146 FERC ¶ 61,155
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;
Philip D. Moeller, John R. Norris,
and Tony Clark.

New York Independent System Operator, Inc. Docket No. ER14-864-000

ORDER CONDITIONALLY ACCEPTING TARIFF FILING

(Issued March 4, 2014)

1. On December 27, 2013, the New York Independent System Operator, Inc. (NYISO) filed proposed tariff amendments to its Market Administration and Control Area Services Tariff (Services Tariff) [1] to simplify and improve the Real-Time Market pricing rules that apply at NYISO's external Proxy Generator Buses.[2] For the reasons discussed below, the Commission accepts the proposed tariff revisions to be effective April 8, 2014, as requested, subject to a further compliance filing with the Commission as discussed below.

I. Background

2. NYISO states that it currently has 49 different pricing rules that are used to determine prices at its external Proxy Generator Buses for External Transactions.[3] NYISO notes that additional Proxy Generator Bus pricing rules which pertain to the

[1] New York Independent System Operator, Inc., FERC FPA Electric Tariff, NYISO Tariffs; NYISO MST, 4.5 MST Real Time Market Settlements, 7.0.0; NYISO MST, 4.6 MST Payments, 4.0.0; NYISO MST, 17.1 MST Att B LBMP Calculation, 8.0.0; and NYISO MST, 18 MST Attachment C - Formulas For Determining Bid Production, 6.0.0.

[2] Proxy Buses represent the locations where interchange between the New York Control Area (NYCA) and neighboring Control Areas are scheduled. A Proxy Generator Bus is a proxy bus located outside NYCA that is selected by NYISO to represent a typical bus in an adjacent Control Area for which Locational Based Marginal Prices (LBMP) are calculated. *See, e.g.*, Services Tariff § 2.16.

[3] *See* Services Tariff § 17.1.6.

pricing of Coordinated Transaction Scheduling (CTS) enabled Proxy Generator Buses were accepted by the Commission,[4] and are expected to take effect November 2014 in connection with CTS implementation with PJM Interconnection L.L.C. (PJM).[5] NYISO states that the seven revised pricing rules would apply to all Proxy Generator Buses.

3. NYISO explains that the determination of which pricing rule to apply is based upon: (1) whether the Proxy Generator Bus is "competitive" or "non-competitive";[6] (2) whether the Proxy Generator Bus is associated with a "designated scheduled line";[7] (3) the frequency with which scheduling decisions are being made at the Proxy Generator Bus (i.e., hourly or quarter hour); (4) whether the Proxy Generator Bus is constrained; and (5) the direction of the constraint.[8] NYISO states that many of these rules are repetitive as they are enumerated separately for the various combinations of Proxy Generator Bus types and whether or not the interface is congested.

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[4] *New York Indep. Sys. Operator, Inc*., 139 FERC ¶ 61,048 (2012).

[5] On December 6, 2013, NYISO filed proposed tariff records to implement CTS with PJM to be effective November 2014 in Docket No. ER14-552-000. *See New York Indep. Sys. Operator, Inc.,* 146 FERC ¶ 61,097 (2014). NYISO explains however, that its proposed revisions herein are intended to supersede the proposed CTS pricing rules previously approved by the Commission.

[6] *New York Indep. Sys.Operator, Inc.,* 104 FERC ¶ 61,220 (2003), *order on reh'g*, 105 FERC ¶ 61,347 (2003). *See also* Services Tariff § 2.14, 4.4.2 and 4.4.4. A non-competitive Proxy Generator Bus is a Proxy Generator Bus for an area outside of the New York Control Area that has been identified by the ISO as characterized by non-competitive Import or Export prices, which includes the interface with Hydro Quebec, designated scheduled lines include the DC interfaces of Neptune, Linden VFT, Cross Sound Cable, and Hudson Transmission Project (HTP), while competitive interfaces include Keystone with PJM and Norwalk with ISO New England Inc. (ISO-NE).

