Attachment XII

UNITED STATES OF AMERICA BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION

New York Independent System Operator, Inc.

Docket No. ER13-___-000

AFFIDAVIT OF TARIQ N. NIAZI

Mr. Tariq N. Niazi declares:

1. I have personal knowledge of the facts and opinions herein and if called to testify could and would testify competently hereto.

I. Purpose of this Affidavit

- 2. The purpose of this Affidavit is to describe the potential consumer impacts of the New York Independent System Operator's ("NYISO") proposal to establish a New Capacity Zone ("NCZ")¹ encompassing Load Zones G, H, I, and J. This NCZ would be defined as the "G-J Locality." This affidavit describes simulations performed to provide information on projected impacts that the creation of the G-J Locality would have on ICAP Spot Market Auction prices, and thus on capacity payments by consumers, in comparison to not creating the NCZ.
- 3. This Affidavit also describes the NYISO's general assessment of the potential environmental and reliability benefits of the NCZ. The Affidavit of Dr. David B. Patton, Ph. D., (the "Patton Affidavit") describes the economic benefits that the proposed G-J Locality will bring, including providing more "efficient locational investment signals" that will "attract investment to the areas where investment provides the greatest reliability benefit."²

¹ Capitalized terms that are not otherwise defined in this Affidavit shall have the meaning set forth in the Market Administration and Control Area Services Tariff ("Services Tariff"), and if not defined therein, in the filing in which this Affidavit is incorporated.

² Patton Affidavit at P 8.

II. Qualifications

- 4. I am a Senior Manager and the Consumer Interest Liaison for, the NYISO. I have held this position for almost two years. My responsibilities include coordinating the NYISO's consumer related initiatives, analyzing market developments (and proposed market developments) from a consumer perspective, and preparing consumer-focused reports.
- 5. Prior to holding my current position, I worked for thirty years at the New York State Consumer Protection Board ("NYS CPB"). During my career there I served as the Director of the Utility Intervention Unit, as Chief Economist, and prior to that, as Principal Economist. While at the NYS CPB, I served as its representative to the NYISO. I also served on the New York State Energy Research and Development Authority's System Benefit Advisory Group and the New York State Public Service Commission's ("PSC") Natural Gas Advisory Group. Additionally, I have taught courses in economics at Siena College in Loudonville, New York and at the College of St. Rose in Albany, New York.
- 6. I have appeared as an expert witness in numerous PSC rate cases and policy-making proceedings (commonly referred to as "generic proceedings"). I have appeared as an expert witness in a proceeding before the Commission. I also have testified before the New York Assembly Energy Committee on energy related issues. I received a Master of Economics degree from the State University of New York at Albany and a Master of Public Administration degree from Punjab University in Pakistan. I passed my candidacy examination, completed all required course work and all comprehensive examinations in the Doctoral Program in Managerial Economics at Rensselaer Polytechnic Institute, in Rensselaer, New York.
- 7. The analyses described in this affidavit were performed with assistance from FTI Consulting, Ltd. ("FTI"), an economic consulting firm with considerable experience working on energy market issues and analyses, including capacity market design questions, and specifically those involving the NYISO capacity markets.

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III. Consumer Impact Analyses of the NYISO's Proposed NCZ

A. Overview

- I have conducted, directed, and overseen multiple analyses of the potential impacts of alternative NCZ configurations using a variety of assumptions and over a number of different timeframes.
- 9. Stakeholder input was considered at various stages of the analyses, and some analyses were conducted at stakeholders' request. I made presentations to and participated in extensive discussions with stakeholders at the September 11 and December 3, 2012, and the January 30, and March 28, 2013, meetings of the NYISO's ICAP Working Group. At those meetings, the analyses and their underlying inputs and assumptions, were reviewed and discussed with stakeholders. Stakeholder questions and comments were received and considered. In addition to presentations before, discussions with, and materials provided to, the ICAP Working Group, I also provided additional data and responses to stakeholder questions regarding the analyses.
- 10. This affidavit discusses two wholesale consumer price impact analyses. I have focused on them because I believe that they likely reflect the impacts of the proposed G-J Locality in comparison to not creating an NCZ, and therefore they will likely be more informative to the Commission and stakeholders than other scenarios discussed in stakeholder meetings.
- 11. The first analysis, presented in Section B, below, is a forward-looking 2013 case. The NYISO is not proposing to implement an NCZ in 2013 but the 2013 case is instructive because there are more data and therefore less need to rely on assumptions than for any future year. The NYISO is presenting this case to provide an indication of ICAP Spot Market Auction prices with and without a G-J Locality. The simulated ICAP Spot Market Auction prices are not intended to be a forecast of prices. They also do not reflect hedging or other actions Market Participants may take to manage capacity costs.
- 12. The second analysis, discussed in Section C, below, is a forward-looking 2018 case. It provides information on likely longer term consumer impacts. Like the results of the simulation for 2013, the 2018 results are not intended to be a forecast of prices and they

