

153 FERC ¶ 61,210
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Cheryl A. LaFleur, Tony Clark,
and Colette D. Honorable.

New York Independent System
Operator, Inc.

Docket No. EL14-26-000

ORDER ON COMPLIANCE FILING

(Issued November 19, 2015)

1. By order issued March 20, 2014,¹ the Commission instituted an inquiry pursuant to section 206 of the Federal Power Act (FPA)² in the above-referenced docket to ensure that the New York Independent System Operator, Inc.'s (NYISO) scheduling, particularly its day-ahead scheduling practices, correlate with revisions to the natural gas scheduling practices ultimately adopted by the Commission in Order No. 809.³ On July 23, 2015, NYISO submitted a compliance filing to the 206 Order, contending that its existing day-ahead scheduling practices need not be changed.

2. In this order, the Commission determines that NYISO has shown cause why its existing scheduling practices need not be changed and hereby accepts NYISO's compliance filing.

¹ *Cal. Indep. Sys. Operator Corp.*, 146 FERC ¶ 61,202 (2014) (206 Order). The 206 Order applied to all six jurisdictional independent system operators (ISOs) and regional transmission organizations (RTOs), assigning separate docket numbers to each ISO or RTO. This order only relates to NYISO.

² 16 U.S.C. § 824e (2012).

³ *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, Order No. 809, 80 Fed. Reg. 23,198 (Apr. 24, 2015), FERC Stats. & Regs. ¶ 31,368 (2015) (cross-referenced at 151 FERC ¶ 61,049 (2015)), *order on clarification*, 152 FERC ¶ 61,095, *order on reh'g*, 152 FERC ¶ 61,212 (2015), *order on clarification*, 153 FERC ¶ 61,049 (2015).

I. Background

3. Since 1996, the Commission has adopted regulations to standardize the business practices and communication methodologies of interstate natural gas pipelines to create a more integrated and efficient pipeline grid. These regulations were promulgated in the Order No. 587 series of orders,⁴ wherein the Commission incorporated by reference into the Commission's regulations standards for interstate natural gas pipeline business practices and electronic communications developed and adopted by the North American Energy Standards Board (NAESB) Wholesale Gas Quadrant (WGQ). The NAESB WGQ standards, including the standard nationwide nomination timeline, were developed to improve the speed and efficiency with which shippers can transact business across interconnecting pipelines.

4. The NAESB WGQ standards provide a minimum number of nomination opportunities for natural gas shippers to schedule service for the Gas Day, which starts at 9:00 a.m. Central Clock Time (CCT):⁵ (a) the Timely Nomination Cycle, which occurs the day before the operating day on which the gas will flow (Gas Day); (b) the Evening Nomination Cycle, which occurs late in the day prior to gas flow and allows shippers to modify their Timely Nomination Cycle schedules; and (c) two intra-day nominations (three after implementation of Order No. 809) that occur during the Gas Day. The Commission meanwhile has accepted regional variations in the development of wholesale electric industry scheduling practices.

5. The differences between the day-ahead nationwide natural gas scheduling timeline and the day-ahead regional organized electricity market scheduling timelines can create complications for interstate natural gas pipelines and electric transmission operators in coordinating the scheduling of the two industries. The Timely Nomination Cycle is the most liquid time to acquire both natural gas supply and pipeline transportation capacity. During that cycle, all of a natural gas pipeline's scheduling nomination priorities are in effect: primary firm nominations⁶ have priority over secondary firm nominations,⁷ and

⁴ This series of orders began with the Commission's issuance of *Standards for Business Practices of Interstate Natural Gas Pipelines*, Order No. 587, FERC Stats. & Regs. ¶ 31,038 (1996). The most recent order in this series is Order No. 587-W, issued on October 15, 2015, wherein the Commission incorporated by reference the Version 3.0 WGQ Business Practice Standards. *Standards for Business Practices of Interstate Natural Gas Pipelines*, Order No. 587-W, 80 Fed. Reg. 67,302 (Nov. 2, 2015), 153 FERC ¶ 61,061 (2015).