[7] *See New York Indep. Sys. Operator, Inc.,* 111 FERC ¶ 61,228 (2005). *See also* Services Tariff § 4.4.4.

[8] NYISO December 27, 2013 Filing at 3.

4. NYISO states that currently, scheduling decisions are made at Proxy Generator Buses in either hourly or quarter hour increments. NYISO explains that Proxy Generator Buses which are scheduled in quarter-hour increments are designated as Variably Scheduled Proxy Generator Buses.[9]

5. NYISO explains that its real-time dispatch program sets the LBMP at all locations within NYISO and at the Proxy Generator Buses when they are not constrained.[10] When Proxy Generator Buses are constrained, the real-time price is calculated by the real-time commitment program.[11] Pursuant to existing pricing rules, NYISO uses real-time commitment determined prices at constrained competitive Proxy Generator Buses.[12]

6. NYISO explains that a price calculated at a Proxy Generator Bus may differ from a price calculated at internal NYCA locations as a result of the differences in the cost of transmission system congestion at an external Proxy Generator Bus compared to that at internal NYCA locations. The variation in congestion costs is typically a result of one or more of the following: (1) more economic transactions offered than the transfer limit of the Proxy Generator Bus can accommodate; (2) NYCA's ramp limit preventing the economic scheduling or de-scheduling of imports or exports; or (3) a Proxy Generator Bus-specific ramp limit is preventing the economic scheduling or de-scheduling of imports or exports.[13]

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[9] NYISO states that it plans to allow for five-minute scheduling at certain Proxy Generator Buses, which will then be defined as Dynamically Scheduled Proxy Generator Buses, but neither its current tariff nor the proposed revisions herein address how such prices will be calculated.

[10] *See* Services Tariff § 2.18. The real-time dispatch program sets the real-time prices, i.e., LBMP. The real-time dispatch program cannot schedule External Transactions, or modify External Transaction schedules.

[11] *Id.* The real-time commitment program schedules External Transactions (i.e., imports, exports and wheels through). The real-time dispatch program cannot schedule External Transactions, and instead sees them as fixed injections and withdrawals. For this reason, the real-time dispatch program is not able to determine external interface congestion.

[12] Services Tariff, Attachment B, § 17.1.6.

[13] NYISO December 27, 2013 Filing at 4.

II. Filing

7. NYISO states that its proposal is designed to produce a more consistent set of prices at constrained Proxy Generator Buses by subjecting External Transactions to changes in the real-time dispatch price rather than settling them using the real-time commitment price.[14] NYISO maintains that its proposed changes clarify the applicability of the various pricing rules, and permit the prices set by real-time dispatch program to be incorporated into the real-time prices at all of the NYISO's Proxy Generator Buses, better reflecting real-time system conditions.

A. Uniform Pricing Rules

8. NYISO proposes a set of Uniform Pricing Rules that will consolidate the 49 existing rules to seven. NYISO explains that, generally, when a Proxy Generator Bus is constrained, the Uniform Pricing Rules will base the LBMP calculation for that Proxy Generator Bus on a modified real-time dispatch price which accounts for external interface congestion.[15]

9. NYISO explains that the proposed Uniform Pricing Rule One would settle real-time External Transactions with the real-time prices calculated by the real-time dispatch program for any Proxy Generator Bus with no external interface congestion.[16]

10. NYISO states that proposed Uniform Pricing Rules Two and Three address constrained, competitive Proxy Generator Buses. NYISO notes that under its current tariff constrained competitive Proxy Generator Buses settle at the real-time commitment price. NYISO proposes to revise this to add the congestion at the external interface constraint to the real-time dispatch LBMP.

11. NYISO explains that proposed Uniform Pricing Rules Four through Seven would apply to non-competitive Proxy Generator Buses. Rule Four would apply to import-constrained Variably Scheduled non-competitive Proxy Generator Buses including those that are associated with Designated Scheduled Lines.[17] NYISO proposes

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[14] NYISO December 27, 2013 Filing at 2.