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do not reflect hedging or other actions Market Participants may take to manage capacity costs. They are intended to provide information on an effect of creating the NCZ.

- 13. The NYISO performed other analyses but I believe that those cases are less informative than the two on which I focus in this Affidavit. Some of the other cases include assumptions regarding future conditions that have a lower degree of likelihood, while others evaluate an NCZ configuration, comprised of Load Zones G, H, I, J, and K ("G-K"), which differs from the configuration proposed by the NYISO.
- 14. In addition, Section D, below, summarizes the potential impacts that the NYISO's establishment of its proposed NCZ would have on reliability and the environment.
- 15. Both the 2013 and 2018 forward-looking analyses show that capacity prices would increase in Load Zones G, H, and I as a result of creating the NCZ. As explained by the Patton Affidavit, a key reason for creating an NCZ is to provide the capacity price signals for investment in new and existing, and to retain, economically efficient capacity resources within the NCZ. Over the past several years, there have been a number of generation plants retiring and mothballing in these Load Zones. The creation of a G-J Locality would send a more efficient price signal which is expected to influence capacity investment decisions.³ The forward-looking analyses show no increases in capacity prices in other Load Zones from the creation of the G-J Locality.
- 16. The Patton Affidavit further describes the market design principles that should guide the creation and configuration of NCZs. It concludes that the establishment of the G-J Locality is consistent with sound market design principles and therefore represents a "reasonable configuration."⁴

³ See Patton Affidavit at P 16.

⁴ See Patton Affidavit at P 16.

B. Consumer Impact Analysis for 2013

i. Price Impact Comparison with 2012

- 17. The 2013 impact analysis considered both summer and winter conditions by performing simulated ICAP Spot Market Auctions for the months of August 2013 and November 2013. It utilized 2012 ICAP Spot Market Auction offer data for those same months, but instead of using the 2012/2013 Locational Minimum Installed Capacity Requirements ("LCRs") for Zones J and K, it utilized the approved 2013/2014 LCRs, and adjusted the auction capacity data for known, and expected, retirements and mothballings of capacity resources. Specifically, it assumed the following retirement or mothballing of capacity that had participated in the August and November 2012 Monthly Auctions:
 - Load Zones A F (referred to herein as "new Rest of State" and to which the NYCA ICAP Demand Curve would be applied): 390.3 MW in August 2013 (relative to August 2012) and 55.5 MW in November 2013 (relative to November 2012).
 - Load Zone G: 476 MW for both August and November 2013.
 - Load Zone K: 3.3 MW for both August and November 2013.
- 18. The retirement/mothballing estimates for the impacts on Load Zones A-F (the new Rest of State) reflect the expected mothballing of Units 3 and 4 at NRG's Dunkirk Generating Station and of Niagara Generation LLC's Biomass Facility which are expected to occur by August 2013. It also includes the 63 MW Carthage Energy facility, which at the time of the analysis was expected to retire by November 2013.⁵ The MW amount for Load Zone G accounts for the retirement of the Danskammer Generating Station. The MW amount for Load Zone K is based on the expected retirement of the Montauk Units #2, #3, and #4. These retirements/mothballing estimates are based on the information available at the time the impact analysis was undertaken. It is possible that the formation of the G-J Locality may ultimately reduce the actual level of retirements.

⁵ On March 14, 2013, after the NYISO completed this analysis, Carthage Energy withdrew its notice of retirement.

