New York ISO
Independent System Operator

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July 22, 2022

Submitted Electronically

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

Re: *New York Independent System Operator, Inc.*, Proposed Tariff Amendments to Modify Demand Side Resource Eligibility Requirements and Unrelated Ministerial Revisions; Docket No. ER22-___-000.

Dear Ms. Bose:

The New York Independent System Operator, Inc. ("NYISO") submits this filing pursuant to Section 205 of the Federal Power Act,[1] and Part 35 of the regulations of the Federal Energy Regulatory Commission ("Commission") to propose amendments to its Market Administration and Control Area Services Tariff ("Services Tariff") and Open Access Transmission Tariff ("OATT").[2] The proposed amendments will (i) help maintain bulk electric system reliability by prohibiting curtailment of critical electric system infrastructure load in the NYISO's demand response programs, and (ii) make ministerial changes to correct textual inconsistencies.

The NYISO Management Committee unanimously approved the proposed revisions submitted with this filing on June 30, 2022.

I. List of Documents Submitted

The NYISO submits the following documents with this filing letter:

1. A clean version of the proposed revisions to the NYISO's Services Tariff ("Attachment I");

2. A blackline version of the proposed revisions to the NYISO's Services Tariff ("Attachment II");

3. A clean version of the proposed revisions to the NYISO's OATT ("Attachment III"); and

4. A blackline version of the proposed revisions to the NYISO's OATT ("Attachment IV").

[1] 16 U.S.C. §824d.

[2] Capitalized terms not otherwise defined herein shall have the meaning specified in the Services Tariff.

II. Correspondence

Please direct all communications and correspondence concerning this filing to:

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III. Background

The NYISO administers four demand response programs to enhance system reliability and reduce overall production costs.[3] Demand Side Resources in each of the NYISO's demand response programs may reduce Load on the system by (i) curtailing the facility's Load, (ii) using a qualified Local Generator to shift load off the grid, or (iii) a combination of curtailment and Local Generation.[4] The NYISO's market rules do not currently restrict the types of load a Demand Side Resource can curtail (*e.g.*, industrial processes, heating and cooling, mechanical, etc.).

Extreme cold weather in January 2021 caused significant generation and transmission emergencies in Texas. The Commission and the North American Electric Reliability Corporation ("NERC") conducted a joint inquiry after the event and NERC subsequently identified a set of recommended reliability standards intended to support the reliable operation of

[3] Two of the programs—the Emergency Demand Response Program ("EDRP") and the Special Case Resource ("SCR") program—support the reliability of the New York Control Area ("NYCA") by directing Demand Side Resources to remove load from the system during grid emergencies or when reserve shortages are anticipated or actually occur. The NYISO also offers two economic demand response programs: the Day-Ahead Demand Response Program ("DADRP") in the Energy market and the Demand-Side Ancillary Services Program ("DSASP") in the Ancillary Services market. These programs allow Market Participants to economically offer Demand Reductions to help balance supply and demand as an alternative to generation.

[4] A Local Generator is "[a] resource operated by or on behalf of a Load that is either: (i) not synchronized to a local distribution system; or (ii) synchronized to a local distribution system solely in order to support a Load that is equal to or in excess of the resource's Capacity. Local Generators supply Energy only to the Load they are being operated to serve and do not supply Energy to the distribution system." Services Tariff Sec. 2.12.

the bulk power system during cold weather conditions.[5] One recommendation would require Balancing Authority operating plans to preclude critical natural gas infrastructure loads from participation in the ISO–administered demand response programs.[6] Considering recent weather events and Commission and NERC guidance, the NYISO proposes a new market rule that will align NYISO demand response program requirements with the proposed reliability standard to help maintain grid operations during extreme cold weather and other events. Specifically, the NYISO proposes to prohibit Demand Side Resources from curtailing critical electric system infrastructure load in response to NYISO-initiated demand response events or tests.

IV. Description of Proposed Revisions to the Services Tariff and OATT, and Justification

The NYISO proposes to revise Services Tariff Sections 2.3 and 2.4:

In Services Tariff Section 2.3, the NYISO proposes to define a new term, **Critical Electric System Infrastructure Load**, as:

> Load that is critical to maintaining the reliable operation of electric system infrastructure, including, without limitation, Load that is (i) necessary to maintain the delivery of natural gas, fuel oil, and other fuels used by Generators (including Local Generators) to generate electricity, (ii) likely to impact the supply of natural gas, fuel oil, and other fuel to Generators, or (iii) otherwise likely to impact Generator operation. Critical Electric System Infrastructure Load does not include on-site Load that is consumed for ancillary purposes unless such Load is necessary for compliance with parts (i) – (iii) of this definition.