⁵ See NAESB WGQ Standards 1.3.2. NAESB's standards in general make reference to CCT, which refers to the actual time in the Central Time Zone, reflecting Central Standard Time or Daylight Savings Time, whichever is applicable.

secondary firm nominations have priority over interruptible nominations.⁸ Under Commission policy and pipeline tariffs, once firm transportation is scheduled, including secondary firm nominations, it cannot be displaced, or bumped, by another firm or interruptible nomination for that Gas Day.⁹

6. As detailed below, day-ahead electric generation commitments generally occur after the Timely Nomination Cycle. Typically, a natural gas-fired generator must either submit its nomination for natural gas transportation services before it knows when and how much electricity it will be committed to produce the next day, or it must wait until it receives its day-ahead commitment to nominate natural gas transportation services, with the risk that during some periods natural gas supply and transportation capacity may not be available or economical, given the ISO and RTO day-ahead market clearing price. If a natural gas-fired generator acquires natural gas supply and transportation prior to learning whether it is dispatched, it runs the risk of having to sell off excess natural gas supply and pipeline transportation capacity during the less liquid Evening or intraday Nomination Cycles to the extent its bid does not clear the day-ahead market. If the natural gas-fired generator waits to acquire natural gas supply and pipeline transportation until its bid clears the day-ahead market, it would be doing so during the less liquid Evening or intraday Nomination Cycles, where the generator may be unable to acquire pipeline transportation capacity if the pipeline is fully scheduled. While during many periods of the year, natural gas-fired generators may be able to obtain natural gas supply and pipeline transportation throughout the day, their ability to procure natural gas supply and pipeline transportation in the most liquid Timely Nomination Cycle may be critical to their ability to provide service during periods when the pipeline is constrained.

7. After the day-ahead electric dispatch schedule is set, ISOs and RTOs also conduct reliability assessments to assess whether they have sufficient generation committed to

⁶ Primary firm nominations are nominations of firm transportation from a primary receipt point to a primary delivery point. Order No. 809, FERC Stats. & Regs. ¶ 31,368 at P 72.

⁷ Secondary firm nominations are firm nominations that include at least one secondary point. *Id.* P 72 n.134.

⁸ Interruptible nominations are nominations for service that is “subject to a prior claim by another customer or another class of service and receives a lower priority than such other classes of service.” 18 C.F.R. § 284.9(a)(3) (2015).

⁹ See Order No. 809, FERC Stats. & Regs. ¶ 31,368 at PP 73, 75.

meet expected load for the following electric operating day. If the day-ahead electric dispatch schedule does not appear adequate to meet load, the ISO or RTO may schedule additional units to be ready during real time. Each ISO and RTO establishes its own timing for the day-ahead schedule and reliability unit commitment. As with the Timely Nomination Cycle, if the ISOs and RTOs do not announce commitments of these generators prior to the Evening Nomination Cycle, those generators might have difficulty obtaining natural gas supply at reasonable prices and scheduling pipeline transportation service using only the intraday nomination cycles.

8. The following table shows each ISO's and RTO's existing day-ahead scheduling timeline:

Table 1 – ISO and RTO Day-Ahead Scheduling

| ISO or RTO | Time for Bid Submission (CCT) | Time for Publication of Day-Ahead Commitment Bids (CCT) | Notification of Reliability Unit Assessment (CCT) |
|---|--|---|---|
| California Independent System Operator Corporation (CAISO) | 12:00 p.m. | 3:00 p.m. | 3:00 p.m. |
| ISO New England Inc. (ISO-NE) | 9:00 a.m. | 12:30 p.m. | 4:00 p.m. |
| PJM Interconnection, L.L.C. (PJM) | 11:00 a.m. | 3:00 p.m. | 7:00 p.m. |
| Midcontinent Independent System Operator, Inc. (MISO) | 10:00 a.m. (during period of the year not covered by Daylight Savings Time) 11:00 a.m. (during period of the year covered by Daylight | 2:00 p.m. (during period of the year not covered by Daylight Savings Time) 3:00 p.m. (during period of the year covered by Daylight | 7:00 p.m. (during period of the year not covered by Daylight Savings Time) 8:00 p.m. (during period of the year covered by |

