

**Report on**  
**CURRENT MARKET INITIATIVES RELEVANT TO RELIABILITY**  
**January 12, 2017**

**1) Reforming the Energy Vision (REV)**

The NYS Public Service Commission (PSC) initiated the “Proceeding on Reforming the Energy Vision (REV)” with the goal of aligning electric utility practices and the regulatory paradigm with technological advances in information management, power generation, and distribution. These changes include:

- A new business model in which Distributed Energy Resources (DERs) become a primary tool in the planning and operation of electricity systems. Utilities would be encouraged to invest in DERs that help to avoid or defer the need for more historically traditional distribution system investments.
- The establishment of a Distributed System Platform Provider (DSP) that actively manages and coordinates DERs while providing a market in which customers are able to utilize DERs in response to dynamic system conditions. Such customers would provide, and be compensated for, any system benefits associated with their responses.

**Implications to Reliability:** Enhanced system reliability and resiliency through distributed resource availability and active management of load consumption based upon market conditions.

**Update:** The NYISO is supporting efforts by the Joint Utilities reviewing ISO-DSP Interaction and Coordination. On November 17, 2016 FERC issued a Notice of Proposed Rulemaking (NOPR) that would require each RTO and ISO to revise its tariff to establish a participation model for storage resources in wholesale markets and define distributed energy resource aggregators as a type of market participant that can participate in organize wholesale markets.

## 2) Locational Capacity Requirements (LCR): Review of Alternate Methodologies

The NYISO has initiated stakeholder discussion on evaluating alternate methodologies for setting LCRs. There are multiple possible approaches to determine the LCR requirement for a Capacity Zone after the IRM has been set under NYSRC's Policy 5. NYISO recognizes that some methodologies may require modifications to Policy 5, which must be approved by the NYSRC.

**Implications to Reliability:** Enhanced system reliability and resiliency through resource availability and improved planning processes, and improved market efficiency and transparency.

**Update:** NYISO continued discussions with stakeholders on alternative methods for determining Locational Minimum Installed Capacity Requirements (LCRs). This effort will look for ways to optimize LCRs based on minimizing capacity costs statewide while maintaining minimum Loss of Load Expectation criteria, and address any cost allocation rules to ensure that loads are paying their fair share of capacity costs. The NYISO is continuing analysis and discussions on the viability and stability of the process, and will discuss these with stakeholders and NYSRC's ICS committee.

## 3) Energy Storage Resource Integration

Since the announcement of the NYS PSC REV initiative, there has been a growing interest in wholesale market participation of storage resources. Currently the NYISO has several resource classifications that can accommodate participation of storage in the wholesale markets that include: (1) Energy Limited Resource (ELR); (2) Limited Energy Storage Resource (LESR); and, (3) Demand Side Ancillary Services Program (DSASP). New storage resource characteristics may facilitate additional opportunities to participate in the markets.

**Implications to Reliability:** Energy storage resources represent a new class of equipment looking to participate in the markets and reliability services. Understanding the characteristics of the equipment and their capabilities, relative to the expectations of the reliability services, is necessary to ensure compliance with reliability standards.

**Update:** The NYISO initiated discussions in the market issues working group to engage stakeholders in a review of resource characteristics, existing market rules that define the opportunities for storage resources to participate in the markets and an evaluation of revisions that may be necessary to accommodate new storage resources. At the end of September, NYISO reviewed market concepts and an anticipated timeline for pursuing revisions to the market capabilities. On November 17, 2016 FERC issued a Notice of Proposed Rulemaking (NOPR) that would require each RTO and ISO to revise its tariff to establish a participation model for storage resources in wholesale markets and define distributed energy resource aggregators as a type of market participant that can participate in organize wholesale markets.

#### 4) Capacity Exports from Localities

The NYISO MMU has raised concerns with the capacity market pricing outcomes if resources located in import constrained localities sell their capacity to external control areas. Currently, Roseton has been awarded a forward capacity market obligation for the 2018/2019 period. ISO-NE is pursuing changes that would accelerate opportunities for participation and would allow resources to participate in the 2017/2018 auctions.

**Implications to Reliability:** The NYISO does not expect negative impacts to reliability.

**Update:** Stakeholders approved an approach for reflecting Capacity Exports from Localities in the 2017/2018 Capacity Markets, encouraging ongoing analysis and development of markets rules for enhancing the modeling treatment for future years and providing for a default treatment for future years if additional modifications are not approved. NYISO has commenced stakeholder conversations in an effort to prioritize the items to be pursued.