

June 1, 2017

By Electronic Delivery

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

Re: *Informational Report Concerning the NYISO's Evaluation of Potential Additional Modifications to its Rules Governing Capacity Exports from Certain Localities in New York*, Docket No. ER17-446-000

Dear Secretary Bose:

In accordance with commitments previously made to the Commission in this proceeding and to its stakeholder Management Committee, the New York Independent System Operator, Inc. ("NYISO") respectfully submits this Informational Report. The purpose of this Informational Report is to describe the NYISO's evaluation of potential additional modifications to the tariff provisions governing capacity exports from Import Constrained Localities<sup>1</sup> that were accepted by the Commission's January 27, 2017 order in this proceeding (the "January Order").<sup>2</sup> As discussed below, the NYISO has had extensive discussions with stakeholders but the review and development of issues and potential modifications to the rules is still ongoing. The NYISO therefore is not proposing any new tariff revisions or requesting any action by the Commission at this time.

## **I. Communications and Correspondence**

All communications and service in this proceeding should be directed to:

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<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meaning specified in the Services Tariff.

<sup>2</sup> *New York Independent System Operator, Inc.*, 158 FERC ¶ 61,064 (2017).

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## II. Background

The tariff revisions accepted by the January Order were designed to address the pricing inefficiency that could arise under the NYISO's then-existing market rules when a Generator in an Import Constrained Locality exported capacity to an External Control Area over an AC interface. The NYISO's then-proposed and now-accepted rules recognize that an exporting Generator continues to operate within its Locality, which would be reflected in the ICAP Spot Market Auction clearing prices by accounting for the portion of exported capacity that can be replaced by capacity located in Rest of State. The rule design results in sending a market price signal that reflects the capacity that must actually be located within the Locality.

Further background information concerning the potential pricing inefficiency that could have arisen under the NYISO's previous rules, and the development of the tariff revisions accepted by the January Order, is set forth in the NYISO's November 30, 2016 Section 205 filing in this proceeding ("November Filing").<sup>3</sup>

Of particular relevance here, the November Filing explained that the NYISO's tariff proposal was developed to be implemented for the 2017/2018 Capability Year.<sup>4</sup> At the same time, it emphasized that the NYISO had "committed to continue to work with stakeholders in 2017 to determine whether additional changes were warranted" and that "[t]he motions approved by the Business Issues Committee and the Management Committee both included this stipulation."<sup>5</sup> The Management Committee motion expressly stated that:

The ISO will conduct an evaluation with its stakeholders of additional modifications to the rules addressing Locational Export Capacity from Import Constrained Localities.... The NYISO shall report on its progress at the January and April [Business Issues Committed] meetings in 2017, and to the NYISO Board at its January and April 2017 meetings. On or before June 1, 2017, the ISO

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<sup>3</sup> See New York Independent System Operator, Inc., *Proposed Tariff Revisions Regarding Capacity Exports from Certain Localities in New York*, Docket No. ER17-446-000 (November 30, 2016).

<sup>4</sup> See November Filing at 17.

<sup>5</sup> *Id.*

will file with the Commission either an informational report on the evaluation or a filing proposing to amend the ISO Tariffs.<sup>6</sup>

The November Filing went on to say that:

The NYISO intends to follow this schedule and will work to develop any further changes in time for the May 1, 2018 start of the 2018/2019 NYISO Capability Year. In consultation with stakeholders, the NYISO will prioritize and evaluate: alternative methodologies to determine the Locality Exchange Factor, including a probabilistic method; whether Zone K (Long Island) should be an Import Constrained Locality; whether there should be additional compensation to generators the *[sic]* export from an Import Constrained Locality; whether a portion of imports from neighboring External Control Areas should be permitted to satisfy a Locational Minimum Unforced Capacity Requirement; the current rule for the expiration of Capacity Resource Interconnection Service; whether there should be further modifications to the capacity market power mitigation measures; the consideration of potential exports from an import constrained Locality in the NYISO's planning processes; the statewide IRM, which is overseen by the NYSRC; and the calculation of LCRs [Locational Minimum Installed Capacity Requirements].

### **III. Informational Report**

The NYISO submits this Informational Report consistent with its commitments to the Commission and to its stakeholders. As discussed below, the NYISO's discussions with its stakeholders are ongoing. The NYISO is therefore not proposing any tariff revisions or requesting any further Commission action at this time.