| ISO or RTO | Time for Bid Submission (CCT) | Time for Publication of Day-Ahead Commitment Bids (CCT) | Notification of Reliability Unit Assessment (CCT) |
|---|--------------------------------------|--|--|
| | Savings Time) | Savings Time) | Daylight Savings Time) |
| NYISO | 4:00 a.m. | 10:00 a.m. | 10:00 a.m. |
| Southwest Power Pool, Inc. (SPP) | 11:00 a.m. | 4:00 p.m. | 8:00 p.m. |

Under existing day-ahead timelines, all ISOs and RTOs (except NYISO) post successful economic dispatch bids *after* the current nomination deadline for the Timely Nomination Cycle at 11:30 a.m. CCT, and PJM, MISO, and SPP post successful initial reliability unit commitments *after* the current nomination deadline for the Evening Nomination Cycle at 6:00 p.m. CCT.

9. As part of its efforts to coordinate the scheduling practices of the wholesale natural gas and electric industries, and as relevant here, on March 20, 2014, the Commission concurrently issued: (1) a notice of proposed rulemaking in Docket No. RM14-2-000, proposing changes to the scheduling practices of the wholesale natural gas industry;¹⁰ and (2) the 206 Order. In the NOPR, the Commission proposed, among other things, to move the Timely Nomination Cycle from 11:30 a.m. CCT to 1:00 p.m. CCT. The Commission proposed this change in order to provide the ISOs and RTOs with additional time in which to post results of their day-ahead markets so that gas-fired generators will know their day-ahead commitments for the following electric operating day in time to submit nominations for pipeline capacity during the Timely Nomination Cycle, the most liquid nomination cycle.

10. The 206 Order directed each ISO and RTO, within 90 days of the issuance of a final rule in Docket No. RM14-2-000, either “(1) to make a filing that proposes tariff changes to adjust the time at which the results of its day-ahead energy market and reliability unit commitment process (or equivalent) are posted to a time that is sufficiently in advance of the Timely and Evening Nomination Cycles, respectively, to allow gas-fired generators to procure natural gas supply and pipeline transportation capacity to serve their obligations, or (2) to show cause why such changes are not necessary.”¹¹ The

¹⁰ *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, 146 FERC ¶ 61,201 (2014) (NOPR).

Commission directed each ISO and RTO to “explain how its proposed modifications are sufficient for gas-fired generators to secure natural gas pipeline capacity prior to the Timely and Evening Nomination Cycles.”¹²

11. On April 16, 2015, the Commission issued the final rule in Docket No. RM14-2-000, Order No. 809, which amended the Commission’s regulations to incorporate by reference NAESB’s revised standards that changed the nationwide Timely Nomination Cycle nomination deadline from 11:30 a.m. CCT to 1:00 p.m. CCT and revised the intraday nomination timeline, to include adding an additional intraday scheduling opportunity during the Gas Day.¹³ The large majority of commenters supported moving the start time for the Timely Nomination Cycle from 11:30 a.m. CCT to 1:00 p.m. CCT, including commenters that did not generally support NAESB’s revised intraday nomination timeline.¹⁴ Many commenters to the NOPR stated that moving the Timely Nomination Cycle nomination deadline to 1:00 p.m. CCT would provide generators more time to acquire natural gas supply and pipeline transportation capacity after learning their electric dispatch obligations, provided changes are made to the ISO and RTO scheduling processes.¹⁵ In support of moving the Timely Nomination Cycle, the Commission stated that moving the close of the Timely Nomination Cycle from 11:30 a.m. CCT to 1:00 p.m. CCT “will provide generators more time to acquire natural gas supply and pipeline transportation after learning their electric dispatch obligations, *provided changes are made to the ISO and RTO scheduling processes.*”¹⁶

12. The following table shows the current NAESB gas nomination timeline and the revised NAESB gas nomination timeline accepted in Order No. 809 and effective April 1, 2016:¹⁷

¹¹ 206 Order, 146 FERC ¶ 61,202 at P 19.