[15] *Id*. at 4. NYISO explains that external interface congestion is the difference in the cost of transmission system congestion at an external Proxy Generator Bus from the congestion at internal NYCA locations.

[16] *Id.* at 5. NYISO notes that real-time commitment is considered unconstrained for the purposes of scheduling External Transactions and the real-time dispatch prices reflect the most up-to-date system information for the NYCA.

[17] NYISO December 27, 2013 Filing at 8. NYISO explains that import-

to settle these Proxy Generator Buses by adding external interface congestion to the real-time dispatch LBMP as long as the real-time commitment LBMP is greater than zero. In cases where the rolling real-time commitment LBMP for the Proxy Generator Bus is negative, NYISO proposes that External Transactions will settle at the lower of the real-time dispatch LBMP or zero. NYISO explains that this condition, along with its revised Financial Impact Charge, as explained below, will protect NYCA loads from paying for attempts to manipulate the NYISO's markets.[18]

12. Uniform Pricing Rule Five would apply to export-constrained Variably Scheduled non-competitive Proxy Generator Buses including those that are associated with Designated Scheduled Lines.[19] NYISO proposes to settle these Proxy Generator Buses by adding the external interface congestion to the real-time dispatch LBMP, as long as the real-time commitment price is less than zero. Otherwise, the External Transactions will settle at the real-time dispatch LBMP. NYISO explains that this condition is necessary to avoid paying transmission customers extremely high prices to export energy from the NYCA.

13. NYISO states that proposed Uniform Pricing Rule Six applies to import-constrained non-competitive Proxy Generator Buses (including those that are associated with Designated Scheduled Lines) that are settled on an hourly basis. NYISO proposes to settle the Proxy Generator Buses by adding the external interface congestion to the real-time dispatch LBMP when the real-time commitment price is greater than zero. As with Uniform Pricing Rule Four, if the real-time commitment price is negative, the External Transactions will settle at the lower of the real-time dispatch LBMP or zero.

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constrained means that there are more economically desirable offers to import MWs to the NYCA available at the Proxy Generator Bus than the NYISO can accept.

[18] *See New York Independent System Operator, Inc*., 97 FERC ¶ 61,206 at PP 3-4, 7-8 (2001). *See also* Services Tariff § 4.5.3.2 and 4.5.4.2. Market participants are required to pay a charge when an import, export, or wheel-through that is scheduled in real-time commitment fails for a reason within the scheduling market participant's control.

[19] NYISO December 27, 2013 Filing at 12. NYISO explains that export-constrained means that there are more economically desirable bids to export MWs from the NYCA available at the Proxy Generator Bus than the NYISO can accept.

14. Finally, NYISO proposes that Uniform Pricing Rule Seven will apply to export-constrained non-competitive Proxy Generator Buses (including those that are associated with Designated Scheduled Lines) that are settled on an hourly basis. NYISO proposes to settle the Proxy Generator Buses by adding external interface congestion to the real-time dispatch LBMP, so long as the real-time commitment LBMP for the Proxy Generator Bus is less than zero. Otherwise, as with Pricing Rule Five, the External Transactions will settle at the real-time dispatch LBMP.

B. Removal of Import Guarantees

15. In addition to the seven revised pricing rules described above, NYISO proposes to remove the Real-Time Bid Production Cost Guarantee for Imports (real-time import guarantee). NYISO states that the real-time import guarantee is currently paid to a transmission customer when the LBMP revenues it receives for importing energy to the NYCA do not cover the bid cost the transmission customer submitted. NYISO explains that the expected LBMP at the time an import is scheduled by the real-time commitment program can differ from the actual LBMP at the time the energy associated with the import is delivered to NYISO. NYISO states that this variation can occur due to system conditions that have not occurred or that are not yet reflected in the real-time commitment program at the time an import is scheduled, but that occur before the energy associated with the import is delivered. NYISO describes this deviation as latency risk. NYISO contends that its proposal to move the evaluation of import offers and export bids 15 minutes closer to real-time operations in connection with its CTS with PJM will significantly decrease latency risk by reducing the time between the real-time commitment program's scheduling decision and the delivery of energy.[20]

16. NYISO states that its proposal will eliminate the real-time import guarantee payments for all imports that enter NYCA without regard to whether a CTS interface bid or decrement bid is used to offer the import; without regard to the NYCA border at which the import is scheduled; and without regard to the scheduling interval (15 minute or hourly).[21] NYISO adds that it is inappropriate to protect some imports, but not others, from latency risk by permitting imports submitted via a decrement bid to receive real-time import guarantee, when imports submitted via a CTS interface bid are not eligible for the guarantee.

