

November 12, 2020

By Electronic Delivery

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

Re: *New York Independent System Operator, Inc.*, Proposed Tariff Revisions to
Modify Certain Market Rules Applicable to Energy Storage Resources that are
Installed Capacity Suppliers; Docket No. ER21-____-000;

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act (“FPA”),¹ the New York Independent System Operator, Inc. (“NYISO”) hereby proposes revisions to its Market Administration and Control Area Services Tariff (“Services Tariff”) to modify certain market rules applicable to Energy Storage Resources (“ESRs”) that are Installed Capacity (“ICAP”) Suppliers.² The proposed revisions support the NYISO’s continued efforts to integrate ESRs in its Energy, Ancillary Services, and Installed Capacity markets.

As further explained below, the proposed tariff amendments: (i) modify the ICAP market qualifications for ESRs with an Energy Duration Limitation, and (ii) revise the Day-Ahead Market bidding obligations for ESRs that are ICAP Suppliers. The NYISO respectfully requests that the Tariff revisions proposed in this filing be permitted to become effective on March 1, 2021.

I. Documents Submitted with this Filing Letter

1. A clean version of the proposed revisions to Services Tariff Section 5.12 (“Attachment I”); and
2. A blacklined version of the proposed revisions to Services Tariff Section 5.12 (“Attachment II”).

¹ 16 U.S.C. § 824d (2012).

² Capitalized terms that are not otherwise defined in this filing letter shall have the meaning specified in Section 2 of the NYISO’s Services Tariff.

II. Overview

On December 3, 2018, the NYISO submitted its Order No. 841³ compliance filing proposing tariff revisions to establish a new participation model for ESRs that recognizes their physical and operational characteristics, and facilitates their participation in the NYISO-administered Energy, Ancillary Services, and Installed Capacity markets (the “December 3 Compliance Filing”).⁴ The December 3 Compliance Filing included a new Services Tariff Section 5.12.1.13 proposing to require a minimum run-time of at least four consecutive hours for ESRs participating in the ICAP market consistent with its existing market design. On December 20, 2019, the Federal Energy Regulatory Commission (“Commission”) accepted the NYISO’s compliance filings in large part (including the NYISO’s proposed minimum run-time requirement for ESRs that are ICAP Suppliers), but rejected certain elements of the NYISO’s proposal, and directed the NYISO to submit a further compliance filing (the “First Compliance Order”).⁵ The NYISO submitted a filing responsive to the First Compliance Order on February 18, 2020 (“the February 18 Compliance Filing”).⁶ The Commission accepted the February 18 Compliance Filing on August 3, 2020 (the “Second Compliance Order”),⁷ and those rules became effective on August 26, 2020.

On June 27, 2019, the NYISO submitted tariff revisions under FPA Section 205 proposing a participation model for Distributed Energy Resources (“DER”) (the “June 27 DER Filing”).⁸ That filing proposed tariff revisions to improve access to the ICAP market for advanced technologies, and included reduced minimum run-time requirements for ICAP Suppliers that are not able to offer their Energy for all twenty-four hours in the Day-Ahead Market. These ICAP Suppliers, known as “Resources with an Energy Duration Limitation,” include ESRs that are not capable of providing Energy in each hour of the day due to a run-time

³ *Electric Storage Participation in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 841, 162 FERC ¶ 61,127 (February 15, 2018), 83 Fed. Reg. 9580 (Mar. 6, 2018), Errata Notice (Feb 28, 2018) (“Order No. 841”), order on reh’g, Order No. 841-A, 167 FERC ¶ 61,154 (2019).

⁴ *New York Indep. Sys. Operator, Inc.*, Compliance Filing and Request for Extension of Time of Effective Date, Docket No. ER19-467-000 (Dec. 3, 2018) (*hereinafter* “December 3 Compliance Filing”). The NYISO subsequently amended its initial filing on May 31, 2019, to address two implementation issues concerning the ability of electric storage facilities to participate in the NYISO-administered markets as Generators that are Energy Limited Resources. *New York Independent System Operator, Inc.*, Order No. 841 Compliance Filing, Docket No. ER19-467-002 (May 31, 2019).

⁵ *New York Indep. Sys. Operator, Inc.*, Order on Compliance Filing, 169 FERC ¶ 61,225 (2019) (*hereinafter* “First Compliance Order”).

⁶ *New York Indep. Sys. Operator, Inc.*, Compliance Filing, Docket Nos. ER19-467-000, *et al.* (Feb. 18, 2020) (*hereinafter* “February 18 Compliance Filing”).