- 19. Similarly, the 2013 impact analysis assumed the following capacity additions to the quantities of UCAP offered into the August and November 2012 ICAP Spot Market Auctions:
 - For August 2013: 154.6 MW with the G-J Locality and 77.0 MW if there were no NCZ.
 - For November 2013: 180.9 MW with the G-J Locality and 85.9 MW if there were no NCZ.
- 20. The NYISO developed the capacity addition assumptions from various publicly available data, including data from the NYISO's interconnection queue. The assumptions were also based in part on non-public information. Therefore, only aggregated quantities of capacity are identified in the impact analysis.
- 21. The simulated auctions for August and November 2013 yielded the results summarized in Tables 1 and 2 below. These results were based on a \$15.69 simulated reference price (*i.e.*, the average of the Load Zone J and NYCA reference prices) for the August 2013 simulation and \$15.39 reference price for the November 2013 simulation, and a 112% zero crossing point for the proposed G-J Locality, based on a G-J Locality LCR equal to 89.3% for the August 2013 simulation and 89.9% for the November 2013 simulation. The derivation of the LCRs is described below. They are different than, but close to, the Indicative NCZ LCR described in the filing letter and in the Affidavit of Dr. Henry Chao and John M. Adams ("Chao/Adams Affidavit").⁶
- 22. ICAP Demand Curve reference prices and zero crossing points for the G-J Locality are necessary inputs to the impact analysis. However, the actual values are not available because they are being developed in the NYISO's on-going ICAP Demand Curve reset process. The NYISO considered different combinations of reference prices and zero crossing points and selected values to use in the analysis which I believe are within the range of values that might reasonably be expected.

⁶ See Chao/Adams Affidavit at PP 35-41.

Scenario	NYCA	Zone J	Zone K	G-J Locality
Aug. 2012 – Actual Results	\$1.90	\$10.64	\$3.56	
Aug. 2013 without G-J	\$4.56	\$15.16	\$7.59	
Locality				
Aug. 2013 with G-J Locality	\$4.37	\$15.16	\$7.59	\$9.34

 Table 1
 - August 2013 Auction Simulation Results

 Table 2
 - November 2013 Auction Simulation Results

Scenario	NYCA	Zone J	Zone K	G-J Locality
Nov. 2012 – Actual Results	\$0.71	\$3.36	\$0.71	
Nov. 2013 without G-J Locality	\$2.29	\$7.91	\$3.77	
Nov. 2013 with G-J Locality	\$2.07	\$7.91	\$3.77	\$5.35

23. The simulations for 2013 show that capacity prices in Load Zones J and K would be the same with or without the G-J Locality. The capacity price impacts for Load Zones J and K include the impacts on those zones of the amount of capacity that Load Serving Entities ("LSEs") in them are required to purchase beyond the LCR requirement. Thus, it incorporates the amount of capacity purchased at the NYCA ICAP Demand Curve reference point and any additional excess capacity that would be purchased based on the clearing price on the relevant Demand Curve. Prices in the new Rest of State would be lower with the G-J Locality than without it. Prices in Load Zones G, H, and I would be higher than NYCA ICAP Spot Market Auction prices prior to the establishment of the NCZ. As with Load Zones J and K, the G, H, and I capacity price calculations take

account of excess G-J Locality capacity that would be purchased in addition to the LCR amount.

24. A comparison of the first two rows in Tables 1 and 2, clearly demonstrates that the price increase from 2012 to 2013 is not the result of the creation of the NCZ. These prices increase in 2013 as a result of retirements and mothballings. It also reflects the 2.3% escalation of the ICAP Demand Curve from the 2011/2012 ICAP Demand Curve to the 2013/2014 ICAP Demand Curve. The third rows in these tables show prices that result from the creation of the G-J Locality. A Load Zone by Load Zone examination indicates that prices do not change in Load Zones J and K, while they decrease in Load Zones A-F (*i.e.*, the new Rest of State).