[20] The time between the real-time commitment program's scheduling decision and the delivery of energy will be 15 minutes rather than 30 minutes, once NYISO's CTS proposal becomes effective, which is expected to be in November 2014.

[21] NYISO asserts that this directly parallels the Commission approved removal of real-time import guarantee protection at the NYISO/ISO-NE border. NYISO December 27, 2013 Filing at 14 (citing *New York Indep. Sys. Operator, Inc*., 139 FERC ¶ 61,048 at PP 20, 21).

C. Modifications to Financial Impact Charge

17. NYISO indicates that its tariff sets forth financial charges that are designed to protect NYCA loads from paying for costs caused by External Transactions that fail due to the actions or inaction of the transmission customers that submitted the External Transaction, defined as Financial Impact Charge. NYISO explains that when an import, export, or wheel-through that is scheduled in the real-time commitment program fails for a reason within the scheduling market participant's control, the market participant is required to pay a charge that is designed to recover a portion of the cost that the NYCA incurs from the unexcused failure to deliver or receive the scheduled megawatts (MWs).

18. NYISO proposes to align the calculation of the Financial Impact Charge with the proposed pricing rules. Specifically, NYISO proposes to substitute the congestion component of LBMP for the difference between the real-time commitment and real-time dispatch LBMPs. NYISO explains that the congestion component of the LBMP included both external interface congestion and any internal NYCA congestion determined by the real-time dispatch program for both imports and exports. Further, NYISO proposes to multiply the congestion component of the export penalty calculation by negative one in order to accurately represent the direction of the power flows and their expected impact on the NYCA.

III. Notice of Filing and Responsive Pleadings

19. Notice of NYISO's December 27, 2013 filing was published in the *Federal Register*, 79 Fed. Reg. 652 (2014), with interventions and protests due on or before January 17, 2014.

20. Exelon Corporation; Brookfield Energy Marketing, LP; NRG Companies; and the New York Power Authority filed motions to intervene. Indicated Transmission Owners[22] (Indicated NYTOs) filed a motion to intervene and comments. Great Bay Energy LLC and Financial Marketers Coalition (collectively, Great Bay) filed a motion to intervene, motion to consolidate, and protest.

21. On February 3, 2014, NYISO filed an answer to Great Bay's request to consolidate Docket Nos. ER14-552-000 and ER14-864-000 and an answer to Great Bay's protest. On February 12, 2014, Great Bay filed a motion to strike NYISO's February 3, 2014 answer to its protest and, in the alternative, an answer to NYISO's answer.

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[22] Indicated Transmission Owners consists of Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., Long Island Power Authority, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation.

A. Comments

22. Indicated NYTOs support the filing stating that the proposed rules will assign market risk where it belongs — to the entities that schedule External Transactions. Indicated NYTOs state that under the current pricing rules, because the risk of pricing changes between the real-time commitment and real-time dispatch programs may or may not be assigned to the entity scheduling the External Transaction, it is difficult to reflect the risk in bid and offer prices. They state that the proposed rules eliminate this uncertainty through a consistent set of rules. Further, Indicated NYTOs state that the elimination of real-time import guarantee is necessary to assign risk to importers of market-based transactions. It argues that, otherwise, importers would receive all of the upside risk while NYISO market participants would receive the downside risk via the uplift payments.

