UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION


COMMENTS OF THE ELECTRIC POWER SUPPLY ASSOCIATION

Pursuant to Rule 212 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("FERC" or the "Commission"), 18 C.F.R. § 385.212 (2014), the Electric Power Supply Association ("EPSA")\(^1\) submits these comments in response to the New York Independent System Operator, Inc.'s ("NYISO") February 18, 2015 filing in the above-captioned proceeding.\(^2\) In this proceeding, the NYISO proposes amendments to its Market Administration and Control Area Services Tariff ("Services Tariff") and Open Access Transmission Tariff ("OATT") to revise its existing Operating Reserve Demand Curves, establish a new Operating Reserve Demand Curve, as well as revise its Regulation Service Demand Curve and Transmission Shortage Cost values (this is the Comprehensive Shortage Pricing project, or "CSP Project"). EPSA supports the CSP Project tariff revisions and requests that the Commission approve the revisions and direct the NYISO to make the amendments effective as soon as the necessary software changes are deployed this June.

\(^{1}\) EPSA is the national trade association representing leading competitive power suppliers, including generators and marketers. Competitive suppliers, which collectively account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. EPSA seeks to bring the benefits of competition to all power customers. The comments contained in this filing represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue. EPSA filed a doc-less Motion to Intervene in this proceeding on March 11, 2015.

I. BACKGROUND

The CSP Project would increase the statewide Operating Reserves requirement and procure a portion of this increased requirement in the southeastern New York ("SENY") electrical area (an area comprised of Load Zones G, H, I, J, and K). The NYISO Filing states tariff amendments are necessary to establish a new Operating Reserve Demand Curve for SENY, as well as properly align the values in the NYISO’s existing Operating Reserve Demand Curves, Regulation Service Demand Curve and Transmission Shortage Cost curve with the increased reserves requirement and the new SENY reserves region. The NYISO Management Committee approved the CSP Project changes with a stakeholder vote of 83.96% in support. The NYISO requests a FERC Order by April 20, 2015, to allow the NYISO to proceed with developing and deploying the software changes necessary to implement the CSP Project. The NYISO requests “a flexible effective date” for the proposed CSP Project tariff changes “which will be no earlier than November 1, 2015,” although, the NYISO indicates it currently remains on schedule to deploy the software changes necessary to implement its CSP Project in June 2015.

II. COMMENTS

The NYISO explains that the CSP Project will improve the reflection of operator actions in Energy Market pricing outcomes, thereby improving market efficiency and pricing transparency. Further, the ISO states the proposed shortage pricing enhancements will “significantly improve the performance of the generator fleet during

---

3 NYISO Filing at 2.
4 Id.
5 Id. at 17; see also fn. 42.
critical operating periods, such as the polar vortex conditions experienced during the 2013-2014 winter period.”

EPSA has for some time now generally called for such market reforms in the ISOs/RTOs across the energy, capacity and ancillary services markets to address pricing and operational issues presented by a changing grid, and therefore, supports the CSP Project revisions.

Among other things, the NYISO indicates the CSP Project revisions are intended to provide market signals that align with actual reliability needs of the New York Control Area (“NYCA”) at times when actions are being taken to maintain reliability. Further, the revisions are intended to provide resources the correct incentives to follow NYISO instructions for meeting NYCA reliability and create incentives for investment in the areas that need it most, including fuel assurance. Also, the revisions are intended to promote additional response from demand response and distributed energy providers when needed. The CSP Project is a component of the ISO’s broader effort to address fuel assurance issues related to generator performance and system reliability.

The Market Monitoring Unit (“MMU”) affidavit accompanying the NYISO Filing outlines the benefits and improved market efficiency derived from the proposal, and, further, notes the changes address several market deficiencies that the MMU has previously identified. Importantly, the NYISO Filing states that the ISO’s recent bid

---

6 Id. at 2.
9 NYISO Filing, Affidavit of Pallas LeeVanSchaik, Ph.D., Vice President, Potomac Economics (serves as the Market Monitoring Unit for the New York ISO), Sections III and IV.
information for eligible generators showed that bid and start-up costs greatly exceeded current shortage pricing levels and would have left a significant amount of the generating capacity unavailable for economic commitment during peak hours for the Summer 2013 and Winter 2013-2014 Capability Periods.\textsuperscript{10} Accordingly, the CSP Proposal reflects changes to increase the maximum Operating Reserve Demand Curve value for NYCA 30-minutes reserves from $200/MWh to $750/MWh to better reflect operator actions that may be taken to maintain 30-minute reserves.\textsuperscript{11} This revised value more appropriately reflects potential bid and start-up costs of eligible generators.\textsuperscript{12} The CSP Project also better aligns shortage pricing with neighboring regions, ensuring appropriate market responses during system-wide scarcity conditions, including ensuring energy is retained in New York during critical operating periods.\textsuperscript{13}

The NYISO Filing makes a persuasive case, including with the accompanying MMU affidavit, for these shortage pricing enhancements to improve market efficiency and incent performance. EPSA urges the Commission to approve the changes by April 20, 2015, as requested, and agrees such revisions are critical to the development of appropriate price signals during scarcity conditions. However, the NYISO has requested a “flexible effective date” for these provisions “which will be no earlier than November 1, 2015” and a compliance filing process for implementation that appears unnecessary in light of the fact the ISO has indicated it is currently on schedule to deploy the software changes necessary to implement the CSP Project in June 2015.\textsuperscript{14}

\textsuperscript{10} NYISO Filing at 7.
\textsuperscript{11} Id.
\textsuperscript{12} Id.
\textsuperscript{13} Id. at 9.
\textsuperscript{14} Id. at 17, fn. 42.
In particular, these benefits could be derived as early as this summer to address identified transmission constraints on the system during high load periods, which occur most frequently during summer peak periods. Therefore, EPSA urges the Commission to require the NYISO to make the CSP Project revisions effective as soon as the necessary software changes are deployed this June 2015 to facilitate reliability and market efficiency.

III. CONCLUSION

WHEREFORE, EPSA respectfully requests that the Commission accept the NYISO Filing and direct the NYISO to make the CSP Project changes effective as soon as the necessary software changes are deployed this June, as discussed above.

Respectfully submitted,

/s/Nancy Bagot

Nancy Bagot, Senior Vice President
Sharon Theodore, Director of Regulatory Affairs
Electric Power Supply Association
1401 New York Avenue, NW, 12th Floor
Washington, DC 20005
(202) 628-8200
NancyB@epsa.org

Dated: March 11, 2015

15 Id. at 4, fn. 15.
CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the comments via email upon each person designated on the official service list compiled by the Secretary in this proceeding.


/s/Nancy Bagot

Nancy Bagot, Senior Vice President