

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

<b>New York Independent System Operator, Inc.</b>	) ) )	<b>Docket No. ER21-1018-000</b>
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**REQUEST FOR LEAVE TO ANSWER AND ANSWER OF  
NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**

Pursuant to Rules 212 and 213 of the Rules of Practice and Procedure promulgated by the Federal Energy Regulatory Commission (“Commission”),<sup>1</sup> the New York Independent System Operator, Inc. (“NYISO”) hereby submits this Request for Leave to Answer and Answer in response to the protest filed by the New York State Department of State Utility Intervention Unit (“UIU”)<sup>2</sup> regarding the proposal submitted by the NYISO in this proceeding on February 2, 2021 (“Reserve Enhancements Filing”).<sup>3</sup>

The Reserve Enhancements Filing proposed revisions to the Market Administration and Control Area Services Tariff (“Services Tariff”) to implement certain enhancements to the current processes and procedures for procuring Operating Reserves. The NYISO’s proposal in this proceeding seeks to: (1) implement revisions to the current Operating Reserve Demand Curves applicable to various locational reserve requirements established by the NYISO;<sup>4</sup> and (2) establish a process and associated requirements for the procurement of additional reserves, as necessary, in the future (“supplemental reserves”). The supplemental reserves component

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<sup>1</sup> 18 C.F.R. §§ 385.212 and 385.213.

<sup>2</sup> Docket No. ER21-1018-000, *New York Independent System Operator, Inc.*, Protest of the Utility Intervention Unit (February 23, 2021) (“UIU Protest”).

<sup>3</sup> Docket No. ER21-1018-000, *supra*, Proposed Tariff Amendments to Revise the Operating Reserves Demand Curves and to Establish the Process to Procure Supplemental Reserves (February 2, 2021).

<sup>4</sup> Reserve Enhancements Filing at 4-8 and 10-11.

primarily addresses anticipated increases in net load forecasting uncertainty that may arise from the ongoing, rapid transition of New York's electric grid to a clean energy system.<sup>5</sup>

The Reserve Enhancements Filing submitted by the NYISO reflects careful consideration of all feedback and comments provided throughout the stakeholder process to develop the proposal and obtain approval thereof as required by the NYISO's shared governance process.<sup>6</sup> Although the UIU does not agree with all aspects of the supplemental reserves component, the NYISO has demonstrated that its proposal is just and reasonable. Accordingly, the NYISO respectfully reiterates its request that the Commission: (1) issue an order on or before April 5, 2021 accepting the NYISO's proposal as set forth in the Reserve Enhancements Filing; and (2) permit the NYISO to establish an effective date for the proposed tariff revisions through submission of a subsequent filing at least two weeks prior to the proposed effective date.<sup>7</sup>

## **I. REQUEST FOR LEAVE TO ANSWER**

Rule 213 of the Commission's Rules of Practice and Procedure generally prohibits answers to certain pleadings, including protests.<sup>8</sup> The Commission, however, has discretion to waive such prohibition.<sup>9</sup> The Commission has previously determined that a waiver is appropriate in circumstances where an otherwise prohibited answer: (1) will lead to a more complete and accurate record; (2) helps the Commission better understand the issues;

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<sup>5</sup> *Id.* at 8-11.

<sup>6</sup> For example, in response to feedback from stakeholders, the NYISO modified its initial proposal to: (1) expressly require stakeholder approval prior to implementing and/or adjusting any supplemental reserve requirements in the future; and (2) clarify that, subject to prior approval by stakeholders, any previously established supplemental reserve requirements could be adjusted (*i.e.*, increased, decreased, or, if warranted, eliminated) over time as warranted by system conditions.

<sup>7</sup> *Id.* at 11-12. The NYISO currently anticipates that the effective date for the proposed tariff revisions will be a date occurring within June 2021.

<sup>8</sup> 18 C.F.R. § 385.213(a)(2).