23. Indicated NYTOs note that while generators within the NYCA remain eligible for real-time import guarantees; such difference is warranted due to the difference between imports and internal generators. Specifically, Indicated NYTOs assert that internal generators can be dispatched down if the real-time dispatch LBMP is less than the real-time commitment LBMP, but imports cannot be dispatched down, because import schedules are set by the real-time commitment program and cannot be varied by the real-time dispatch program.[23] Indicated NYTOs suggest that this difference makes offers to import energy less valuable because NYISO may need to take imported energy even though that energy is not economic. Indicated NYTOs suggest that it is reasonable for an importer to bear the risk as it provides incentives to internalize the risks in import offers, thereby reducing the likelihood of the variance.

24. In addition, Indicated NYTOs request that the proposed tariff records should be revised due to minor errors. Specifically, Indicated NYTOs suggest that the proposed section 17.1.6.5 of NYISO's service tariff incorrectly references real-time commitment instead of real-time dispatch when defining the equations for settlement at a non-competitive Proxy Generator Bus or a scheduled line Proxy Generator Bus when real-time LBMP is zero.

25. Great Bay opposes as premature NYISO's proposal to remove the real-time import guarantee in advance of NYISO's implementation of CTS in November 2014.[24] Great Bay contends that NYISO's removal of the real-time import guarantee prior to the implementation of CTS would unduly discriminate against imports compared to the treatment given to NYISO generators participating in internal transactions because internal NYISO generators (internal supply) receive a Real-Time Bid Production Cost Guarantee when their LBMP revenues do not cover their costs due to a change in system

[23] Indicated NYTOs January 17, 2014 Comments at 5.

[24] Great Bay January 17, 2013 Protest at 4-5.

conditions.[25] However, Great Bay states that it does not oppose the elimination of the real-time import guarantee or the import curtailment guarantee once CTS with both PJM and ISO-NE is implemented.[26]

26. Great Bay asserts that an importer cannot avoid latency risk without increasing its bid price in order to account for potential changes in LBMP due to system conditions. Great Bay contends that importers' exposure to this latency risk could be exacerbated should delays occur with the PJM CTS process as have occurred with implementing CTS with ISO-NE.[27] Great Bay asserts that it is unduly discriminatory to NYISO's external supply to eliminate price protections for months, if not years, in advance of mitigating the circumstances which lead to the risk that the price protection seeks to allay, while retaining comparable price protections for similarly-situated internal supply. Great Bay also maintains that NYISO lacked consensus among its stakeholders for the elimination of the real-time import guarantee and that NYISO even admits that such elimination was linked to the implementation of CTS.[28]

27. Great Bay adds that NYISO has not presented alternatives describing how NYISO would address revenues lost by importers as a result of reliability-based curtailments following the removal of the import curtailment guarantee.

28. Great Bay requests that the Commission consolidate Docket Nos. ER14-552-000 and ER14-864-000, so that the Commission's consideration of the proper timing of the elimination of the real-time import guarantee can be coordinated between these two related dockets given the ambiguity regarding NYISO's proposal in each docket. Great Bay asserts that the simplest solution is to consolidate the dockets and address all arguments at one time.

B. Answers

29. On February 3, 2014, NYISO filed an answer opposing Great Bay's motion to consolidate Docket Nos. ER14-552-000 and ER14-864-000.[29] NYISO asserts that Great Bay inaccurately argues that NYISO's primary justification for the elimination of

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[25] *Id*. at 5.

[26] *Id*. at 3.

[27] *Id*. at 9. Great Bay points out that NYISO initially sought an effective date of December 28, 2011 for its CTS proposal with ISO-NE, but now NYISO expects to implement CTS with ISO-NE sometime in the fourth quarter of 2015.

[28] *Id*. at 8.

