

June 2, 2023

Submitted Electronically

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

**Re: Docket No. ER21-502-00_, New York Independent System Operator, Inc.;
Compliance Filing on Remand**

Dear Secretary Bose:

On November 30, 2020, the NYISO filed a proposal including: (1) the ICAP Demand Curves for the 2021/2022 Capability Year; and (2) the methodologies and inputs for use in conducting annual updates to determine the ICAP Demand Curves for the 2022/2023, 2023/2024, and 2024/2025 Capability Years.¹ The NYISO's proposal represented the culmination of the quadrennial review of the ICAP Demand Curves required by the Services Tariff (commonly referred to as the "ICAP Demand Curve reset" or "DCR").

On April 9, 2021, the Commission issued an order accepting all aspects of the NYISO's proposal except the NYISO's proposed amortization period.² The NYISO proposed use of a 17-year amortization period for the 2021-2025 reset period. The Commission, however, rejected the NYISO's proposed assumption and directed use of a 20-year amortization period.³ Consistent with the Commission's directive, the NYISO has administered the ICAP Spot Market Auctions since May 2021 utilizing ICAP Demand Curves that reflect use of a 20-year amortization period.⁴

¹ Docket No. ER21-502-000, *supra*, 2021-2025 ICAP Demand Curve Reset Proposal (November 30, 2020) ("2021-2025 DCR Filing"). Capitalized terms not otherwise defined herein shall have the meaning specified in the Market Administration and Control Area Services Tariff ("Services Tariff").

² *New York Independent System Operator, Inc.*, 175 FERC ¶ 61,012 (2021) ("2021-2025 DCR Order"). The amortization period represents the assumed period over which an investor would expect to recover the upfront capital costs to construct the representative resource selected to serve as the basis for establishing each ICAP Demand Curve.

³ 2021-2025 DCR Order at P 2, 19, and 161.

⁴ See Docket No. ER21-502-002, *supra*, Compliance Filing (April 16, 2021); and Docket No. ER21-502-002, *supra*, Letter Order (May 24, 2021).

After denial of its rehearing request,⁵ the Independent Power Producers of New York, Inc. (“IPPNY”) appealed the Commission’s decision to the United States Court of Appeals for the District of Columbia Circuit (“D.C. Circuit”). On August 9, 2022, the D.C. Circuit issued a decision granting IPPNY’s appeal.⁶ The D.C. Circuit found that the Commission had not adequately justified its decision to reject the NYISO’s proposed 17-year amortization period and require a 20-year amortization period.⁷ The D.C. Circuit’s decision vacated the Commission’s determination regarding the amortization period and remanded the issue to the Commission for further consideration.

On December 16, 2022, the Commission issued an initial order on remand that affirmed the Commission’s prior determination to require use of a 20-year amortization period (“Initial Remand Order”).⁸ IPPNY sought rehearing of the Initial Remand Order.⁹ On May 19, 2023, the Commission issued an order addressing IPPNY’s arguments on rehearing and setting aside the Initial Remand Order (“May 2023 Order”).¹⁰ The May 2023 Order directed the NYISO to prospectively replace the 20-year amortization period with the NYISO’s initially proposed 17-year amortization period for the remainder of the 2021-2025 reset period.¹¹ The NYISO submits this compliance filing to address the directives of the May 2023 Order. The NYISO will implement the revised 2023/2024 Capability Year ICAP Demand Curves submitted as part of this filing for the upcoming July 2023 ICAP Spot Market Auction.

I. List of Documents Submitted

The NYISO submits the following with this filing letter:

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

⁵ See Docket No. ER21-502-003, *supra*, Request for Rehearing of Independent Power Producers of New York, Inc. (May 10, 2021); and Docket No. ER21-502-003, *supra*, Notice of Denial of Rehearings by Operation of Law (June 10, 2021).

⁶ Case No. 21-1166, *Independent Power Producers of New York, Inc. v. FERC*, 2022 WL 3210362 (D.C. Cir. 2022).

⁷ *Id.* at 4.

⁸ *New York Independent System Operator, Inc.*, 181 FERC ¶ 61,227 (2022).

⁹ Docket No. ER21-502-005, *supra*, Request for Rehearing of Independent Power Producers of New York, Inc. (January 17, 2023)

¹⁰ *New York Independent System Operator, Inc.*, 183 FERC ¶ 61,130 (2023).

¹¹ *Id.* at P 31.

II. Description of Compliance Filing

The May 2023 Order directed the NYISO to revise the assumed amortization period for the peaking plants used in determining the ICAP Demand Curves for the 2021-2025 reset period to reflect the 17-year assumption initially proposed by the NYISO in the 2021-2025 DCR Filing.¹² Revising the assumed amortization period ultimately impacts the following factors: (1) the localized levelized embedded cost of the peaking plant used in establishing each ICAP Demand Curve (*i.e.*, referred to by the Services Tariff as the “peaking plant gross cost”); (2) the resulting reference point value for each ICAP Demand Curve; and (3) the resulting maximum clearing price value for each ICAP Demand Curve.

