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March 17, 2020

New York Independent System Operator (NYISO)
10 Krey Boulevard
Rensselaer, NY

Via email: rdewey@nyiso.com; sjohnson@nyiso.com; mde socio@nyiso.com

Re: Comments on NYISO's Proposal for Renewable Exemptions Cap for BSM

Mssrs. Dewey, Johnson, and DeSocio

The Alliance for Clean Energy New York (ACE NY) respectfully submits the following brief comments to the New York Independent System Operator (NYISO) regarding the NYISO's proposal regarding a BSM exemption cap for renewable generation.

ACE NY is a nonprofit membership organization whose mission is to promote clean energy, energy efficiency, a healthy environment and a strong economy for New York State. This diverse coalition includes private renewable energy and energy efficiency companies, environmental and economic development organizations, academic institutions, and consultants to the energy sector. The clean energy technologies represented by ACE NY members include land-based wind, offshore wind, hydropower, biomass, biogas, fuel cells, energy efficiency, energy storage, distributed wind, and solar.

ACE NY thanks the NYISO for its proposal as presented at the March 10, 2020 joint meeting of the Market Issues Working Group (MIWG), Installed Capacity Working Group (ICAPWG) and Price Responsive Load Working Group (PRLWG). ACE NY supports the proposal, with the exception of the need to increase the size of the price impact parameter, for the reasons described below.

First, it is important to be clear that ACE NY opposes the entire concept of buyer-side market power mitigation, especially as it applies to state supported clean energy actions. It couldn't be more clear that NY State's clean energy programs are motivated by the imperative to address climate change, and not by any desire to suppress the market price of electricity, much like the

policy decisions on clean energy by countries throughout the world are not motivated by a desire to suppress the market price of electricity. It is absurd, and counterproductive, for buyer side mitigation to be applied to the renewable generators that flow from these clean energy programs. ACE NY understands, however, that the NYISO is in a position where it must comply with the orders of the Federal Energy Regulatory Commission. ACE NY's comments on the NYISO's exemption proposal therefore should be interpreted as narrowly focused on the proposal itself, and should not be taken to imply any support for the general concept of buyer-side mitigation of renewable generation facilities.

The NYISO is correct to propose that the exemptions be the greater of the two calculations that have been proposed. One of the calculations is based on a capacity market price effect of \$0.50 per KW-year. This calculation is a price impact measure that examines the effect of the exemptions on the capacity market price, relative to the price that otherwise would be in effect absent the exemptions. This is one type of price impact measure. The second calculation looks at the change in the market price that is expected to occur over time for reasons other than the exemption – factors like load growth, retirements, and changes in the UCAP requirement for the mitigation localities. It calculates the amount of exemptions that could be implemented that would leave the market price of capacity in the applicable year no lower than it was in a prior year. This is an example of a price impact measure that is measured over time. This component of the proposal allows an amount of exemptions that yield a capacity price that is no lower than the market's capacity price from a prior year. To summarize, the NYISO's proposal incorporates both types of price impact measures. Price impacts are properly measured in both of the ways that are imbedded in the NYISO's proposal. The NYISO is correct to specify that the allowed renewable exemptions be set to the greater of the two types of price impacts. More specifically, if the \$0.50 per KW-month calculation yields a market price exceeds the market price from the relevant previous period, it is appropriate to switch to the alternative calculation which allows additional exemptions up to the point that the market realizes no change in market price of capacity from the combination of the exemption effects and the non-exemption effects. This is a very reasonable approach and is one that ACE NY supports.

ACE NY also supports the NYISO's banking feature. As explained by the NYISO at the March 10 meeting, retirements can come in lumpy patterns. The banking feature acts to smooth out the effects of big changes in the amount of retirements, and other factors, from one year to the next. This makes sense.

An important deficiency in the proposal is the price impact parameter which, at \$0.50 per KW-month, is too small. For example, according to the NYISO's March 10, 2020 presentation at the

ICAP/MIWG/PRLWG meeting, it yields just 67 MW (UCAP) of exemptions for Zone J (New York City). Given the large amount of offshore wind MWs that are expected to come online in Zone J over the next ten years, this small number of MWs badly fails to strike a reasonable balance between the need to accommodate the State's clean energy policy and the concern about the price impact caused by the entry of new renewable generation capacity into the market. It needs to be noted that excess supply and low market prices are common characteristics of an industry undergoing a significant technological transformation. Proper policy should not excessively prop up the market price during such a transformation, especially if it comes at the expense of harming the new preferred technology that is entering. ACE NY recommends that a price impact parameter set at the level of \$1.00 per KW-month or higher strikes a much better balance.

ACE NY is also concerned that the proposal, as presented at the March 10, 2020 meeting, is incomplete and unclear, especially with regard to the allocation of exemptions across mitigation regions. Specifically, the Zone J mitigation locality is nested within the Zone G,H,I,J locality. The calculations spelled out by the proposal appear to be meant to be done for each of the two mitigation localities. This will yield two exemption amounts, presumably with the larger locality having a larger amount of exemptions than the smaller Zone J mitigation locality. The NYISO needs to spell out in an unambiguous manner precisely how the approach will apportion the total exemptions between Zone J, on the one hand, and Zones G, H, and I on the other hand.

ACE NY appreciates the NYISO's work on this important issues and stands ready to provide additional feedback as necessary.

Sincerely,

A handwritten signature in cursive script that reads "Anne Reynolds".

Anne Reynolds, Executive Director, ACE NY