[29] *See supra* note 5.

the real-time import guarantee is the improvements that CTS will bring to the system. NYISO contends that its proposal to remove real-time import guarantees at all Proxy Generator Buses is designed to allocate both the upside and downside risk to transmission customers.[30] NYISO further contends that the continuation of real-time import guarantees insulates transmission customers from downside risk at the expense of NYCA loads, while allowing transmission customers to profit from upside latency risk. NYISO also notes that exports from the NYCA are not eligible to receive real-time import guarantees. NYISO maintains that import offers that do not reflect latency risk distort and blunt the price signals that the uniform pricing rules are designed to send. NYISO contends that such bidding behavior may result in the real-time commitment program scheduling imports that are uneconomic in the real-time dispatch program.[31] NYISO argues that the proposed re-assignment of risk is appropriate because transmission customers have the opportunity to incorporate a risk premium into their offers and bids to address a concern that real-time LBMPs could change in an adverse manner between the time an External Transaction is scheduled and the time the associated energy is delivered.

30. NYISO asserts that the elimination of the real-time import guarantees will not harm importers. NYISO indicates that in 2012 and 2013 it made approximately $5.44 million in real-time import guarantee payments with an average payment of $0.09/MWh. NYISO suggests that this represents a small component of the total compensation paid to imports (less that 0.25 percent) and that the resulting increase in LBMP costs should be offset by the reduction in uplift cost allocations that no longer accrue from real-time import guarantee payments.[32]

31. NYISO contends that traders are uniquely situated to evaluate the risks associated with taking a position in the NYISO markets. NYISO indicates that traders can manage the nature and scope of the risk they assume by crafting the offers they submit and by setting the margins they will accept for engaging in an import transaction as they currently do for export transactions.

32. Finally, NYISO agrees with Indicated NYTOs request for modification and proposes revisions to section 17.1.6.5 of its Services Tariff. NYISO indicates that its omission was inadvertent and that the Commission should direct it to make such revisions.[33]

[30] NYISO February 3, 2014 Answer at 3. NYISO explains that latency risk is the difference between the real-time commitment price at which the import was scheduled and the Uniform Pricing Rule price at which the import settles and whether the transmission customers has the opportunity to profit or incur losses from such differences.

[31] NYISO February 3, 2014 Answer at 3-4.

[32] *Id*. at 7.

33. Great Bay responds that the arguments in NYISO's answer are not only new, but also misleading and factually incorrect. In particular, Great Bay contends that the elimination of real-time import guarantee came towards the end of the stakeholder process, in a change which caught a number of stakeholders by surprise. According to Great Bay, NYISO's initial proposal did not include elimination of the real-time import guarantee and, if anything, expanded the eligibility for it.

34. Great Bay argues that NYISO incorrectly attempts to imply that retention of the real-time import guarantee will allow gaming. Great Bay asserts that gaming the system would be infeasible and that the most likely outcome in the absence of the real-time import guarantee is that market participants may lose a significant amount of money when they encounter latency risk. Great Bay also contends that NYISO ignores the Commission's directive to treat internal supply comparably to external supply.[34] Great Bay adds that, by eliminating the real-time import guarantee but retaining it for internal supply, NYISO is setting up unduly discriminatory treatment of imports as compared to generation and violating the Commission's express directives.

IV. Commission Determination

A. Procedural Matters

35. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2013), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

36. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2013) prohibits an answer to a protest or to an answer unless otherwise ordered by the decisional authority. We will accept the answers filed in this proceeding because they have provided information that assisted us in our decision-making process. We dismiss Great Bay's motion to strike NYISO's answer.

B. Substantive Matters

37. We find that NYISO's proposed Uniform Pricing Rules will produce more efficient prices at constrained Proxy Generator Buses. Subjecting External Transactions to changes in the more up-to-date real-time dispatch price, calculated every five minutes, rather than settling them using the real-time commitment price, calculated every hour, will better align external LBMPs with internal LBMPs.[35] We find the uniform pricing

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[33] *Id*. at 11-12.

[34] Great Bay February 12, 2014 Answer at 7 (citing *New York Indep. Sys. Operator, Inc.*, 126 FERC ¶ 61,046, at P 78 (2009)).

rules to be just and reasonable because they increase the clarity of the various pricing rules by reducing the numerous iterations and duplicity of the current pricing rules for External Transactions and assign latency risk directly to transmission customers. Accordingly, we accept the proposed tariff revisions to be effective April 8, 2014, subject to NYISO making a compliance filing within 15 days from the date of this order to revise section 17.1.6.5 of its Services Tariff as discussed above.