⁷ *New York Indep. Sys. Operator, Inc.*, Order on Compliance Filing and Addressing Arguments Raised on Rehearing, 172 FERC ¶ 61,119 (Aug. 3, 2020) (*hereinafter* “Second Compliance Order”).

⁸ *New York Indep. Sys. Operator, Inc.*, Proposed Tariff Revisions Regarding Establishment of Participation Model for Aggregations of Resources, Including Distributed Energy Resources, and Proposed Effective Dates, Docket No. ER19-2276-000 (Jun. 27, 2019) (*hereinafter* “June 27 DER Filing”).

limitation.⁹ The proposed minimum run-time requirements for Resources with an Energy Duration Limitation will replace the four-hour minimum run-time obligations applicable to ESRs, Energy Limited Resources, and Special Case Resources. On June 27, 2020, the Commission accepted the June 27 DER Filing with an effective date of March 1, 2021 (the “DER Order”).¹⁰

Subsequent to the December 3 Compliance Filing and June 27 DER Filing, the NYISO proposed additional revisions to Services Tariff Section 5.12.7 that modify the Day-Ahead Market bidding obligations applicable to ESRs (the “April 30 ESR Filing”).¹¹ The modified market rules require ESRs that have sold capacity to offer their full injection to withdrawal operating range in their Day-Ahead Market Bids. This market rule helps maintain reliability by giving system operators the opportunity to recharge an ESR if its Energy is needed by the system in later intervals. Those modifications were accepted in a June 17, 2020, Letter Order (the “ESR Letter Order”),¹² and became effective on August 26, 2020.

In the instant filing, the NYISO proposes revisions to Services Tariff Sections 5.12.1.13 and 5.12.7 that modify the ICAP Supplier qualifications and the Day-Ahead Market bidding obligations for ESRs. The proposed revisions to Services Tariff Section 5.12.1.13 eliminate the four-hour minimum run-time rule, and replace it with the minimum run-time requirements the Commission accepted in the DER Order. The proposed revisions to Services Tariff Section 5.12.7 modify the Day-Ahead Market bidding obligations applicable to ESRs with an Energy Duration Limitation to reflect that those ESRs will only be obligated to be available to inject Energy during the Peak Load Window, but must also offer to withdraw Energy outside of the Peak Load Window. The NYISO requests that these tariff revisions become effective on March 1, 2021, which is the same date that the ICAP market enhancements proposed in the June 27 DER Filing will become effective.

III. Proposed Tariff Revisions

A. Proposed Revisions to Services Tariff Section 5.12.1.13 – ICAP Supplier Qualifications

The NYISO’s December 3 Compliance Filing proposed a new Services Tariff Section 5.12.13, which requires, among other things, that an Energy Storage Resource be capable of operating for a minimum of four consecutive hours each day (unless it is unable to do so due to

⁹ The June 27 DER Filing defined a Resource with an Energy Duration Limitation as “Resources that are not capable of supplying their ICAP equivalent of Unforced Capacity (“UCAP”) sold in each hour of the day due to a run-time limitation.”

¹⁰ *New York Indep. Sys. Operator, Inc.*, Order Accepting Tariff Revisions and Directing Compliance Filing and Informational Report, 170 FERC ¶ 61,033 (Jan. 23, 2020) (*hereinafter* “DER Order”).

¹¹ *New York Indep. Sys. Operator, Inc.*, Proposed Tariff Revisions Regarding Energy Storage Resource Participation Model, Docket No. ER20-1696-000 (Apr. 30, 2020) (*hereinafter* “April 30 ESR Filing”).

¹² *New York Indep. Sys. Operator, Inc.*, Docket No. ER20-1696-000 (Jun. 17, 2020) (unpublished letter order) (*hereinafter* “ESR Letter Order”).

an outage) in order to qualify as an ICAP Supplier.¹³ The First Compliance Order accepted the NYISO's proposed minimum run-time requirement, and the rule became effective August 26, 2020.

As described above, the June 27 DER Filing proposed a new Services Tariff Section 5.12.14 establishing a set of generally applicable minimum run-time requirements applicable to all Installed Capacity Suppliers with an Energy Duration Limitation.¹⁴ The rule applicable to ICAP Suppliers with an Energy Duration Limitation will become effective on March 1, 2021, and will supersede the minimum run-time of at least four hours currently applicable to ESRs that are ICAP Suppliers with an Energy Duration Limitation.