<sup>9</sup> *Id.*

(3) clarifies matters in dispute or errors; and/or (4) provides information that will assist the Commission in rendering a decision.<sup>10</sup> This answer clarifies matters in dispute, corrects certain erroneous assertions, provides information that will assist the Commission, and assists in the development of a complete record in this proceeding.<sup>11</sup> Accordingly, the Commission should accept and consider this answer.

## II. ANSWER

The UIU's protest is limited to the supplemental reserves component of NYISO's Reserve Enhancements Filing.<sup>12</sup> The NYISO fully supported its proposal as just and reasonable. The Commission should accept the NYISO's proposal in this proceeding without modification.

The UIU argues that the NYISO's proposal to establish a process for the procurement of supplemental reserves fails to provide for appropriate oversight by the Commission and/or stakeholders as to the establishment, implementation, and/or adjustment of supplemental reserve requirements over time (which, if appropriate, could include reducing or eliminating a previously established supplemental reserve requirement).<sup>13</sup> The UIU also contends that the NYISO's proposed tariff revisions do not properly specify the rates, terms, and conditions applicable to the

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<sup>10</sup> See, e.g., *New York Independent System Operator, Inc.*, 158 FERC ¶ 61,028 (2017) (accepting answers to protests that provided information that assisted the Commission's decision making process); *New York Independent System Operator, Inc.*, 134 FERC ¶ 61,058 (2011) (accepting answers to protests because they provided information that aided the Commission in better understanding the matters at issue in the proceeding); *New York Independent System Operator, Inc.*, 99 FERC ¶ 61, 246 (2002) (accepting answers to protests that help clarify issues and did not disrupt the proceeding); *New York Independent System Operator, Inc.*, 91 FERC ¶ 61,218 (2000) (accepting an answer deemed useful in addressing issues arising in the proceeding at issue); and *Morgan Stanley Capital Group, Inc. v. New York Independent System Operator, Inc.*, 93 FERC ¶ 61,017 (2000) (accepting an answer that was helpful in the development of the record).

<sup>11</sup> The NYISO has sought to limit the scope of this answer to address certain key disputed issues. Thus, this answer does not respond to all arguments and assertions made by the UIU. The Commission should not construe the NYISO's silence as to any particular assertion or argument raised by the UIU as agreement or acquiescence.

<sup>12</sup> UIU Protest at 1-2. The UIU does not oppose, and expresses its support for, the remaining aspects of the NYISO's proposal. See UIU Protest at 14.

<sup>13</sup> See, e.g., UIU Protest at 9-10.

supplemental reserves component of the proposal.<sup>14</sup> As further described herein, such contentions and assertions are erroneous. The NYISO's proposal regarding supplemental reserves includes an appropriate procedure for implementing and/or adjusting such requirements, as needed, in the future with appropriate oversight and safeguards. The NYISO's proposed tariff revisions for the supplemental reserves component of the proposal also specify the appropriate rates, terms, and conditions regarding any future supplemental reserve requirements established pursuant to the procedures proposed in this proceeding.

From the outset, the NYISO's proposal requires initial approval by the Commission of authority to establish the procedures that would facilitate the implementation of any supplemental reserve requirements needed to assist with maintaining system reliability in New York. Supplemental reserve requirements represent incremental reserve procurements in excess of the minimum quantities required for compliance with applicable reliability requirements. As explained in the Reserve Enhancements Filing, the NYISO is not proposing to implement any supplemental reserve requirements at this time. In light of the ongoing transition of New York's electric grid as required by State law,<sup>15</sup> the NYISO instead seeks to proactively establish an appropriate process to implement and/or adjust supplemental reserve requirements,

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<sup>14</sup> See, e.g., *id.* at 13.