The NYISO also proposes to modify the definition of "Demand Reduction" in Services Tariff Section 2.4:

> A quantity of reduced electricity demand from a Demand Side Resource that is bid, produced, purchased or sold over a period of time and measured or calculated in

[5] On October 6, 2021, NERC submitted a Standard Authorization Request to address "Extreme Cold Weather Grid Operations, Preparedness, and Coordination" (the "SAR"). N. Amer. Elec. Reliability Corp., Standard Authorization Request: Extreme Cold Weather Grid Operations, Preparedness, and Coordination (Oct. 6, 2021), *available at:* https://www.nerc.com/pa/Stand/Project202107ExtremeColdWeatherDL/2021-07%20Extreme%20Cold%20Weather%20Grid%20Operations,%20Preparedness,%20and%20Coordination%20Cold%20Weather%20SAR_112221.pdf. The SAR included nine recommendations "designed to support the reliable operation of the bulk power system during cold weather conditions and/or stressed system conditions." SAR at 3. The SAR was revised on February 9, 2022, and while the substance of the recommendation to prohibit use of critical natural gas infrastructure loads in demand response programs remained the same, it was renumbered to recommendation number nine. N. Amer. Elec. Reliability Corp., Standard Authorization Request: Extreme Cold Weather Grid Operations, Preparedness, and Coordination (Feb. 9, 2022), *available at:* https://www.nerc.com/pa/Stand/Project202107ExtremeColdWeatherDL/2021-07%20Cold%20Weather%20SAR_clean_SCEC_approved.pdf.

[6] The SAR proposes that a Balancing Authority's capacity and energy emergency mitigation plans and operating plan for contingency reserves should prohibit the curtailment of critical natural gas infrastructure load in demand response programs. SAR at 4.

> Megawatt hours. Demand Reductions of Critical Electric System Infrastructure Load shall not be bid, produced, or sold, unless such Demand Reductions are facilitated by use of a Local Generator. Demand Reductions offered by a Demand Side Resource as Energy in the LBMP Markets may only be offered in the Day-Ahead Market, and shall be offered only by a Demand Reduction Provider. The same Demand Reduction may not be offered by a Demand Reduction Provider and by a customer as Operating Reserves or Regulation Service.

In tandem, these modifications will help maintain reliability in the New York Control Area ("NYCA") by prohibiting curtailment of Load that is critical to the operation of Generators during NYISO-initiated demand response events and tests. Although the SAR only sought to protect operation of natural gas system infrastructure, the NYCA generation fleet includes a significant number of dual fuel units and therefore it is reasonable and appropriate to also prohibit curtailment of load that would affect delivery of fuel oil and the operation of dual-fuel Generators during periods of stress on the grid.

The NYISO also proposes ministerial revisions to Services Tariff Section 2.3 and OATT Section 1.4. These modifications do not make substantive changes to the NYISO's Tariffs.

In Services Tariff Section 2.3, the NYISO proposes to strike the phrase "this Section and" from the definition of "Compensable Overgeneration":

> **Compensable Overgeneration:** A quantity of Energy injected over a given RTD interval in which a Supplier has offered Energy that exceeds the Real-Time Scheduled Energy Injection established by the ISO for that Supplier and for which the Supplier may be paid pursuant to ~~this section and~~ ISO Procedures.

This modification removes an inadvertent and incorrect reference to Services Tariff Section 2.3.

In OATT Section 1.4, the NYISO proposes to strike the entire definition of "Day-Ahead Reliability Unit" and replace it with a reference to definition contained in the Services Tariff:

> **Day-Ahead Reliability Unit:** ~~A Day-Ahead committed Resource which would not have been committed by for the commitment request by a Transmission Owner in order to meet the reliability needs of the Transmission Owner's local system which request was made known to the ISO prior to the close of the Day-Ahead Market.~~ As defined in the ISO Services Tariff.

This modification will align the OATT definition of Day-Ahead Reliability Unit with the definition in the Services Tariff.

V. Effective Date

The NYISO respectfully requests that the proposed Services Tariff revisions be permitted to become effective on November 1, 2022, which is the first day of the NYISO's 2022-2023 Winter Capability Period. A November 1, 2022, effective date will ensure that the market rules related to Critical Electric System Infrastructure Load will be the same for the entire Capability Period.

The NYISO further requests that the Commission issue an Order within the standard notice period under Federal Power Act Section 205, which is sixty (60) days from the date of this filing (*i.e.*, by September 22, 2022). Preparations for the 2022-2023 Winter Capability Period will begin well before November 1, 2022, and a Commission Order within sixty days will provide timely notice that the changes proposed herein have been accepted. More specifically, the Demand Side Resource enrollment period begins on September 23, 2022, and a Commission order prior to that date will allow Market Participants to make prudent decisions about the Demand Side Resources they enroll for the 2022-2023 Winter Capability Period.

VI. Stakeholder Discussion and Approval

The NYISO's Management Committee unanimously approved the proposed Services Tariff Revisions on June 30, 2022. The NYISO Board of Directors approved the proposed tariff revisions on July 19, 2022.

VII. Service List

A complete copy of this filing will be posted on the NYISO's website at www.nyiso.com. The NYISO will send an electronic link to this filing to the official representative of each of its customers and to each participant on its stakeholder committees. In addition, the NYISO will send an electronic copy of this filing to the New York State Public Service Commission and to the New Jersey Board of Public Utilities.

VIII. Conclusion

The NYISO respectfully requests that the Commission accept the proposed revisions to the Services Tariff and OATT, without modification, to become effective on November 1, 2022.

Respectfully submitted,

/s/ Gregory J. Campbell
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