38. Great Bay opposes removing the real-time import guarantee prior to NYISO's planned implementation of CTS in November 2014, arguing that until CTS is implemented, import transactions will be subject to an unjust and unreasonable amount of latency risk.[36] We disagree, as discussed below.

39. Transmission customers that schedule External Transactions have the opportunity to incorporate a risk premium into their offers and bids to account for circumstances in which real-time LBMPs could change in an adverse manner between the time an External Transaction is scheduled and the time the associated energy is delivered. In addition, those transmission customers will continue to benefit when real-time LBMPs change in a positive manner between the time an External Transaction is scheduled and the time the associated energy is delivered. Great Bay has not shown why importers should continue to receive all of the upside risk while NYISO market participants bear the downside risk via the uplift payments. We find it reasonable to incorporate both import and curtailment risk in the importer's offer rather than assigning these costs to NYCA load. The Commission has accepted NYISO's proposal to remove the real-time import guarantee at CTS enabled Proxy Generator Buses. We find it reasonable to treat all imports the same, by removing the import guarantee payments for all imports entering the NYCA, without regard to: whether the import is offered via a CTS Interface Bid, or a Decremental Bid; the NYCA border at which the Import is scheduled (PJM, ISO-NE, Hydro Quebec or Ontario); and the scheduling interval (15 minute or hourly).

40. Further, assigning latency risk to transmission customers that schedule External Transactions is consistent with the treatment of transactions between NYISO and PJM as well as with the treatment of exports from NYISO. We agree with NYISO that competition from other importers, internal generators, and other marketers should minimize transmission customers' import curtailment risk premiums. Under proposed reforms we expect these costs to be *de minimis* in the future, leading to more competitive

[35] *See* NYISO December 27, 2013 Filing at 5-7. NYISO explains that the real-time dispatch program cannot schedule External Transactions or modify External Transactions schedules. The real-time dispatch program regards the External Transaction schedules as fixed injections or withdrawals.

[36] The Commission responded to the protest of Great Bay regarding real-time import guarantee payments after the implementation of CTS with PJM in *New York Indep. Sys. Operator, Inc.,* 146 FERC ¶ 61,097 (2014).

bidding behavior and more efficient dispatching of resources which supports convergence of interchange prices and generally more efficient interchange transactions.

41. In response to Great Bay's claims of undue discrimination against imports, we find that such difference is warranted due to the differences between imports and internal generation. As noted by Indicated NYTOs, internal generators can be dispatched down if the real-time dispatch LBMP is less than the real-time commitment LBMP, but imports cannot be dispatched down, because import schedules are set by the real-time commitment program and cannot be varied by the real-time dispatch program. Including risk premiums into import offers provides incentives to internalize the risks in import offers, thereby reducing the likelihood of the variance between real-time commitment and real-time dispatch prices.

42. Furthermore, we find as misplaced Great Bay's arguments that the proposal to eliminate the guarantee payments prior to the implementation of CTS is not properly before the Commission. As NYISO demonstrates, the instant proposal was properly vetted by the NYISO stakeholder and governance process and was properly filed as a section 205 filing.[37]

43. Additionally, we have already addressed and denied Great Bay's request to consolidate Docket Nos. ER14-552-000 and ER14-864-000 and request to strike NYISO's February 3, 2014 answer in another proceeding.[38] Therefore this issue is moot.

The Commission orders:

(A) NYISO's revisions to its Services Tariff are hereby accepted, subject to a compliance filing, effective April 8, 2014, as discussed in the body of this order.

(B) NYISO is hereby directed to make a compliance filing within 15 days from the date of this order as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

[37] NYISO February 3, 2014 Answer at 8-10.

[38] *New York Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,097, at P 38 (2014).