



**Public Service
Commission**

Public Service Commission

Audrey Zibelman

Chair

Patricia L. Acampora

Gregg C. Sayre

Diane X. Burman

Commissioners

Kimberly A. Harriman

General Counsel

Kathleen H. Burgess

Secretary

Three Empire State Plaza, Albany, NY 12223-1350

www.dps.ny.gov

September 9, 2016

SENT VIA ELECTRONIC FILING

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Room 1-A209
Washington, D.C. 20426

Re: Docket No. ER16-2451-000 - ISO New England Inc.
and New England Power Pool

Dear Secretary Bose:

Attached for filing in the above-referenced proceeding, please find the Notice of Intervention and Comments of the New York State Public Service Commission. Should you have any questions regarding the attached, please feel free to contact me at (518) 402-1537.

Very truly yours,

/s/ S. Jay Goodman

S. Jay Goodman, Esq.

Assistant Counsel

Attachment

cc: Service List

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

ISO New England Inc. and New)	Docket No. ER16-2451-000
England Power Pool)	
)	
)	

**NOTICE OF INTERVENTION AND COMMENTS
OF THE NEW YORK STATE
PUBLIC SERVICE COMMISSION**

INTRODUCTION

Pursuant to Rule 214 of the Federal Energy Regulatory Commission's (Commission) Rules of Practice and Procedure, 18 C.F.R. §385.214, and the Combined Notice of Filings #1 issued herein on August 19, 2016, the New York State Public Service Commission (NYPSC) hereby submits its Notice of Intervention and Comments in response to the proposed tariff amendments filed by ISO New England Inc. (ISO-NE) and the New England Power Pool Participants Committee (collectively, the Petitioners) on August 19, 2016.¹ Petitioners' Tariff Filing proposes numerous revisions to the Forward Capacity Market (FCM) that ISO-NE administers in its control area pursuant to its Transmission, Markets and Services Tariff (Tariff). These comments focus on a

¹ Docket No. ER16-2451-000, ISO New England Inc. and New England Power Pool, Tariff Filing (dated August 19, 2016).

narrow, discrete proposal by Petitioners to accelerate the earliest date by which generators located in the New York Control Area (NYCA) may commit exports of capacity into the ISO-NE market.

Specifically, the proposed Tariff amendments include changes that pertain to qualification requirements for Import Capacity Resources participating in ISO-NE's Reconfiguration Auctions (the RA Import Proposal). The RA Import Proposal would harm the New York Independent System Operator, Inc. (NYISO) capacity market by creating a pricing inefficiency and significantly and needlessly inflating capacity prices in the NYISO market. The NYISO is currently developing market rule changes that address this pricing inefficiency, but it will not be able to resolve this complex issue in advance of the earlier date that Petitioners now propose to enable capacity imports from the NYCA.

For the reasons described below and in comments filed contemporaneously by the NYISO, the Commission should delay by one year (i.e., to October 19, 2017) the effective date of the RA Import Proposal as it pertains to capacity exports from NYCA Localities. The NYPSC is not requesting that the RA Import Proposal be delayed with respect to imports from other control

areas, or that the effective date of any other proposed Tariff amendment be delayed or otherwise modified.²

NOTICE OF INTERVENTION

The NYPSC submits its Notice of Intervention pursuant to the Commission's Notice, and Rule 214(a)(2) (18 C.F.R. §385.214) of the Commission's Rules of Practice and Procedure.³ The NYPSC requests that all correspondence and communications concerning this filing be sent to each of the following persons, and that each person be included on the Commission's official service list for this proceeding:

S. Jay Goodman, Esq.
Assistant Counsel
New York State Department
of Public Service
Three Empire State Plaza
Albany, New York 12223-1350
(518) 402-1537
jay.goodman@dps.ny.gov

William Heinrich
Manager, Policy Coordination
New York State Department
of Public Service
Three Empire State Plaza
Albany, New York 12223-1350
(518) 473-3402
william.heinrich@dps.ny.gov

² By these comments, the NYPSC is not expressing any opinion on the Tariff Filing except as it pertains to the narrow element of the RA Import Proposal described herein.

³ The views expressed herein are not intended to represent those of any individual member of the NYPSC. Pursuant to Section 12 of the New York Public Service Law, the Chair of the NYPSC is authorized to direct this filing on behalf of the NYPSC.

DISCUSSION

The Commission Should Address The Potentially Significant Cost Impacts Of The RA Import Proposal By Delaying Its Implementation And Affording The NYISO Sufficient Time To Develop Appropriate Pricing Rules

According to Petitioners, the Tariff currently provides that an Import Capacity Resource may not participate in a Capacity Commitment Period prior to the commitment period associated with the forward capacity auction in which it first participated.⁴ Petitioners seek approval of the RA Import Proposal to modify this perceived limitation to the FCM. As proposed, resource-backed Import Capacity Resources could bid for and receive Capacity Supply Obligations for a Capacity Commitment Period prior to the Capacity Commitment Period associated with the first forward capacity auction that the resource participated in. The RA Import Proposal would thus accelerate the first date by which an Import Capacity Resource may sell capacity into the ISO-NE market.

