

**GAVIN J. DONOHUE**  
PRESIDENT & CEO

194 Washington Ave, Suite 315  
Albany, New York 12210  
P 518.436.3749  
F 518.436.0369  
IPPNY.ORG



*Via E-Mail to [deckels@nyiso.com](mailto:deckels@nyiso.com), [rpatterson@nyiso.com](mailto:rpatterson@nyiso.com)*

To: New York Independent System Operator, Inc. (“NYISO”)  
From: Matthew Schwall, Director of Market Policy & Regulatory Affairs  
Date: November 7, 2019  
Re: **Response to TO’s Proposed Demand Curve Reset Tariff Changes**

---

The Independent Power Producers of New York, Inc. (“IPPNY”)<sup>1</sup> submits these comments in response to the September 17, 2019, comments submitted by Mike Cadwalader of Atlantic Economics on behalf of the New York Transmission Owners (“TOs”) proposing changes to the NYISO’s tariff that would apply to the Installed Capacity (“ICAP”) demand curves in all regions for the next demand curve reset (“DCR”) period from Capability Years 2021-22 through 2024-25.<sup>2</sup> The TOs propose that: (1) the tariff be revised to correct three technical issues in the procedures for calculating the escalation rates that are used in the demand curves annual update; and (2) the tariff be changed to extend the price collar, a transitional mechanism adopted solely for the last DCR period, so that it would also apply to the next DCR period as well. IPPNY

---

<sup>1</sup> IPPNY is a trade association representing companies involved in the development of electric generating facilities including renewable resources, the generation, sale, and marketing of electric power, and the development of natural gas and energy storage facilities in the State of New York. IPPNY member companies produce more than 60% of New York’s electricity, utilizing almost every generation technology available today, such as wind, solar, natural gas, oil, hydro, biomass, energy storage and nuclear.

<sup>2</sup> See Proposed Changes in Escalation Rates Used in Annual Updates of ICAP Demand Curves, available at <https://www.nyiso.com/documents/20142/8107766/Transmission-Owners-Proposed-Tariff-Changes-Affecting-ICAP-Demand-Curves.pdf/f045df79-aa61-efc4-2b44-39328078d6ec>

---

**BOARD OF DIRECTORS**

Astoria Energy, LLC | Brookfield Renewable Energy Group | Brooklyn Navy Yard Cogeneration Partners | Caithness Long Island, LLC | Calpine Corporation  
Castleton Commodities International | CPV Valley Energy Center | Dominion | Dynegy, Inc. | Eastern Generation | Empire Generating Co. | Entergy Corporation  
Exelon Generation | Heort Power LLC | Invernergy, LLC | Lockport Energy Associates | LS Power | Macquarie Infrastructure and Real Assets Inc.  
NextEra Energy Resources, LLC | NRG Energy, Inc. | PSEG Power New York, LLC | Selkirk Cogen Partners, LP

takes no position on the TO's recommended tariff revisions to the procedures for calculating the escalation rates. IPPNY is, however, strongly opposed to the adoption of tariff revisions that would extend the collaring mechanism to apply to the next DCR period once the curves are recalibrated for Capability Year 2021-2022 to reflect the changes identified by the NYISO's consultants in this DCR review process.

Given the unprecedented scale and pace of electric sector investment required by the Climate Leadership and Community Protection Act ("CLCPA"), as well as pending environmental regulations expected to require roughly 3,500 MW of fossil-fueled peaking facilities in New York City and Long Island to be repowered or retired by 2025, it has never been more important that the ICAP demand curves send accurate price signals to attract private investment in new, and maintenance and repowering of existing, generation needed to meet NYISO reliability and resource adequacy requirements that are not otherwise truncated by being "collared." Extension of the collaring mechanism would, however, mute such signals. While the purpose of the collar was to provide the opportunity to test the new mechanisms adopted for this current DCR period, limiting the impact of any unintended effects, and the expectation of most was that the collar would smooth out a one-off yearly fluctuation, the experience over the last three years shows that it persistently has kept the NYISO from having a price mechanism in its markets that represents the value of capacity, as demonstrated in the case of the Long Island where the collar has been triggered in *each* yearly reset. In fact, the collar on the 2020/2021 reference point value for Long Island alone will result in

ICAP demand curve prices that are \$3.25/kW-year lower than the investment signal the market requires, which is actually 18% higher.<sup>3</sup>

Continued dampening of year-to-year reference point values by extending the collaring mechanism will both inhibit timely merchant investment in the resources mandated by the CLCPA and stymie investment in new and existing resources necessary to reliably integrate these renewable and energy storage resources into the bulk power system. By the time the following DCR period begins, New York's electric power sector will have just five years – or, roughly, one DCR – to meet the CLCPA's mandates by attracting thousands, if not tens of thousands, of megawatts of renewable energy resources to the market to meet the 70x30 target. As such, the NYISO must allow the tariff to operate by its terms with the collaring mechanism expiring at the end of the 2019/2020 Capability Year, as was the intention, and pivotal design feature, that permitted the mechanism to be supported by a subset of NYISO stakeholders for the current DCR period.