<sup>15</sup> For example, the Climate Leadership and Community Protection Act requires that: (1) renewable resources serve 70% of all New York's electricity needs by 2030; and (2) zero-emission resources serve 100% of the State's electricity needs by 2040. See Chapter 106 of the Laws of the State of New York of 2019. The aggressive transition to a clean energy system will increase the need for adequate access to flexible generation resources to address the potential for increased volatility arising from a system with growing reliance on weather-dependent, renewable generation resources. See, e.g., NYISO, *Proposed Approach for Considering Grid In Transition Recommendations* (presented to the Market Issues Working Group on December 7, 2020) at 10 (for a summary of New York's clean energy policies), available at: <https://www.nyiso.com/documents/20142/17450815/20201201%20NYISO%20-%20Approach%20for%20Considering%20Grid%20in%20Transition%20Recommendations%20FOR%20POSTING.pdf>; and NYISO, *Reliability and Market Considerations for a Grid in Transition* (December 20, 2019), available at: <https://www.nyiso.com/documents/20142/2224547/Reliability-and-Market-Considerations-for-a-Grid-in-Transition-20191220%20Final.pdf>.

as needed, over time to respond to the potential for increasing volatility and net load forecast uncertainty that may arise quickly during this rapidly unfolding transition.

The NYISO's proposal expressly limits supplemental reserves to only currently existing reserve products (*i.e.*, spinning reserves, 10-minute reserves, and 30-minute reserves). Because supplemental reserves are limited to the existing reserve products authorized for procurement by the Commission, all existing rates, terms, and conditions attendant to existing reserves would apply equally to any supplemental reserve requirements established in the future. This includes all terms and conditions related to eligibility to provide such reserves and performance requirements related thereto.<sup>16</sup> All existing requirements related to bidding and calculation of reserve prices also equally apply to any future supplemental reserves.<sup>17</sup> These pricing rules and procedures include application of the Operating Reserve Demand Curves to any supplemental reserve requirements established in the future pursuant to the procedures proposed by the NYISO in this proceeding.

To ensure compliance with Commission requirements and marketplace transparency, the NYISO's proposal for supplemental reserves expressly predefines the maximum allowable Shadow Price values applicable to any supplemental reserves requirements implemented in the future.<sup>18</sup> In comparison to the maximum allowable Shadow Price values for currently existing reserve requirements, the proposed values for any future supplemental reserve requirements are lower. The proposed assignment of lower maximum price values to any future supplemental

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<sup>16</sup> See, *e.g.*, Sections 15.4.1 through 15.4.3 of Rate Schedule 4 of the Services Tariff.

<sup>17</sup> See, *e.g.*, Sections 15.4.4 through 15.4.7 of Rate Schedule 4 of the Services Tariff.

<sup>18</sup> Reserve Enhancements Filing at 10; and NYISO, *Ancillary Services Shortage Pricing* (presented to the Management Committee on November 18, 2020) at 11 and 45-52, available at: <https://www.nyiso.com/documents/20142/16885911/06%20Ancillary%20Services%20Shortage%20Pricing.pdf> ("November 18 MC Presentation").

reserve requirements: (1) serves to provide appropriate priority for the procurement of the reserve quantities necessary to comply with minimum reliability requirements prior to procurement of incremental reserves to meet any applicable supplemental reserve requirement; and (2) provides appropriate pricing levels to facilitate the procurement of additional reserves to meet any future supplemental reserve requirements when reserve capability is available from resources at a relatively low cost.<sup>19</sup>

Contrary to claims by the UIU that the potential cost impact of procuring supplemental reserves is indeterminable,<sup>20</sup> the NYISO provided information to assist stakeholders in assessing such potential cost impacts. Specifically, the NYISO conducted an analysis to provide stakeholders information regarding the potential range of cost impacts that could arise from implementing various quantities of supplemental reserve requirements in the future.<sup>21</sup> The near term cost impact is generally expected to result in a modest increase in prices. However, in the longer term, price signals reflecting the established value of supplemental reserves will help to incent adequate reserve supply, which introduces downward pressure on prices. The NYISO provided this information to stakeholders in advance of seeking approval for the supplemental reserves component of the proposal to ensure stakeholders could evaluate and consider such information in assessing their respective level of support for the proposal.