ii. 2013 Annual Impact

- 25. The NYISO next estimated the annual increase in UCAP payments for 2013 based on several key assumptions which are described below.
- 26. The LCRs for the Load Zones J and K in the August and November 2013 auctions were based on the 2013/2014 LCRs approved by the NYISO stakeholder Operating Committee for the 2013-2014 Capability Year, which were 86% for New York City and 105% and for Long Island.
- 27. The G-J Locality LCR analysis began with a General Electric's Multi-Area Reliability Simulation Model ("MARS" model) analysis of Load Zones G, H, I, J, and K, *i.e.*, the entire region located on the constrained side of the UPNY-SENY Highway interface. It determined that a 93% LCR would be appropriate for that region.
- 28. At the time the NYISO proposed the NCZ boundary of Load Zones G, H, I, and J (*i.e.*, excluding Load Zone K)⁷ the impact analyses were already well under development. Therefore, the LCR used in the impact analyses for the G-J Locality was extrapolated

⁷ The NYISO's reasons for proposing a G-J Locality are described in the Chao/Adams Affidavit at PP 16-34. In addition, the Patton Affidavit notes, at P 16, that excluding Load Zone K from the proposed NCZ is consistent with market design principles and that the G-K Locality is therefore a "reasonable configuration."

from the existing simulation data. For the August 2013 simulation, it was calculated by subtracting the Load Zone K LCR in megawatts of UCAP (5,251.6 MW) from the LCR calculated for the Load Zones G-K in megawatts of UCAP (18,289.7 MW). This calculation yielded a G-J LCR of 13,038.1 megawatts of UCAP. This corresponds to an 89.3% G-J LCR. For the November 2013 simulation it was calculated by subtracting the Load Zone K LCR in megawatts of UCAP (5,249.9 MW) from the LCR calculated for Load Zones G-K in megawatts of UCAP (18,624.8 MW). This calculation yielded a G-J LCR of 13,374.9 megawatts of UCAP. This corresponds to an 89.9% G-J LCR. These LCRs were used solely for purposes of the impact analyses.

- 29. Consistent with current rules, the analyses provided that LSEs in a Locality pay for the UCAP and excess (*i.e.*, the amount over the LCR that clears). Therefore, the NYISO assumed that Load Zone J would pay for Load Zone J and for additional G-J Locality UCAP up to 89.3% and 89.9% of load for August and November, respectively, plus a *pro rata* share of G-J excess, plus the remaining UCAP at the actual Summer 2013, and Winter 2013/2014 NYCA ICAP Demand Curve price, plus a *pro rata* share of the NYCA excess.
- 30. The NYISO also assumed that Load Zone K LSEs would pay for Load Zone K UCAP and excess, plus remaining UCAP at the NYCA ICAP Demand Curve price, plus a *pro rata* share of the NYCA excess. Load Zone G LSEs would pay for 89.3% and 89.9% of Load for August and November, respectively, at the simulated G-J Locality ICAP Demand Curve price, plus a *pro rata* share of the G-J Locality excess, plus remaining UCAP at the NYCA price, plus a *pro rata* share of NYCA excess. LSEs in Load Zones A-F would pay for UCAP at the NYCA Demand Curve price plus a *pro rata* share of NYCA excess.
- 31. Based on these assumptions, the NYISO estimated the annual changes in capacity payments for 2013 in both a summer and winter month, for various Load Zones, and the total dollar impact of the creation of the G- J Locality. The results are summarized in Table 3 below. It shows the expected increase in capacity payments for Load Zones G, H, and I, an expected decrease in payments for the new Rest of State, a relatively small

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increase in annual payments for Load Zone J, and no change in annual payments for Load Zone K. Because of the uncertainty inherent in developing such estimates the NYISO has rounded them all to the nearest million dollars.⁸ Rounding the values for an annual estimate better reflects the purpose of the estimate, *i.e.*, to indicate the payment difference with and without the G-J Locality. For example, the Summer month and Winter month each multiplied by six will not correspond exactly to the annual value due to rounding. The information is only intended to provide an indication of the difference in payments with and without a G-J Locality. It is not intended to be a price forecast.

32. The results for the August 2013 data and the November 2013 data were used to develop an annual estimate. The annual value was calculated by multiplying the results of the one summer and one winter month each by six for the number of months in a Capability Period. Given time constraints, and the number of simulations that the NYISO conducted, it was not practicable to estimate an impact for each month. Nevertheless, I believe that this method of calculating annual impacts is reasonable for the purpose for which the annual impacts are provided: *i.e.*, to indicate the difference in UCAP payments in reasonably likely scenarios attributable to the creation of a G-J Locality.