The table below provides the revised ICAP Demand Curve parameter values for the 2023/2024 Capability Year reflecting the change to the amortization period directed by the May 2023 Order.¹³ As previously noted, the NYISO will begin use of these revised ICAP Demand Curves for the upcoming July 2023 ICAP Spot Market Auction.

| | 2023/2024 Capability Year ICAP Demand Curve Parameters Starting July 1, 2023 | | | |
|--|---|---------------------|----------------------|--------------------|
| | NYCA | G-J Locality | New York City | Long Island |
| Maximum Clearing Price Value (\$/kW-month) | \$16.74 | \$23.02 | \$30.87 | \$25.97 |
| Reference Point Price Value (\$/kW-month) | \$8.43 | \$12.42 | \$22.42 | \$15.48 |
| Zero-Crossing Point | 112% | 115% | 118% | 118% |

The NYISO has also posted to its website a revised version of the spreadsheet utilized in calculating the parameter values for each ICAP Demand Curve (*i.e.*, commonly referred to as the “Demand Curve Model”) that reflects use of a 17-year amortization period as directed by the May 2023 Order.¹⁴

¹² *Id.*

¹³ The NYISO previously reviewed with its Market Participants the revised 2023/2024 Capability Year ICAP Demand Curve parameter values that would apply if, on remand, the Commission directed use of a 17-year amortization period. *See*, NYISO, *Annual Update for 2023-2024 ICAP Demand Curves* (presented at the November 14, 2022 joint meeting of the NYISO Market Issues Working Group and Installed Capacity Working Group) at 43, available at:

https://www.nyiso.com/documents/20142/34388803/2023-2024%20Annual%20Update%201142022%20ICAPWG_Final.pdf (“2022 Annual Update Presentation”). The values stated herein are the same values previously reviewed with Market Participants.

¹⁴ The revised Demand Curve Model is an excel file titled “17-Year Amortization Demand Curve Model (Beginning July 2023)” available at: <https://www.nyiso.com/installed-capacity-market>. From this

In compliance with the May 2023 Order, the NYISO proposes to include the revised ICAP Demand Curve parameter values for the 2023/2024 Capability Year within the table in Section 5.14.1.2 of the Services Tariff indicating that such revised parameters take effect as of July 1, 2023.¹⁵ The NYISO also proposes revisions to the peaking plant gross cost values set forth in Section 5.14.1.2.2.3 of the Services Tariff to reflect use of a 17-year amortization period beginning with the July 2023 ICAP Spot Market Auction.

Pursuant to the requirements of Section 5.14.1.2.2 of the Services Tariff, the NYISO previously completed the tariff-prescribed annual update process to determine the ICAP Demand Curve parameter values for the 2023/2024 Capability Year that began on May 1, 2023. Consistent with the 2021-2025 DCR Order, the NYISO determined the ICAP Demand Curve parameter values utilizing a 20-year amortization period.¹⁶ The NYISO posted the resulting ICAP Demand Curve parameter values to its website on November 16, 2022. In response to the May 2023 Order, the NYISO has posted revised ICAP Demand Curve parameter values for the 2023/2024 Capability Year to reflect the Commission-directed change to the amortization period.¹⁷ As proposed herein, the revised ICAP Demand Curves will first be utilized for the upcoming July 2023 ICAP Spot Market Auction.¹⁸

III. Service

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

page, the revised Demand Curve Model can be obtained by navigating through the following content sections: "Reference Documents"→"2021-2025 Demand Curve Reset"→ "FERC Approved Models."

¹⁵ The revised values set forth in Section 5.14.1.2 are the same as those set forth in the table above.

¹⁶ See, e.g., 2022 Annual Update Presentation at 31. As part of this presentation, the NYISO also developed for informational purposes the applicable ICAP Demand Curve parameter values that would apply for the 2023/2024 Capability Year if, on remand, the Commission directed use of a 17-year amortization period. *Id.* at 43.

¹⁷ The updated results for the annual update to determine the ICAP Demand Curve parameter values for the 2023/2024 Capability Year are available at: <https://www.nyiso.com/installed-capacity-market>. From this page, the revised ICAP Demand Curves parameter values for the 2023/2024 Capability Year can be obtained by navigating through the following content sections: "Reference Documents"→"Demand Curve Reset Annual Updates"→ "2023."

¹⁸ The updated values posted to the NYISO's website are the same as those reviewed with Market Participants on November 14, 2022. See 2022 Annual Update Presentation at 43.

IV. Conclusion

The NYISO respectfully requests that the Commission: (1) accept this compliance filing; and (2) establish an effective date of June 9, 2023 for the proposed tariff revisions submitted as part of this filing. The NYISO will implement the revised 2023/2024 Capability Year ICAP Demand Curves submitted as part of this compliance filing for the July 2023 ICAP Spot Market Auction.

Respectfully submitted,

/s/ Garrett E. Bissell

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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 2nd day of June 2023.

/s/ Mitchell W. Lucas

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