In preparation for the deployment of the minimum run-time rule applicable to ICAP Suppliers with an Energy Duration Limitation, the NYISO identified the need to make certain additional modifications to the ESR ICAP market qualification requirements specified in Services Tariff Section 5.12.1.13. The tariff revisions proposed in this filing reflect the elimination of the minimum run-time requirement of at least four hours and its replacement by the rules applicable to ICAP Suppliers with an Energy Duration Limitation:

5.12.1.13 ~~For Energy Storage Resources, be capable of running for a minimum of four (4) consecutive hours each day (except for days when it is not capable of doing so because of an outage reported pursuant to Sections 5.12.3, 5.12.5.3, 5.12.5.4, 5.12.7 and in accordance with ISO Procedures).~~ An Energy Storage Resource may de-rate its maximum capability in order to meet the ~~four (4) consecutive hour~~ applicable Services Tariff Section 5.12.14 run-time requirement. ESRs electing to de-rate their maximum capability shall perform a DMNC test at an output level consistent with its de-rated capability in accordance with Services Tariff Section 5.12.14 and ISO Procedures (*see*, Installed Capacity Manual § 4).

These proposed tariff revisions reflect the transition to the market rules accepted in the DER Order. The proposed revisions are also necessary to clarify that, beginning on March 1, 2021, ESRs that are ICAP Suppliers with an Energy Duration Limitation will not be subject to the minimum run-time requirement of at least four hour. Instead, the minimum run-time requirements applicable to all ICAP Suppliers with an Energy Duration Limitation will apply to ESRs. As discussed in Part IV below, the NYISO requests that these modifications also become

¹³ See December 3 Compliance Filing at Proposed Services Tariff Section 5.12.1.13.

¹⁴ See June 27 DER Filing at 88-89, 90, proposed Services Tariff Section 5.12.1.14. An Energy Storage Resource may be classified as a Resource with an Energy Duration Limitation, depending on the Resource's particular technical and operating capabilities.

effective March 1, 2021 to ensure the tariff record contains an accurate reflection of the applicable market rules.

B. Proposed Revisions to the Day-Ahead Market Bidding Obligations Applicable to Energy Storage Resources

Services Tariff Section 5.12.7 requires ICAP Suppliers to, on a daily basis, (i) schedule a Bilateral Transaction, (ii) Bid in the Day-Ahead Energy Market, or (iii) notify the ISO of an outage. Combined, the Energy that an ICAP Supplier schedules, Bids, or declares to be unavailable must be at least the full amount of capacity sold (the “ICAP Equivalent of Unforced Capacity sold”). This rule helps maintain reliability by requiring that the Energy backing an ICAP Supplier’s capacity be made available to the market through a Bilateral Transaction or in a Bid into the Day-Ahead Market; or, when the Resource is not available, the NYISO must be informed of the outage.

In addition to Bidding, scheduling, or declaring as unavailable the injection portion of its offer curve, ESRs are also required to submit Bids or schedules to withdraw Energy. As described in the April 30 ESR Filing, when an ESR is only required to Bid/schedule/notify the injection portion of its offer curve it could technically comply with the Bid/schedule/notify rule without actually making the Energy backing its capacity available.¹⁵ An ESR could achieve that result if (a) it does not have adequate Energy stored at the beginning of the Day-Ahead Market day to satisfy its ICAP obligation, and (b) does not submit economic offers to purchase Energy with its Day-Ahead Bids. Therefore, the NYISO required ICAP Suppliers that are ESRs to offer the maximum of their (i) negative Installed Capacity Equivalent, or (ii) the Lower Operating Limit, so that the total amount of Energy scheduled, Bid, or declared as unavailable reflects the entire withdrawal to injection operating range. This additional market rule aligns the ESR bidding obligation with the purpose of the Bid/schedule/notify rule and helps maintain reliability by more accurately reflecting the ESR’s refilling or recharging needs in the Day-Ahead Market schedule, and therefore incorporates procuring the Energy required to meet that need.

The transition to the market rules for Resources with an Energy Duration Limitation necessitates revisions to the Bid/schedule/notify rule applicable to ESRs. Whereas the current rule requires ESRs to comply with the Bid/Schedule/Notify rule for each hour of the Day-Ahead Market, an ESR with an Energy Duration Limitation will only be obligated to submit offers to inject Energy during the applicable Peak Load Window. The NYISO proposes two revisions to Services Tariff Section 5.12.7 that modify the Bid/schedule/notify obligations of ESRs. First, an ESR *without* an Energy Duration Limitation will continue to be required to Bid, schedule, or declare its unavailability for the full withdrawal to injection offer curve for each hour of the Day-Ahead Market Day. Second, in addition to being required to Bid, schedule, or declare an outage for the injection portion of its offer curve during the Peak Load Window,¹⁶ an ESR *with* an

¹⁵ April 30 ESR Filing at 9.