⁸ If the NYISO had not rounded its estimate for Load Zone K to the nearest million dollars it would have shown a relatively small price decrease.

2013 Dollar Impact (in Millions)				Total \$ Impact	
Load	Rest of State	Zones GHI	Zone J	Zone K	
Summer with NCZ (G-J)	\$58	\$39	\$165	\$45	
Summer without NCZ (G-J)	\$60	\$22	\$164	\$45	
% Increase	-3.3%	77.3%	0.6%	0%	
\$ Impact/Month	-\$2	\$17	\$1	\$0	
Winter with NCZ (G-J)	\$29	\$23	\$90	\$23	
Winter without NCZ (G-J)	\$32	\$12	\$90	\$23	
% Increase	-9.3%	91.7%	0%	0%	
\$ Impact/Month	-\$3	\$12	\$0	\$0	
Annual \$ Impact	-\$33	\$173	\$6	\$0	
Total \$ Impact					\$146

Table 3 - Estimated Annual Impacts on Capacity Payments for 2013

NOTE TO TABLE: All Summer/Winter figures were calculated using the monthly value, and then rounded to the nearest million dollars. All percentages were calculated based on the rounded figures. Reference Price is Average of Zone J and NYCA 112% Zero Crossing Point August 2012 Derates for August 2013 Simulation

33. Table 3 shows that based on the simulation, the only Load Zones in which capacity payments increase as a result of creating the G-J Locality are G, H and I. Those Load Zones had been paying NYCA ICAP Spot Market Auction prices

C. Consumer Impact Analysis for 2018

- 34. The 2018 analyses estimated the range of expected future prices in all Load Zones due to the creation of a G-J Locality, based on data from past ICAP Spot Market Auctions, combined with data and assumptions on new entry, retirements, transmission expansion and projected peak load.
- 35. The 2018 analysis assumes that there would be 1000 MW increase in transmission system transfer capability and various capacity resource additions. Various entities have proposed transmission system projects, including projects designed to increase transmission system transfer capability in New York. The NYISO is not taking a position on the likelihood, timing, merits, or benefits of such proposals in this proceeding. The

NYISO does believe that the existence of the proposals means that considering an impact scenario that includes 1000 MW increase in transmission system transfer capability to be informative to the Commission and stakeholders. As in the above-described 2013 consumer impact analysis, the 2018 G-J Locality ICAP Spot Market Auction prices were based on a \$15.69 reference price for the August 2018 simulation and \$15.39 for the November 2108 simulation, and a 112% zero crossing point. The analysis did not escalate the 2013 simulated G-J ICAP Demand Curves. Again because of the uncertainty inherent in developing the estimates, and the purpose for which they are presented, the NYISO has rounded them all to the nearest million dollars. Like the 2013 Annual data, the information is only intended to provide an indication of the difference in payments with and without a G-J Locality, and is not intended to be a price forecast.

- 36. LCRs utilized in this analysis were based on 2013/14 actual Load Zone J and K LCRs, and the G-J LCR developed as described in P 28, adjusted for load growth to 2018 per the NYISO's 2012 Load and Capacity Data Report (*i.e.*, the "Gold Book").⁹ The LCRs for Zones J and K were adjusted for the projected entry and exit of new capacity resources in Load Zones G, H, and I. More specifically, LCRs for Localities J, K, and G-J were derived based on the LCRs described above.
- 37. The analysis then cleared the ICAP Spot Market Auction beginning with clearing Localities J and K, then clearing the G-J Locality, and then clearing the NYCA. This sequence allowed the NYISO to take account of the capacity cleared on the Demand Curves for Localities J and K in estimating NCZ prices.¹⁰ The calculation of capacity prices took account of the simulated entry of new capacity in Load Zones G, H, I and J as well as Load Zones A through F. In addition, because the entry of new generation in Load Zones G,H, and I would reduce the LCR for J and K in future capacity market auctions, it was necessary to iterate to a final LCR ratio and simulated entry outcome.

