

161 FERC ¶ 61,101
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;
Cheryl A. LaFleur, and Robert F. Powelson.

New York Independent System Operator, Inc.

Docket No. ER17-446-003

ORDER DENYING REHEARING AND
GRANTING CLARIFICATION IN PART

(Issued October 25, 2017)

1. On February 24, 2017, NRG Power Marketing LLC and GenOn Energy Management, LLC (collectively, NRG) filed a request for rehearing of the January 27, 2017 order in this proceeding accepting, in part, subject to condition, and rejecting, in part, revisions proposed by the New York Independent System Operator, Inc. (NYISO) to its Market Administration and Control Area Services Tariff (Tariff) to correct a pricing inefficiency in its Installed Capacity (ICAP) markets.¹ For the reasons discussed below, we deny NRG's request for rehearing, but grant clarification of the January 27 Order in part.

I. Background

2. NYISO developed the revisions proposed in its November 2016 filing to address the situation where a generator exports power out of an Import Constrained Locality,² thereby creating increased counter-flow on the transmission constraint(s) between that Locality and the other zones in the New York Control Area (Rest of State).³ NYISO proposed to use a "Locality Exchange Factor," reflected as a percentage, to calculate the

¹ *N.Y. Indep. Sys. Operator, Inc.*, 158 FERC ¶ 61,064 (2017) (January 27 Order).

² Import Constrained Localities have limited import capabilities due to transmission constraints, and currently include New York City (Load Zone J) and the G-J Locality. *See id.* P 2 n.2.

³ *Id.* P 2.

amount of Rest of State generation that can be brought into the Locality to replace a portion of the exported capacity. NYISO would multiply this factor—47.8 percent for the G-J Locality—by the amount of exported capacity to determine the additional capacity that can be procured from outside the Locality as a result of the export. The Locational Minimum Unforced Capacity Requirements⁴ accordingly would be decreased by this amount to ensure that ICAP Spot Market Auction price signals reflect the portion of exported capacity that can be replaced by capacity located in Rest of State.⁵

3. NRG, among others, protested NYISO's filing. As relevant here, NRG expressed concern with NYISO's apparent assumption that the exporting resource would continue to provide capacity benefits to its Import Constrained Locality indefinitely through the counter-flows created by its exports, and thus should continue to have the Locality Exchange Factor applied to its exports on an ongoing and indefinite basis.⁶ NRG pointed out that resources that stop participating in the NYISO ICAP markets for three years (e.g., by continuously exporting capacity outside of NYISO) are deemed to have lost their Capacity Resource Interconnection Service (CRIS) rights under NYISO's Tariff. NRG asserted that NYISO should clarify that any capacity market discount should cease once an exporting resource has lost its CRIS rights.⁷

4. The Commission was not persuaded by NRG's objections and, in the January 27 Order, accepted NYISO's proposal as a just and reasonable method of ensuring that pricing within Import Constrained Localities reflects actual market conditions.⁸ However, the Commission rejected the proposed one-year transition mechanism for

⁴ Locational Minimum Unforced Capacity Requirements represent the amount of capacity that load-serving entities must obtain from within an Import Constrained Locality based on forecasted peak load, the Installed Reserve Margin for the New York Control Area, and derating factors for resources in the area. *See* New York Independent System Operator, Inc., Installed Capacity Manual, at §§ 1, 2.6, 3.6.1 (Mar. 2017), http://www.nyiso.com/public/webdocs/markets_operations/documents/Manuals_and_Guides/Manuals/Operations/icap_mnl.pdf (Installed Capacity Manual).

⁵ *See* January 27 Order, 158 FERC ¶ 61,064 at PP 6-9.

⁶ NRG December 22, 2016 Protest at 17.

⁷ *Id.*

⁸ January 27 Order, 158 FERC ¶ 61,064 at PP 35, 40.

implementing the Locality Exchange Factor and directed NYISO to submit a compliance filing removing this aspect of its proposal.⁹

II. Commission Determination

5. On rehearing, NRG argues that the Commission failed to respond meaningfully to the concerns raised in its protest regarding how a generator who loses its CRIS rights ought to be considered in reliability and planning models.¹⁰ NRG asks the Commission to grant rehearing and clarify that resource adequacy benefits cannot be claimed once a resource loses its injection rights in New York¹¹ or, in the alternative, grant clarification that if a unit exports and loses its CRIS rights after three years, it will not be counted in Installed Reserve Margin modeling.¹² We deny rehearing and grant clarification in part, as discussed further below.

6. As an initial matter, we deem NRG's request for the Commission to clarify its finding in the January 27 Order regarding how a generator that loses its CRIS rights should be considered for purposes of the Locality Exchange Factor methodology to be a request for clarification, rather than a request for rehearing. NRG alleges that the Commission erred in approving NYISO's filing without fully addressing NRG's concerns

⁹ *Id.* PP 55-61. NYISO's compliance filing was accepted by delegated letter order on October 24, 2017. *N.Y. Indep. Sys. Operator, Inc.*, Docket Nos. ER17-446-001 and ER17-446-002 (Oct. 24, 2017) (delegated letter order).

¹⁰ NRG Rehearing and Clarification Request at 2.

¹¹ *Id.* at 3-6.