As part of the last DCR review process in 2015, the NYISO filed, and the Federal Energy Regulatory Commission (“FERC” or “Commission”) accepted, tariff revisions that extended the triennial reset period to four years and established an annual update process for certain demand curve parameters for the Capability Years between DCRs in order to more timely and accurately reflect changing market conditions and the impacts

---

<sup>3</sup> See Annual Update for 2020-2021 ICAP Demand Curves presented by Nicholas S. Whitney at the November 6, 2019, ICAPWG, available at <https://www.nyiso.com/documents/20142/9062219/2020-2021%20Annual%20Update%20110519%20ICAPWG.pdf/75d4bfe1-8b6e-bfd1-d84e-0ba7bfe80f6c>. Not illustrated in this presentation is the fact that the LI Curves have been artificially suppressed in all three of the annual updates.

of market rule enhancements.<sup>4</sup> While supportive of the new annual update process, certain stakeholders proposed the inclusion of a collaring mechanism to limit the allowable year-to-year change in reference point values for the ensuing three years to a maximum increase of 12% or a maximum decrease of 8%, compared to the prior year's applicable reference point value.<sup>5</sup> In its tariff filing to FERC, importantly, the NYISO noted that, while stakeholders generally supported the collaring mechanism as a means to reduce the potential for reference point value volatility resulting from the annual update process as this new mechanism was being tested, the construct was "intended to be a transitional measure only."<sup>6</sup> Accordingly, the NYISO's proposed tariff revisions provided:

...the collaring mechanism will only apply to the reference point values resulting from the annual updates for the 2018/2019, 2019/2020 and 2020/2021 Capability Years. It will not apply to reference point values that will be proposed for the 2017/2018 Capability Year nor is this mechanism intended to apply to any period after the 2020/2021 Capability Year. This transitional mechanism is reasonable and designed to minimize the potential for unanticipated, significant volatility in ICAP Demand Curve values upon the initial implementation of the annual update procedures.<sup>7</sup>

IPPNY did not oppose stakeholders' proposed collaring of the annual update reference point values precisely due to the temporary, and mutually agreed upon, purpose of the mechanism to minimize "unanticipated, significant volatility" potentially resulting from the new and untested annual update process. Similarly, it was the transitional nature of the collaring mechanism that FERC found to be just and

---

<sup>4</sup> *New York Indep. Sys. Operator, Inc.*, Proposed Services Tariff Revisions to Implement Enhancements to the Periodic Reviews of the ICAP Demand Curves, Docket No. ER16-1751-000 (May 20, 2016), at pgs. 9-10.

<sup>5</sup> *Id.* at pg. 16.

<sup>6</sup> *Id.* at pg. 17.

<sup>7</sup> *Id.* at pg. 17.

reasonable in its order accepting the NYISO's proposed tariff revisions. Specifically, FERC found:

In regards to the reference point price collar mechanism, we find the transitional mechanism to be just and reasonable for the application of the next DCR. The transitional mechanism provides an acceptable mitigation to stakeholder concerns regarding the potential for price volatility.<sup>8</sup>

The emphasis in the NYISO's tariff language and filing letter that the collaring mechanism is only temporary to address unanticipated volatility potentially resulting from the new annual update process and the Commission's repeated reference to the collaring mechanism as transitional indicates that the Commission's basis for finding the mechanism just and reasonable was, exactly that, its transitional nature.

The NYISO and its stakeholders have had three years of experience with the annual update process. It has, in fact, worked as intended. There is thus no basis to argue that the annual update process has the potential to produce unanticipated, significant volatility. In fact, the collaring mechanism has the potential to increase volatility between reset periods. By limiting the annual changes in reference prices, the reference price for the last year of a DCR period will be artificially lower thereby increasing the gap between that final year and the first year of the next DCR period. Indeed, one of the benefits of the annual update process is to reduce or eliminate the one-time "step changes" in reference prices from one reset to the next. Where, as here, a collaring mechanism would not produce an efficient outcome, the Commission

---

<sup>8</sup> 156 FERC ¶ 61,039, Order Accepting Tariff Revisions Subject to Condition. Docket No. ER16-1751-000, (July 18, 2016), at 28 (emphasis added).

previously has rejected proposed mechanisms that moderate changes in market prices, underscoring its “long-standing policy of preventing inefficient outcomes.”<sup>9</sup> Because the annual update process has been proven effectual, revising the NYISO tariff to permit a collaring mechanism to be extended anew and applied to the next DCR period has no basis, and thus, such direct price suppression would not be just and reasonable.

IPPNY appreciates the opportunity to comment.

Respectfully submitted,

/s/ Matthew Schwall

Matthew S. Schwall  
Director, Market Policy & Regulatory Affairs  
IPPNY  
matthew.schwall@ippny.org

---

<sup>9</sup> N.Y. Indep. Sys. Operator, Inc., 147 FERC ¶ 61,148 (2014), at P 59.