

August 9, 2018

By Electronic Delivery

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

Re: *Response to Deficiency Letter With Supporting Affidavits and Exhibits, Request for a Revised Effective Date and Resubmission of Proposed Tariff Amendments in Docket No. ER18-1743-000*

Dear Secretary Bose:

The New York Independent System Operator, Inc. (“NYISO”) submits this response to the Federal Energy Regulatory Commission’s (the “Commission’s”) deficiency letter issued in the above-referenced docket on July 10, 2018 (“Deficiency Letter”). The Deficiency Letter directs the NYISO to respond to several questions regarding the proposed changes to Section 5.11 of the NYISO Market Administration and Control Area Services Tariff (“Services Tariff”) that were submitted on June 5, 2018 (“Alternative LCR Filing”). The Deficiency Letter also requires the NYISO to describe how it determines the Locational Minimum Installed Capacity Requirement (“LCR”)<sup>1</sup> for each Locality in the New York Control Area (“Alternative LCR Methodology”) as well as to provide studies, exhibits and other documents that detail the factors that led the NYISO to propose the Alternative LCR Methodology.

The NYISO submits its responses to the Deficiency Letter’s questions in Attachment I to this filing letter. The NYISO also provides the requested supporting documentation with an affidavit of Wesley Hall with exhibit as Attachment II. In Attachments III and IV, in response to the Commission’s request for the studies, exhibits, or other documents that detail the factors that led to the proposed Alternative LCR Methodology, the NYISO provides the documents presented to NYISO stakeholders during the multi-year effort to develop the proposal. A table listing these exhibits from 1-39 in chronological order is being provided as Attachment V to this filing letter.

The NYISO respectfully submits that its responses, as supplemented by the Attachments, reaffirms that the proposed Alternative LCR Methodology is a clear improvement over the existing method and that it is just, reasonable, and not unduly discriminatory. In particular, the responses

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<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meaning specified in Section 1 of the NYISO Open Access Transmission Tariff and Section 2 of the Services Tariff.

clearly establish that, notwithstanding assertions made by certain parties in this proceeding, the Alternative LCR Methodology will satisfy the 0.1 days per year loss of load expectation reliability criterion<sup>2</sup> and makes reasonable use of Transmission Security Limits.<sup>3</sup> Similarly, the responses confirm that the Alternative LCR Methodology will be more transparent, predictable, and robust than currently effective procedures.<sup>4</sup> The NYISO's proposed revisions include a level of detail that is consistent with the Commission's "rule of reason" and decades of practice in New York.<sup>5</sup> Finally, the NYISO's responses make clear that incorporating economic optimization into the LCR calculation process should reasonably be expected to yield substantial statewide capacity cost savings that greatly outweigh potential increases in any individual Locality.<sup>6</sup>

The NYISO understands that this response to the Deficiency Letter constitutes an amendment to the Alternative LCR Filing and that a new filing date will be established pursuant to *Duke Power Co.*, 57 FERC ¶ 61,215 (1991). Accordingly, the NYISO respectfully resubmits in Attachments VI and VII, clean and redline versions, respectively, of the proposed tariff amendments to Sections 2.12 and 5.11 of the Services Tariff that it originally submitted on June 5, 2018 in this proceeding, with the same text but with an amended effective date of October 9, 2018. The previously proposed effective date of August 5, 2018 has passed. The NYISO calculates LCRs in January each year. Accordingly, the NYISO respectfully requests that its proposed tariff revisions become effective on October 9, 2018, *i.e.*, the day following the end of the statutory 60-day notice period.

The NYISO's requested effective date would also allow it to implement the Alternative LCR Methodology far enough in advance to permit the timely initiation and orderly administration of the 2019 Installed Capacity Market. It would also provide notice and certainty for the market participants. By contrast, if the effectiveness of the NYISO's proposed tariff revisions were delayed beyond October 9, 2018, or if the Commission were to require modifications to the proposal, it would jeopardize the NYISO's ability to complete the LCR determination process for the 2019-2020 Capability Year. In order to meet the auction starting dates that are specified in the Services Tariff, the NYISO must first determine and report on the LCR determinations in January. These LCRs are immediately used as inputs into many other parameters that must be established in order to conduct such auctions. For example, the import right limits setting process and the import rights deliverability assessment process begin in January once the LCRs are established.

The NYISO's responses to the questions in the Deficiency Letter are endorsed by a confirming affidavit of NYISO Senior Vice President Rana Mukerji, provided in Attachment VIII to this filing.

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<sup>2</sup> See, e.g., Attachment I at [9] (Response to Question I(2)).

<sup>3</sup> See, e.g., Attachment I at [10] and at [25-28] (Response to Questions I(3) and 4).

<sup>4</sup> See, e.g., Attachment I at [10-15] (Response to Question 2).

<sup>5</sup> See, e.g., Attachment I at [15-17] (Response to Question 2).

<sup>6</sup> See, e.g., Attachment I at [18-21] (Response to Question 2b).

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This filing will be posted on the NYISO's website at [www.nyiso.com](http://www.nyiso.com). In addition, the NYISO will e-mail an electronic link to this filing to the official representative of each party to this proceeding, to 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. Please feel free to contact me if your office has any additional questions.

Respectfully submitted,

/s/ David Allen  
Senior Attorney  
New York Independent System Operator, Inc.  
10 Krey Boulevard  
Rensselaer, NY 12144  
Telephone: 518-356-7656  
Email: [dallen@nyiso.com](mailto:dallen@nyiso.com)

cc: Nicole Buell  
Anna Cochrane  
James Danly  
Jignasa Gadani  
Jette Gebhart  
Kurt Longo  
John Miller  
David Morenoff  
Daniel Nowak  
Larry Parkinson  
Douglas Roe  
Kathleen Schnorf  
Gary Will