⁹ See

<http://www.nyiso.com/public/webdocs/markets_operations/services/planning/Documents_and_Resources/Planning_Data_and_Reference_Docs/Data_and_Reference_Docs/2012_GoldBook_V3.pdf >

¹⁰ I note that the two Localities and NYCA are solved simultaneously and will continue to be after the implementation of the G-J Locality.

- 38. The necessary iterative process for deriving LCRs for Zones J and K potentially results in distinct LCRs for Load Zones J and K for each set of assumptions regarding zero crossing points and NCZ reference prices and entry prices for the new capacity in Load Zones G, H, and I.¹¹ These adjustments are necessarily approximated since it was not practical to rerun a MARS simulation of the LCR for each level of entry in Load Zones G, H, and I. Because it was not practical to rerun MARS for the cases being evaluated for each step, an approximation was used to calculate adjusted Load Zone J, Load Zone K, and G-J Locality LCRs. It was observed that the retirement/mothballing of generation located in Load Zones G, H, and I during 2012 caused an upward effect on the Load Zones J and K LCRs from 2012 and 2013. It was calculated that 51% of the megawatt increase in UCAP LCRs would be in Zone J and 49% in Zone S, H and I capacity on Zones J and K LCRs. Hence, these ratios were applied to reduce the LCRs in Load Zones J and K to the extent that generation entered or returned to service in Load Zones G, H, and I in each specific simulation.
- 39. Because Load Zone K is not included in the NCZ, it was necessary to make a second adjustment to the G-J Locality, to account for the fact that when the Load Zone K LCR was reduced, it lowered the total LCRs for each of the J, K, and G-J Localities. Thus, the G-J Locality, and Load Zone J LCRs were also increased to offset the reduction in Load Zone K LCRs.
 - Specifically, the following capacity resources were assumed to be added to the supply offered in auctions between August 2013 and August 2018:
 - Load Zones A-F (new Rest of State): 73.1 MW with the G-J Locality established and 25.8 MW without it. The difference between these amounts is an estimate of the amount of capacity that would not participate in the capacity market absent the formation of the G-J Locality because of the lack of CRIS.

¹¹ By entry prices, I mean the capacity price at which additional new gas fired capacity in the Interconnection Queue was assumed to offer in the market.

- Load Zone J: Some generation projects were assumed to offer at 75% of the Load Zone J reference price, while new natural gas-fired capacity resources were assumed to offer at 85% of the Load Zone J reference price.
- Load Zones G, H, and I: (i) 321 MW of Bowline 2 restored capacity offered at 75% of the NCZ reference price; (ii) 1579.2 MW of new natural gas-fired capacity resources (not including Bowline 2) offered at 85% of the NCZ reference price; and (iii) three 25 MW blocks of demand response offered at 50%, 80%, and 95% respectively of the NCZ reference price.

Table 4-- 2018 Auction Simulation Results (with 1000 MW
Transmission Expansion and Generation Additions)

Scenario	NYCA	Zone J	Zone K	NCZ
No NCZ (G-J)	\$8.42	\$15.98	\$9.85	
With NCZ (G-J)	\$8.14	\$15.98	\$9.85	\$9.08

August 2018

November 2018

Scenario	NYCA	Zone J	Zone K	NCZ
No NCZ (G-J)	\$7.28	\$15.69	\$7.28	
With NCZ (G-J)	\$6.80	\$15.69	\$6.80	\$10.49

40. Thus, the simulation indicated that the creation of the proposed NCZ would result in a lower price for capacity clearing against the NYCA ICAP Demand Curve, and thus a lower payment for capacity by LSEs in Load Zones A-F. It also would result in lower payments by LSEs in Load Zone K, which includes capacity to satisfy the LCR clearing at the Load Zone K ICAP Demand Curve plus excess, and remainder clearing against the

NYCA curve plus a share of excess. The capacity prices in Load Zone J would be the same in 2018 with or without a G-J Locality.

41. Table 5 shows that based on the simulation, the creation of a G-J Locality would result in increased 2018 Capacity payments in Load Zones G, H, and I. That increase is based on the portion of payments incurred to clear the LCR requirement at the G-J Locality ICAP Demand Curve plus excess, and the remainder of the NYCA requirement plus a share of excess.

