability in Load Zones G, H, and I by allowing them to "retain" capacity that Load Zone K would have otherwise imported. Specifically:

> [S]tarting with this 660 megawatt import, which is sort of the at-criterion situation, if Long Island were to add capacity over and above this 105 percent, let's say they added an extra 100 megawatts, that that would make an additional 100 megawatts available to GHI because that 100 megawatts previously was going through GHI anyway, and now it can be retained for the benefit of GHI because Long Island doesn't need it anymore . . . .[30]

As Mr. Mukerji explained at the Conference, it would not be correct to make Load Zone modeling decisions based on this assumption.[31] The additional capacity above the 105% requirement on Long Island will benefit Load Zones G, H, and I to the extent that transmission would allow. However, due to the forced outage rate of the cable interfaces and the forced outage rate of generation on Long Island as a whole, the actual benefit is less than 100 MW.

C. The Extent to Which Existing Transmission Capability Allows Load Zone K Resources to Reliably Serve Load Zones G-J

The Supplemental Notices asked "[w]hether sufficient transmission capability exists to allow at least some capacity located in Zone K to reliably serve the needs of loads in Zones G-J" and "[i]f so, what limits, if any, should be placed on the amount of capacity in Zone K that could be relied upon to serve the needs of loads in Zones G-J?" and "[h]ow should those limits be determined?"

The NYISO's presentation at the Conference noted that the maximum amount of energy that could be transferred from Load Zone K to Loads Zones G-J was 233 MW under normal transfer conditions and 344 MW under emergency conditions. As stated in the presentation, adding additional capacity to Load Zone K could not mitigate violations in Load Zones G-J due to the export transmission limits. Thus, the amount of assistance that Load Zone K resources could reliably provide to Load Zones G-J is very limited and the facts are consistent with the NYISO's decision to exclude Load Zone K from the G-J Locality in the most recent ICAP Demand Curve reset.

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[30] *See* Tr. at 78, lines 24; at 79, line 7. *See also* Tr. at 81, 88-89, 90-91, 103-04.

[31] *See* Tr. at 80, lines 9-22.

Thus, for the reasons set forth immediately above in Section II.B, the NYISO does not believe that Load Zone K capacity can be materially counted upon to reliably serve the needs of Load Zones G-J. That current belief does not mean, however, that the NYISO would be unwilling to consider this question in conjunction with working to model export constraints in its stakeholder process.

III. CONCLUSION

In conclusion, the NYISO respectfully asks that the Commission not take any further action in this proceeding other than to afford it an opportunity to conduct a stakeholder process to explore export constraint modeling techniques, along with its evaluation of rules to pre-define and/or eliminate capacity zones; and to file a report thereon with the Commission by June 1, 2015.

Respectfully Submitted

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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served 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 Commission's Rules of Practice and Procedure.

Dated at Washington, DC, this 26th day of March, 2014.

/s/ Ted J. Murphy

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