The NYISO has been fully engaged in stakeholder discussions of issues and potential changes to its capacity export rules since the time of the November Filing. Even before the January Order was issued, the NYISO made a presentation at the December 15, 2016 meeting of its Installed Capacity Working Group ("ICAP Working Group") and solicited stakeholder input on the issues referenced in the November Filing and stakeholder comments thereon, whether there were additional issues, and stakeholders' views on the relative priority to be given to evaluating the issues given the scope of work and resource limitations.<sup>7</sup>

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<sup>6</sup> *Id.* (citing *Management Committee Meeting, October 26, Final Motions*, Motion #2, available at <[http://www.nyiso.com/public/webdocs/markets\\_operations/committees/mc/meeting\\_materials/2016-10-26/102616\\_MC\\_Final\\_Motionsv4.pdf](http://www.nyiso.com/public/webdocs/markets_operations/committees/mc/meeting_materials/2016-10-26/102616_MC_Final_Motionsv4.pdf)>).

<sup>7</sup> The NYISO's December ICAP Working Group meeting presentation is available at: <[http://www.nyiso.com/public/webdocs/markets\\_operations/committees/bic\\_icapwg/meeting\\_materials/2016-12-20/Locational%20Export%20Capacity%20Proposal\\_12152016.pdf](http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2016-12-20/Locational%20Export%20Capacity%20Proposal_12152016.pdf)>.

On January 11, 2017, the NYISO provided its stakeholder Business Issues Committee with an update on locational capacity export issues.<sup>8</sup> The NYISO explained that after considering stakeholder feedback it expected to prioritize work on five issues. The NYISO noted that even with the higher prioritization given to the identified issues it was unlikely that it could work through all of them by June 2017. The five issues were: (i) the calculation of Locality Exchange Factors including an assessment of the possible development of a probabilistic methodology for calculating such factors; (ii) possible market design changes to allow imports to at least partially satisfy LCRs; (iii) whether generators exporting from an Import Constrained Locality should receive any additional compensation; (iv) whether resources that export all of their capacity for a prolonged period (such as three years) should retain their Capacity Resource Interconnection Service rights; and (v) the modeling of capacity exports from Localities, including as input to the NYSRC on the IRM modeling, and the NYISO's setting of LCRs, and the relationship of these studies to the overall market design approach. With respect to issue "(i)" the NYISO informed the BIC that it had engaged GE Energy Consulting ("GE") to evaluate a probabilistic based approach to calculating Locality Exchange Factors as a potential alternative to the deterministic model accepted by the January Order.

The NYISO preformed further analyses of the issues, and made presentations to and discussed issues with its stakeholders at the January 22 and March 27 ICAP Working Group meetings. The January presentation focused on the calculation of Locality Exchange Factors for 2017, *i.e.*, the values actually calculated using the deterministic methodology accepted by the January Order. In March the NYISO provided a high level status report on the ongoing work and how the NYISO proposed to prioritize future design efforts.<sup>9</sup> The NYISO also made presentations addressing consideration of potential rules that could govern the application of a factor to capacity imports into the NYCA over AC Transmission Interfaces and additional payments to exporters and; with the intent of better informing stakeholders as they work with the NYISO to prioritize consideration of these issues along with other projects (*i.e.*, issues "ii" and "iii" identified to the Business Issues Committee, as indicated above).<sup>10</sup>

GE also made presentations at the January 27 and March 22 ICAP Working Group meetings on its modeling work related to the evaluation of a probabilistic Locality Exchange

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<sup>8</sup> The NYISO's January BIC presentation is available at:  
<[http://www.nyiso.com/public/webdocs/markets\\_operations/committees/bic/meeting\\_materials/2017-01-11/agenda%20Jan11\\_LEC\\_BIC\\_Final.pdf](http://www.nyiso.com/public/webdocs/markets_operations/committees/bic/meeting_materials/2017-01-11/agenda%20Jan11_LEC_BIC_Final.pdf)>.

<sup>9</sup> See <  
[http://www.nyiso.com/public/webdocs/markets\\_operations/committees/bic\\_icapwg/meeting\\_materials/2017-03-22/Exports%20Phase%202%20PowerPoint%20final%20ICAPWG%202017%2003%2017.pdf](http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2017-03-22/Exports%20Phase%202%20PowerPoint%20final%20ICAPWG%202017%2003%2017.pdf)>.