¹⁶ For example, the Peak Load Window for the Summer 2021 Capability Period will be Hour Beginning 13 through Hour Beginning 18. See June 27 DER Filing at proposed Services Tariff Section 5.12.14. An ESR with an Energy Duration Limitation, therefore, will be required to Bid, schedule, or declare an outage for the injection portion of its

Energy Duration Limitation will be required to Bid the withdrawal portion of its offer curve during non-Peak Load Window hours, or notify the NYISO of an outage.

5.12.7 Availability Requirements

For Energy Storage Resources without an Energy Duration Limitation, the total amount of Energy that is scheduled, Bid, or declared to be unavailable shall also include the maximum of the Energy Storage Resource's (i) negative Installed Capacity Equivalent, or (ii) Lower Operating Limit, such that the amount Scheduled, Bid, or declared to be unavailable reflects the entire withdrawal to injection operating range. Energy Storage Resources with an Energy Duration Limitation must, on a daily basis, and for each hour outside of the Peak Load Window: (i) Bid in the Day-Ahead Market in accordance with the applicable provisions of Section 5.12.1 of this Tariff; or (ii) notify the ISO of any outages, the maximum of the Energy Storage Resource's (a) negative Installed Capacity Equivalent, or (b) Lower Operating Limit. The amount scheduled, Bid, and/or declared to be unavailable must reflect the Energy Storage Resource's entire withdrawal operating range.

These revisions recognize that ESRs with an Energy Duration Limitation will only be obligated to offer to inject Energy during the Peak Load Window, and provide the NYISO with the opportunity to schedule those Resources to recharge or refill in advance of that Peak Load Window. Like the April 30 Rule, the proposed revisions will help maintain reliability by more accurately reflecting the ESR's refilling or recharging needs in its Day-Ahead Market schedule, and therefore incorporate procuring the Energy needed to meet that need during the Peak Load Window.

IV. Proposed Effective Date

The NYISO respectfully requests Commission approval within the standard sixty-day notice period under Federal Power Act Section 205 (*i.e.*, by Monday, January 11, 2021). Commission action by that date will provide the NYISO and all stakeholders with timely notice that the changes proposed in this filing have been accepted, and permit the NYISO to proceed with developing and deploying the software applications necessary to implement the proposed revisions.

The NYISO requests an effective date of March 1, 2021 for the tariff revisions proposed in this filing. The tariff revisions contained herein complement market rules that will become

operating range in the Day-Ahead Market for each hour beginning with Hour Beginning 13 and ending with the conclusion of Hour Beginning 18.

effective on March 1, 2021. The requested effective date will ensure that the proposed rules are effective for the 2021-2022 Capability Year (May 1, 2021 through April 30, 2022).

V. Service

The NYISO will send an electronic link to this filing 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.

VI. Stakeholder Approval

The proposed tariff modifications were presented to the NYISO Management Committee on September 23, 2020, and were approved unanimously. The NYISO's Board of Directors approved the proposed revisions for filing with the Commission on October 20, 2020.

VII. Communications

All communications and correspondence regarding this filing should be directed to:

Robert E. Fernandez, Executive Vice President & General Counsel

Raymond Stalter, Director, Regulatory Affairs

* Gregory J. Campbell, Senior Attorney

New York Independent System Operator, Inc.

10 Krey Boulevard

Rensselaer, NY 12144

Tel: (518) 356-6000

Fax: (518) 356-4702

rfernandez@nyiso.com

rstalter@nyiso.com

gcampbell@nyiso.com

* Person designated for service.

Honorable Kimberly D. Bose

November 12, 2020

Page 8 of 8

VIII. Conclusion

The NYISO respectfully requests that the Commission accept for filing the proposed revisions to the Services Tariff that are attached hereto within sixty days of the date of this filing with an effective date of March 1, 2021.

Respectfully submitted,

/s/ Gregory J. Campbell

Gregory J. Campbell

Senior Attorney

New York Independent System Operator, Inc.

10 Krey Boulevard

Rensselaer, NY 12144

cc: Jignasa Gadani
Jette Gebhart
Kurt Longo
John C. Miller
David Morenoff
Larry Parkinson
Douglas Roe
Frank Swigonski
Eric Vandenberg
Gary Will