The NYISO's proposal also includes appropriate procedural requirements and safeguards to ensure proper oversight of NYISO's future implementation and/or adjustment of any

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<sup>19</sup> See, e.g., November 18 MC Presentation at 11 and 45-52.

<sup>20</sup> See, e.g., UIU Protest at 11.

<sup>21</sup> NYISO, *Consumer Impact Analysis: Ancillary Services Shortage Pricing* (presented to the Market Issues Working Group on September 1, 2020) at 20-23, available at: <https://www.nyiso.com/documents/20142/14935961/CIA%20-%20Ancillary%20Services%20Shortage%20Pricing%20-%20Final.pdf>.

supplemental reserve requirements.<sup>22</sup> Contrary to erroneous statements by the UIU,<sup>23</sup> the proposal does not invest the NYISO with unfettered authority to implement and/or adjust supplemental reserve requirements. The NYISO first must obtain approval from the Commission to establish a process to facilitate implementing and/or adjusting supplemental reserve requirements in the future, as necessary, to assist with maintaining system reliability. Thus, the NYISO seeks Commission approval in this proceeding of proposed tariff revisions to establish authority to implement such procedures together with the applicable tariff details regarding the rates, terms, and conditions applicable to any future supplemental reserve requirements, as further detailed above.

The proposed tariff requirements further obligate the NYISO to review and obtain approval from stakeholders at the Operating Committee prior to implementing or adjusting any supplemental reserve requirements in the future. The Operating Committee is specifically charged with establishing procedures related to the reliable operation of the NYS Power System and determining the minimum Operating Reserves required to be available.<sup>24</sup> As described in the Reserve Enhancements Filing, the NYISO added the requirement for stakeholder review and Operating Committee approval in response to recommendations from certain stakeholders regarding the need to provide appropriate safeguards and oversight as it relates to establishing and/or adjusting supplemental reserve requirements.<sup>25</sup>

The NYISO patterned the requirement for obtaining stakeholder approval at the Operating Committee on similar procedures that apply to certain adjustments to Regulation

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<sup>22</sup> Reserve Enhancements Filing at 9-10.

<sup>23</sup> *See, e.g.*, UIU Protest at 9-10.

<sup>24</sup> *See* Section 8.01 of the ISO Agreement.

<sup>25</sup> Reserve Enhancements Filing at 9-10.

Service requirements established by the NYISO.<sup>26</sup> Requirements established by the NYISO for reserves and regulation ultimately seek to facilitate compliance with applicable reliability rules and the overarching requirement embedded therein of maintaining system reliability.

Furthermore, the tariff provisions addressing the NYISO's establishment of requirements (and transparency to the marketplace as to the requirements established) are nearly identical for regulation and reserves. For example, with respect to requirements for Regulation Capacity, the tariff obligates the NYISO to "establish and post a target level of Regulation Service for each hour, which will be the number of MW of Regulation Capacity that the ISO would seek to maintain as its Regulation Service requirement in that hour."<sup>27</sup> Similarly, for reserve requirements, the tariff requires the NYISO to "establish and post a target level for each locational Operating Reserves requirement for each hour, which will be the number of MW of Operating Reserves meeting that requirement that the ISO would seek to maintain in that hour."<sup>28</sup> Given the similarities in the underlying objectives, basis, and applicable tariff obligations for regulation and reserve requirements, the NYISO proposed use of a stakeholder approval construct for the implementation and/or adjustment of supplemental reserve requirements in the future that is similar to existing procedures for adjusting certain regulation requirements. Absent stakeholder approval at the Operating Committee, as set forth in the proposed tariff procedures for supplemental reserves, the NYISO does not have authority to implement and/or adjust supplemental reserve procurements.

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<sup>26</sup> *Id.*

<sup>27</sup> Section 15.3.7 of Rate Schedule 3 of the Services Tariff.