¹² *Id.* at 6-7. The Installed Reserve Margin, established annually by the New York State Reliability Council, is designed to maintain a level of resource adequacy such that the probability of disconnecting firm load due to a resource deficiency is no more than once in 10 years, after accounting for scheduled and forced outages and deratings, assistance over interconnections with neighboring control areas, and capacity or load relief from available operating procedures. Installed Capacity Manual at § 2.3.

on this point.¹³ The express relief it seeks is for the Commission to clarify a statement in the January 27 Order rather than to change the Commission's determination.¹⁴

7. After considering NRG's pleading, however, we have determined that the language in the January 27 Order addressing the relationship between the Locality Exchange Factor and CRIS rights may cause confusion, and therefore will grant NRG's request to more precisely address its question regarding whether the Locality Exchange Factor should apply to a resource that has lost its CRIS rights.

8. In the January 27 Order, the Commission responded to NRG's concern that the Locality Exchange Factor proposal conflicted with NYISO's interconnection rules as follows:

If a generator fails to maintain its CRIS rights, it may not participate in NYISO's ICAP markets. However, that situation does not call for an end to NYISO's Locality Exchange Factor methodology. The same conditions still exist in terms of the generator's exporting capacity's effects on counter-flowers in to the Locality.¹⁵

According to NRG, this response fails to address its concerns because the Commission "has not made clear that a unit that has lost its CRIS rights should no longer be assumed to be operating in reliability planning models."¹⁶ NRG goes on to argue that, while a resource that has lost its injection rights in New York may still create counter-flow benefits in its Locality, it should not be able to claim *resource adequacy* benefits because units that no longer have CRIS rights are not modeled in the Installed Reserve Margin analysis, and thus the Locality Exchange Factor should not be applied to the resource's exports (except perhaps for any incremental megawatts sold beyond what was already

¹³ NRG Rehearing and Clarification Request at 2, 6.

¹⁴ To the extent that NRG nevertheless intends to seek rehearing of the Commission's determination in the January 27 Order to accept NYISO's proposed Locality Exchange Factor in part, subject to condition, we deny rehearing. We affirm that the proposed Locality Exchange Factor methodology is just and reasonable, and we continue to find that NRG's questions regarding the treatment of resources that have lost their CRIS rights do not render the Locality Exchange Factor methodology unjust and unreasonable. January 27 Order, 158 FERC ¶ 61,064 at PP 35, 40.

¹⁵ *Id.* P 40.

¹⁶ NRG Rehearing and Clarification Request at 3-4.

captured in setting the Installed Reserve Margin).¹⁷ NRG's argument suggests that it might interpret the statement in the January 27 Order that "[t]he same conditions still exist" to mean that the Locality Exchange Factor should still be applied to exported capacity associated with a resource that has lost its CRIS rights by failing to participate in the NYISO ICAP markets for three years, because the exporting generator is still creating counter-flows that enable capacity to be replaced from outside of the Locality in which it is located.¹⁸

9. As the Commission intended to convey in the January 27 Order, under the existing NYISO Tariff, the Locality Exchange Factor will not apply to the exported capacity of a generator that has failed to maintain its CRIS rights. Specifically, per the Tariff provisions accepted in the January 27 Order, the Locality Exchange Factor is determined as a percentage of "Locational Export Capacity," defined as "[t]he MW of a Generator electrically located in an Import Constrained Locality that (a) has Capacity Resource Interconnection Service [CRIS rights]. . . ."¹⁹ A resource that stops participating in NYISO's ICAP markets for three years (e.g., continuously exports capacity outside of NYISO) and loses its CRIS rights therefore will no longer be accounted for in the Locational Export Capacity. As the Locality Exchange Factor is applied only to Locational Export Capacity, it would by definition *not* apply to exports from a resource that has lost its CRIS rights. Accordingly, we grant clarification to confirm that the Locality Exchange Factor would not apply to reduce the amount of capacity that must be procured from within an Import Constrained Locality based on the exports of a resource that has lost its CRIS rights.

10. With respect to NRG's alternative request for clarification,²⁰ it is our understanding that a unit that exports and loses its CRIS rights after three years would not be counted in Installed Reserve Margin modeling. However, Installed Reserve Margin modelling is performed by the New York State Reliability Council, not NYISO, and we find questions regarding the establishment of the Installed Reserve Margin to be beyond the scope of this proceeding regarding NYISO's proposed revisions to its ICAP market

¹⁷ *Id.* at 4-6.

¹⁸ *See id.* at 6 (contending that "if what the Commission intends is that the unit [that has lost its CRIS rights] would still be modeled IN for the NYISO planning/resource adequacy modeling, this means that less capacity needs to be procured to meet reliability targets in New York," which would be "inconsistent with current practices").

¹⁹ New York Independent System Operator, Inc., NYISO Tariffs, NYISO MST, 2.12 MST Definitions – L.

²⁰ NRG Rehearing and Clarification Request at 6-7.

design. Accordingly, we dismiss NRG's alternative clarification request as beyond the scope of this proceeding.

The Commission orders:

(A) The request for rehearing is denied, as discussed in the body of this order.

(B) The request for clarification is hereby granted in part and dismissed in part, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.