<sup>10</sup> These March ICAP Working Group meeting presentations are available at  
<[http://www.nyiso.com/public/webdocs/markets\\_operations/committees/bic\\_icapwg/meeting\\_materials/2017-03-22/LEC%20Compensation\\_Potential%202018%20NYISO%20Project.pdf](http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2017-03-22/LEC%20Compensation_Potential%202018%20NYISO%20Project.pdf)> and <  
[http://www.nyiso.com/public/webdocs/markets\\_operations/committees/bic\\_icapwg/meeting\\_materials/2017-03-22/Imports%20LEF%20PowerPoint%20final%20ICAPWG%202017%2003%2017.pdf](http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2017-03-22/Imports%20LEF%20PowerPoint%20final%20ICAPWG%202017%2003%2017.pdf)>.

Factor methodology.<sup>11</sup> GE's most recent stakeholder presentation, at the ICAP Working Group on April 19, provided preliminary sensitivity results and previewed future analyses.<sup>12</sup>

On April 12, the NYISO provided an update to the Business Issues Committee.<sup>13</sup> The purpose of the update was to provide a status report to the stakeholders and fulfill the NYISO's reporting commitment to stakeholders made at the Management Committee prior to the November Filing. The NYISO also stated that: (a) broader stakeholder discussions regarding probabilistic analysis and the relative merits of probabilistic and deterministic approaches to calculating Locality Exchange Factors were expected to be the subjects of future discussions; (b) the NYISO would consider issues (ii) – (v) above as part of its annual stakeholder process through which it prioritizes its work for the next following year;<sup>14</sup> and (c) that the NYISO intended to file this Informational Report on or before June 1.

In short, the NYISO has held extensive discussions with stakeholders concerning locational capacity export issues. The NYISO identified five key issues with input from stakeholders. The NYISO has focused its attention and dedicated particular time and resources to the evaluation of a probabilistic method of calculating Locality Exchange Factors to consider as a potential alternative to the Commission-accepted method. The NYISO's work on all of these issues is ongoing. It has not yet been determined if any additional tariff revisions will be warranted.

#### **IV. Service**

The NYISO will send an electronic link to this filing to the official representative of each party to this proceeding, 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](http://www.nyiso.com).

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<sup>11</sup> GE's January and March ICAP WG presentations are available at <[http://www.nyiso.com/public/webdocs/markets\\_operations/committees/bic\\_icapwg/meeting\\_materials/2017-01-27/NYISO\\_Locality\\_Exchange\\_Factor\\_Analysis\\_01272017\\_ICAPWG\\_Final.pdf](http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2017-01-27/NYISO_Locality_Exchange_Factor_Analysis_01272017_ICAPWG_Final.pdf)> and at <[http://www.nyiso.com/public/webdocs/markets\\_operations/committees/bic\\_icapwg/meeting\\_materials/2017-03-22/LEF\\_Analysis\\_03222017\\_ICAPWG.pdf](http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2017-03-22/LEF_Analysis_03222017_ICAPWG.pdf)>.

<sup>12</sup> GE's April 19 ICAP WG presentation is available at <[http://www.nyiso.com/public/webdocs/markets\\_operations/committees/bic\\_icapwg/meeting\\_materials/2017-04-19/Locality\\_Exchange\\_Factor\\_Analysis\\_04192017\\_ICAPWG.pdf](http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2017-04-19/Locality_Exchange_Factor_Analysis_04192017_ICAPWG.pdf)>.

<sup>13</sup> The NYISO's April 12 statement is available at <[http://www.nyiso.com/public/webdocs/markets\\_operations/committees/bic/meeting\\_materials/2017-04-12/April%202017%20BIC%20Update%20Capacity%20Exports.pdf](http://www.nyiso.com/public/webdocs/markets_operations/committees/bic/meeting_materials/2017-04-12/April%202017%20BIC%20Update%20Capacity%20Exports.pdf)>.

<sup>14</sup> The process, the Project Prioritization Process, has begun for 2018. It is a component to the process in which the NYISO's annual budget is established.

**V. Conclusion**

The NYISO respectfully requests that the Commission accept this Informational Report for filing (solely for informational purposes) and take no further action at this time.

Respectfully submitted,

/s/ Gloria Kavanah

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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 1st day of June, 2017.

/s/ Mohsana Akter

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