<sup>28</sup> Section 15.4.7 of Rate Schedule 4 of the Services Tariff. The NYISO's proposal in this proceeding extends this requirement to include any future supplemental reserve requirements established by the NYISO with approval of stakeholders. The tariff revisions proposed by the NYISO require that this posting separately identify any supplemental reserve requirements established in the future. *See* Reserve Enhancements Filing at 10.

The proposed tariff requirements obligate the NYISO, in collaboration with stakeholders, to further develop the details for the process of reviewing proposals to implement and/or adjust supplemental reserve requirements in the future. As detailed by the NYISO during the stakeholder process for developing the proposal, the primary metric the NYISO will consider in assessing the need to propose the implementation and/or adjustment of supplemental reserve requirements is under-forecasting errors of the system's net load.<sup>29</sup> The NYISO already provides marketplace transparency with respect to net load forecast errors by reporting various data and information relating thereto within its monthly operations reports.<sup>30</sup> The NYISO reviews these monthly reports with stakeholders at various stakeholder meetings, including meetings of the Operating Committee and Management Committee. The NYISO committed, as part of the stakeholder process resulting in the development and approval of this proposal, to further collaborate with stakeholders on the development of more detailed procedures for the review of proposals to implement and/or adjust supplement reserve requirements. The NYISO intends to memorialize these details within an appropriate NYISO manual(s) (*e.g.*, NYISO Ancillary Services Manual). Inclusion of further details regarding the procedures for reviewing proposals to implement and/or adjust supplement reserve requirements within a NYISO manual requires approval of manual revisions by stakeholders through the NYISO's shared governance process. The requirement for stakeholder approval of the manual revisions addressing such procedures provides for further oversight of the supplemental reserves component of the NYISO's proposal in this proceeding.

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<sup>29</sup> Reserve Enhancements Filing at 9-10 and fn. 35; and November 18 MC Presentation at 9-10 and 40-44. The net load forecast provides a measure of the forecasting accuracy of load (as offset by behind-the-meter generation resources) and the production capability of weather-dependent, wind and solar generation resources.

<sup>30</sup> *See, e.g.*, NYISO, Operations Performance Metrics Monthly Report (presented at the February 24, 2021 Management Committee meeting) at 6-14, available at: [https://www.nyiso.com/documents/20142/19386712/03%20Operations\\_Report.pdf](https://www.nyiso.com/documents/20142/19386712/03%20Operations_Report.pdf).

As described herein and in the Reserve Enhancements Filing, the NYISO's proposal to establish a process to implement and/or adjust supplemental reserve requirements in the future is just and reasonable. The proposed tariff revisions contain the appropriate rates, terms, and conditions regarding any future supplemental reserve requirements implemented through the process proposed by the NYISO. This mechanism includes appropriate safeguards and oversight of the implementation and/or adjustment of any future supplemental reserve requirements. The NYISO's proposal to establish a supplemental reserves process at this time is a prudent, proactive measure to facilitate maintaining reliability in response to the potential for increased volatility, forecast uncertainty, and operational challenges that may arise as New York rapidly transitions its electric grid to a clean energy system over the coming years. The Commission should accept the NYISO's proposal in this proceeding without modification.

### III. CONCLUSION

The NYISO's proposal, as set forth in the Reserve Enhancements Filing, is just and reasonable. The NYISO respectfully requests that the Commission: (1) issue an order on or before April 5, 2021 accepting the NYISO's proposal without modification; and (2) permit the NYISO to establish the effective date for the proposed tariff revisions through submission of a subsequent filing at least two weeks prior to the proposed effective date.

Respectfully submitted,

/s/ James H. Sweeney

James H. Sweeney

Senior Attorney

New York Independent System Operator, Inc.

Dated: March 10, 2021

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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 10<sup>th</sup> day of March 2021.

/s/ Joy A. Zimmerlin

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