

Attachment III

New York Independent System Operator, Inc.) **Docket No. ER21-___-000**

1. I have personal knowledge of the facts and opinions herein and if called to testify could and would testify competently hereto.
2. I am Vice President of Market Operations for the New York Independent System Operator, Inc. (“NYISO”). My business address is 10 Krey Boulevard, Rensselaer, NY 12144. In my current position, I am responsible for the NYISO's Installed Capacity (“ICAP”) Market Operations, Distributed Resources Operations, and Operations Performance and Analysis departments.
3. I have worked for the NYISO since its inception in 1999. Before that, I worked for the New York Power Pool. I hold a Bachelor of Science degree from Clarkson University in Electrical and Computer Engineering, a Master of Science from Clarkson in Electrical Engineering, and a Master of Business Administration from Union College.
4. The purpose of this affidavit is to support the *Exigent Circumstances Filing Requesting Authority Under Section 205 of the Federal Power Act to Address Prospectively a Gas Pricing Logic Alignment Issue Affecting the Net Energy and Ancillary Services Revenue Offset Values Embedded in the 2017-2021 Installed Capacity Demand Curves, Request for Shortened Notice and Comment Period, Request for Expedited Action, Notice of Intent to Implement, and Contingent Request for Commission Action Under Section 206 of the Federal Power Act* (“Exigent Circumstances Filing”), with which this affidavit is being filed.
5. In my role, I oversee the administration of the ICAP auctions, including the ICAP Spot Market Auctions that utilize the ICAP Demand Curves. I am also directly involved in the

quadrennial ICAP Demand Curve reset (“DCR”) process. The ICAP Demand Curves are developed based on the estimated cost to construct and operate a hypothetical new capacity supply resource in various locations throughout New York, an amount that is then offset by an estimate of the potential revenues the hypothetical resource could earn from participating in the NYISO-administered energy and ancillary services markets. This revenue estimate is determined using a historic commitment and dispatch model, the “Net EAS Model,” that uses the most recent three years of historic market prices and fuel costs, along with the operating characteristics of the hypothetical new resource, to estimate such resource’s potential revenue earnings

6. The NYISO has become aware of an issue with certain logic in the Net EAS Model that pertains to the alignment between gas price data and the electric operating day on which gas would be used to produce energy. The gas pricing alignment logic in the Net EAS Model for the 2017-2021 reset period shifts forward by one day the gas price published for a specific date by S&P Global Market Intelligence (“SPGMI”). This logic was based on an erroneous understanding that the gas prices published by SPGMI represented the price for the “trade day” (*i.e.*, the day before the generator would take delivery of and use the gas to produce electricity). The NYISO recently confirmed that the data published by SPGMI in fact represents the price for the “flow day” (or the day the generator would take delivery of and use the gas to produce electricity), which is the price that should be used in the Net EAS Model. The Exigent Circumstances Filing refers to this as the “Gas Pricing Logic Issue.”
7. The Gas Pricing Logic Issue is incorporated into the Net EAS Model that was used to set the currently effective ICAP Demand Curves for the 2017-2021 DCR. Thus, the Gas Pricing Logic Issue has impacted reference point prices calculated for each ICAP Demand Curve for each Capability Year dating back to May 1, 2017, and – unless adjusted prospectively – will continue to impact capacity prices until May 1, 2021.
8. In early 2017, the Commission approved, among most other elements of the 2017-2021 DCR, the Net EAS Model that incorporated the Gas Pricing Logic Issue.¹ The Gas Pricing

¹ See *New York Independent System Operator, Inc.*, 158 FERC ¶ 61,028 (2017).

Logic Issue has thus been embedded in the ICAP Demand Curves since the beginning of the 2017/2018 Capability Year.

9. The impacts of the Gas Pricing Logic Issue during the period from May 1, 2017 until now have been relatively limited, as I detailed in a recent presentation to a joint meeting of the NYISO's Installed Capacity Working Group on October 7, 2020.² Nevertheless, I believe that the Gas Pricing Logic Issue is based on a factual misunderstanding that should no longer be part of the Net EAS Model and that should be corrected prospectively for the upcoming 2020/2021 Winter Capability Period.
10. The NYISO is now making the Exigent Circumstances Filing at the direction of its independent Board of Directors because it is the most expeditious and effective way to address the Gas Pricing Logic Issue for the 2020/2021 Winter Capability Period. The filing includes a proposal to add a new Section 5.14.1.2.2.5 to the Market Administration and Control Area Services Tariff ("Services Tariff") to establish replacement ICAP Demand Curves for the 2020/2021 Winter Capability Period. The replacement curves were determined in accordance with the normal Services Tariff requirements for establishing ICAP Demand Curves pursuant to the annual update process except that the Gas Pricing Logic Issue was removed.
11. I have been integrally involved in the NYISO's work to identify and address the Gas Pricing Logic Issue and the development of the Exigent Circumstances Filing. I have reviewed the Exigent Circumstances Filing, and confirm that all of its factual assertions and statements are true and correct to the best of my knowledge. This includes the filing's description of the discovery of the Gas Pricing Logic Issue, the fact that the Gas Pricing Logic Issue is an error embedded in the Net EAS Model, stakeholder discussions regarding the need for a prospective remedy, the estimated impact of the Gas Pricing Logic Issue on the ICAP market since May 1, 2017, the potential going forward impact if the Gas Pricing Logic Issue is not

² See *Notice of Potential Market Problem: Discussion on 2017-2021 Demand Curve Reset Net Energy Ancillary Service (Net EAS) Gas Pricing Logic*, presented at the October 7, 2020 meeting of the Installed Capacity Working Group (October 7, 2020), at 6-13, available at: <https://www.nyiso.com/documents/20142/15973021/2017-2021%20DCR%20Net%20EAS%20Model%2010072020%20ICAPWG%20FINAL.pdf>.

addressed for the 2020/2021 Winter Capability Period, the changes to be effectuated through the NYISO's proposed Services Tariff revisions, and the rationale for not attempting to recalculate Locational Minimum Installed Capacity Requirements applicable to the 2020-2021 Capability Year.

12. This concludes my affidavit.

Respectfully submitted,

/s/ Robb Pike

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