2018 Dollar Impact (in Millions)					Total \$ Impact
Load	Rest of State	Zones GHI	Zone J	Zone K	
Summer with NCZ (G-J)	\$106	\$42	\$191	\$61	
Summer without NCZ (G-J)	\$109	\$41	\$191	\$61	
% Increase	-2.75%	2.43%	0%	-0%	
\$ Impact/Month	-\$3	\$1	\$0	\$0	
Winter with NCZ (G-J)	\$94	\$47	\$188	\$44	
Winter without NCZ (G-J)	\$98	\$37	\$188	\$46	
% Increase	-4%	27%	0%	-8.7%	
\$ Impact/Month	-\$5	\$10	\$0	-\$3	
Annual \$ Impact	-\$48	\$66	-\$0	-\$18	
Total \$ Impact					\$0

Table 5 - Estimated Annual Impacts on Capacity Payments for 2018

NOTE TO TABLE: All Summer/Winter figures were calculated using the monthly value, and then rounded to the nearest million dollars. All percentages were calculated based on the rounded figures.

Reference Price Equals the Average of J and NYCA 112% Zero Crossing Point 1000 MW Increase in Transmission System Transfer Capability Additional Generation August 2012 Derate Factors

D. Additional Impacts of Establishing the G-J Locality

42. In addition to evaluating the wholesale capacity price and consumer capacity payment impacts of the creation of the NCZ, I have also considered potential impacts on reliability and the environment.

- 43. The Market Monitoring Unit's two most recent State of the Market Reports have recommended the creation of an NCZ in the Lower Hudson Valley to retain existing capacity and to attract needed new capacity.¹² Approximately 900 MW of generation located in Load Zones G, H and I has retired since 2007 and an additional 400 MW of Bowline generation is on an extended derate. The size of the increase in the LCRs and capacity prices in Load Zones J and K from 2012/2013 to those approved for 2013/14 illustrates that the NYISO's current capacity market configuration has the potential to mask price signals. A more efficient price signal could help to retain capacity and attract efficient new capacity and investment which would be in the long run interests of consumers. With the creation of a G-J Locality, capacity prices in the Load Zones G, H, and I are expected to attract new investment, both in existing plants and new capacity resources, and retain economic generation.
- 44. The Patton Affidavit reiterates that the G-J Locality would address important reliability needs that "have become increasingly apparent in recent years."¹³ It also emphasizes that the G-J Locality will provide efficient price signals and will facilitate more efficient investment and retirement decisions.¹⁴
- 45. The establishment of the NYISO's proposed NCZ would increase the likelihood that approximately 125 MW of new capacity resources proposed to be located in the new Rest of State, would be developed. The development of these resources would be more environmentally friendly and can be expected to displace and have less of a physical environmental impact than existing generation.

IV. Conclusion

46. Based on the analyses described above, some consumers will not see a payment increase, and others will, as a result of the creation of the G-J Locality. All consumers in the

¹² See 2012 State of the Market Report for the New York ISO Markets (April 2013) available at http://www.nyiso.com/public/webdocs/markets_operations/documents/Studies_and_Reports/Reports/Market_Monitoring_Unit_Reports/2012/NYISO2012StateofMarketReport.pdf .

¹³ Patton Affidavit at PP 11-12.

¹⁴ Patton Affidavit at P 13.

NYCA, including consumers in Load Zones G, H, and I will benefit from improved price signals, which will lead to enhanced system reliability and transmission security, as discussed herein and in the Patton Affidavit and the Chao/Adams Affidavit.¹⁵

This concludes my Affidavit.

¹⁵ See, e.g., Patton Affidavit at PP 13, 16; Chao/Adams Affidavit at PP 33-34.

ATTESTATION

I am the witness identified in the foregoing affidavit. I have read the affidavit and am familiar with its contents. The facts set forth therein are true to the best of my knowledge, information, and belief.

Tarig Tariq N. Nia

Subscribed and sworn to before me this 30th day of April 2013.

 $\frac{\text{Panua } \text{Meab}}{\text{Notary Public}}$ $My \text{ commission expires:} \qquad 6/24/2014$

