



July \_\_, 2018

Roger Clayton, Chairman  
Executive Committee  
New York State Reliability Council

Subject: Compliance of Methodology to Determine Locational Minimum Installed Capacity Requirements with New York State Reliability Council Reliability Rules

Dear Mr. Clayton:

On June 5, 2018, the New York Independent System Operator, Inc. (“NYISO”) filed with the Federal Energy Regulatory Commission (“FERC”) proposed revisions to Section 5.11 of its Market Administration and Control Area Services Tariff (“Services Tariff”) to revise the rules by which the Locational Minimum Installed Capacity Requirement (“LCR”) for each Locality<sup>1</sup> will be determined. The proposed revisions would establish a more robust, transparent, and predictable methodology for developing LCRs than the current LCR calculation methodology.

The proposed revisions are designed to maintain reliability while optimizing the amount of capacity required in each of the Localities and to provide for a lower capacity procurement cost for the New York Control Area (“NYCA”) as a whole. The New York State Reliability Council (“NYSRC”) Reliability Compliance Monitoring Subcommittee has requested that the NYISO certify that the proposed methodology is compliant with NYSRC Reliability Rule A.2 – “Establishing Load Serving Entity Installed Capacity Requirements,” Requirements R1 and R1.1 through R1.4.

NYSRC Policy 4-8, Procedure for Monitoring Compliance with the NYSRC Reliability Rules, does not contemplate self-certification until after a requirement is met and evidence of compliance is available to accompany the self-certification. Consequently, there is no approved NYRSC form for a “pre-certification” as is requested here. As such, the NYISO provides this letter to give NYSRC the requested assurance that the changes NYISO has proposed to the LCR calculation methodology—if approved as filed with FERC—will utilize and respect the criteria set forth in Rule A.2 R1.1- R.1.4, as demonstrated below.

*R1.1 The NYISO LCR analysis shall use the IRM established by the NYSRC as determined in accordance with Reliability Rule A.1.*

In its June 5, 2018 FERC filing, the NYISO stated the proposed new methodology will determine LCRs while “respecting the NYSRC-approved IRM” (Filing letter at 3). Accordingly,

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<sup>1</sup> Capitalized terms not otherwise defined in this filing letter shall have the meaning specified in the Services Tariff.

as was the case with the prior LCR methodology, the NYISO's new LCR methodology will use the IRM approved by the NYSRC as called for in R1.1.

*R1.2 The NYISO LCR analysis shall maintain a LOLE of 0.1 days/year, as specified by the Requirement A.1: R1.1.*

The NYISO's June 5, 2018 filing proposes adding new language to Section 5.11.4 of the Services Tariff entitled "LSE Locational Minimum Installed Capacity Requirements" to establish its new LCR setting methodology. New Section 5.11.4(b) adds an explicit requirement that when computing LCRs, the NYISO shall "maintain the loss of load expectation of no more than 0.1 days per year . . . ." This tariff language assures that the NYISO will compute LCRs consistent with R1.2.

*R1.3 The NYISO LCR analysis shall use the software, load and capacity data, and models consistent with that utilized by the NYSRC for its determination of the IRM, as described in Sections 3.2 and 3.5 of NYSRC Policy 5, "Procedure for Establishing NYCA Installed Capacity Requirements."*

Following FERC approval of the new LCR methodology, the NYISO will prepare and post an updated Locational Capacity Requirement Calculation Process,<sup>2</sup> which will describe in detail the software, load and capacity data, and models used in determining LCRs that will be consistent with that utilized by the NYSRC for its determination of the IRM.

*R1.4 The NYISO shall document the procedures used to calculate the LCRs. R1.5 The NYISO shall prepare a report for the next Capability Year describing the analyses for establishing (1) LSE ICAP requirements, and (2) LCRs for applicable NYCA zones, prepared in accordance with R1.1 through R1.3.*

Each year the NYISO has documented its procedures used to calculate the LCRs in a report to the NYSRC as called for in R1.4, and the NYISO will continue to do so using its new LCR calculation methodology.

Finally, the NYISO assures the NYSRC that it will comply with the requirements of A.2 R.3 should it encounter any capacity deficiencies as it implements its new LCR methodology. In that event, the NYISO would notify LSEs "that are determined to be deficient in meeting their ICAP requirements, including LCRs, for the next Capacity Year." Moreover, "[t]he NYSRC shall be immediately notified of such capacity deficiencies, including any measures that may be planned to minimize reliability impacts."

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<sup>2</sup> See current Locational Capacity Requirement Calculation Process, posted at: [http://www.nyiso.com/public/webdocs/markets\\_operations/market\\_data/icap/Reference\\_Documents/LCR\\_Calculation\\_Process/LCR%20Calculation%20Process%202012\\_13\\_13.pdf](http://www.nyiso.com/public/webdocs/markets_operations/market_data/icap/Reference_Documents/LCR_Calculation_Process/LCR%20Calculation%20Process%202012_13_13.pdf). Last accessed on July \_\_, 2018.

Please do not hesitate to contact me with any questions or comments concerning this submission. The NYISO looks forward to working with the NYSRC as it implements the revised LCR calculation methodology.

Sincerely,

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Rick Gonzales  
Chief Operating Officer  
New York Independent System Operator, Inc.

cc: Robert E. Fernandez, NYISO General Counsel