The NYISO's Market Monitoring Unit (NYISO MMU) recently identified a latent flaw in the NYISO's capacity market design that was exposed by a Capacity Supply Obligation for the ISO-NE FCM involving the 511 MW Roseton generating facility (Roseton), being secured into ISO-NE beginning in June 2018.

⁴ Tariff Filing at 7.

Roseton is located in the Lower Hudson Valley (LHV), part of NYISO's capacity-constrained G-J Locality. NYISO's existing capacity market rules treat a generator that exports capacity outside of New York (e.g., Roseton) as though it does not exist in the NYCA. The local reliability benefit that the resource supporting the export provides, however, accrues to the bulk system in NYCA even if the exporting generator is deemed non-existent by the NYISO's existing capacity market rules.

The NYISO MMU explained that the capacity market does not capture this reliability benefit in market clearing prices.⁵ According to the NYISO MMU, Roseton provides a greater reliability benefit to the G-J Locality than a similarly-sized generator that exports capacity to ISO-NE from the Rest of State (ROS) region. The MMU concluded that, under current NYISO market rules that do not capture the reliability benefit of the exporting generator, capacity exports from the G-J Locality would create a pricing inefficiency that could cause capacity clearing prices in the G-J Locality to "rise far above competitive levels," at least for the period during which

⁵ 2015 State of the Market Report for the New York ISO Markets, Potomac Economics (dated May 2016) at 117 and n.103 (NYISO Market Report), available at http://www.nyiso.com/public/webdocs/markets_operations/documents/Studies_and_Reports/Reports/Market_Monitoring_Unit_Reports/2015/NYISO%202015%20SOM%20Report_5-23-2016-CORRECTED.pdf.

capacity was sold into the ISO-NE FCM.⁶ The NYISO estimates that this market inefficiency would inflate capacity prices by potentially more than \$200 million.

The NYPSC is extremely concerned with this impending price impact and that the RA Import Proposal, as it pertains to exports from NYCA Localities, would accelerate the impact of this pricing inefficiency. The NYISO explained that Roseton currently holds a Capacity Supply Obligation for the ISO-NE FCM beginning June 2018. The RA Import Proposal, if approved, could allow such capacity exports as soon as June 2017.

The NYISO is currently developing a market solution to address this pricing inefficiency and avoid the needless inflation of capacity prices in New York. Anticipating that the pricing inefficiency would not impact the market until capacity exports commenced in June 2018, the NYISO planned to have a solution in place before that date. According to the NYISO, the RA Import Proposal to accelerate the implementation date by one year would not leave sufficient time to develop the tariff amendments necessary to address the pricing inefficiency.

The NYPSC supports the NYISO's request, being filed contemporaneously with the Commission, to implement a one-year delay to the effective date of the RA Import Proposal as it

⁶ Id. at 117.

pertains to exports from NYCA Localities. The latent capacity market flaw exposed by the recent export commitment from the LHV implicates multiple market rules and requires deliberate consideration. This issue is complex, and a permanent solution that remedies the pricing inefficiency without adverse market impacts requires time to develop.

The requested delay is therefore necessary for the NYISO and its stakeholders to determine the market rule change(s) and tariff amendments that are needed to address the pricing inefficiency described herein. Given that the Commission has not approved the RA Import Proposal for implementation, the requested delay as to a narrow element of that proposal would not upset the reasonable expectations of supply resources in New York. Importantly, the requested delay would not impede the ability of resources located in other control areas to export capacity to ISO-NE. It would, however, enable the New York capacity market to avoid a pricing inefficiency that, according to NYISO estimates, would needlessly inflate capacity prices by potentially more than \$200 million.

CONCLUSION

For the reasons described above, the NYPSC respectfully urges the Commission to delay the effective date of the RA Import Proposal by one year, as it pertains to imports from New York.

Respectfully submitted,

/s/ Paul Agresta

Paul Agresta
General Counsel
Public Service Commission
of the State of New York
By: S. Jay Goodman
Assistant Counsel
3 Empire State Plaza
Albany, New York 12223-1350
Tel: (518) 402-1537
Jay.Goodman@dps.ny.gov

Dated: September 9, 2016
Albany, New York

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.

Dated: Albany, New York
September 9, 2016

S. Jay Goodman

S. Jay Goodman
Assistant Counsel
3 Empire State Plaza
Albany, NY 12223-1305
(518) 402-1537