¹² *Id.*

¹³ Order No. 809, FERC Stats. & Regs. ¶ 31,368 at PP 1, 168. Although the NOPR proposed moving the start of the Gas Day from 9:00 a.m. CCT to 4:00 a.m. CCT, the Commission declined to adopt that proposal. *Id.* PP 3, 13.

¹⁴ *Id.* P 84.

¹⁵ *Id.*

¹⁶ *Id.* P 87 (emphasis added).

Table 2 – Current and Revised NAESB Gas Nomination Cycles

| Time Shifts -- All times CCT | | Current NAESB Standards | Revised NAESB Standards |
|-------------------------------------|---------------------|--------------------------------|--------------------------------|
| Timely | Nomination Deadline | 11:30 AM | 1:00 PM |
| Evening | Nomination Deadline | 6:00 PM | 6:00 PM |
| Intraday 1 | Nomination Deadline | 10:00 AM | 10:00 AM |
| | IT Bump Rights | bumpable | bumpable |
| Intraday 2 | Nomination Deadline | 5:00 PM | 2:30 PM |
| | IT Bump Rights | no bump | bumpable |
| Intraday 3 | Nomination Deadline | | 7:00 PM |
| | IT Bump Rights | | no bump |

II. NYISO's Compliance Filing

13. In its July 23, 2015 compliance filing, NYISO states that its existing day-ahead scheduling practices satisfy the timing requirements directed by the 206 Order and that no changes are necessary to achieve compliance at this time.¹⁸ NYISO explains that it posts day-ahead schedules in advance of the Timely and Evening Nomination Cycle deadlines, which allows generators sufficient time to procure natural gas.¹⁹ Accordingly, NYISO states that no changes to the NYISO Tariff are required to achieve the timing described in the 206 Order and Order No. 809.²⁰

14. NYISO completes its day-ahead scheduling process and post day-ahead schedules by 11:00 a.m. Eastern Prevailing Time (EPT).²¹ NYISO states that any supplemental

¹⁷ See *id.* at app. (emphasis added). See also *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, 152 FERC ¶ 61,095 (2015) (clarifying that the new day-ahead nomination timelines will apply as of March 31, 2016 for those nominations that will become effective April 1, 2016).

¹⁸ NYISO Compliance Filing at 1. In the 206 Order, the Commission acknowledged that NYISO announces its reliability unit commitments at the same time that it publicizes successful day-ahead bids, 10:00 a.m. CCT, which is before both the Timely and Evening Nomination Cycles. 206 Order, 146 FERC ¶ 61,202 at P 18, n.11.

¹⁹ NYISO Compliance Filing at 2.

²⁰ *Id.*

commitments needed for reliability, which are called day-ahead reliability unit commitments in NYISO, are posted at the same time as successful day-ahead economic bids (11:00 a.m. EPT).²² NYISO explains that it notifies electric generators of their day-ahead schedules at least one and one half hours before the nomination deadline for the Timely Nomination Cycle under the existing, pre-Order No. 809 Timely Nomination Cycle deadlines.²³ NYISO notes that when the nomination deadline for the Timely Nomination Cycle moves to 1:00 p.m. CCT pursuant to Order No. 809, NYISO will notify electric generators of their day-ahead schedules at least three hours before the Timely Nomination Cycle deadline.²⁴

15. NYISO states that, although it is not required by its tariff to do so, it strives to post Day-Ahead schedules as early as possible and regularly does so shortly after 9:30 a.m. EPT.²⁵ If additional generators are necessary beyond those committed in the day-ahead market, including day-ahead reliability units, NYISO states it may commit generators using a real-time supplemental resource evaluation.²⁶ NYISO states that supplemental resource evaluation committed units are regularly notified before the nomination deadline for the Timely Nomination Cycle and almost always notified prior to the Evening Nomination Cycle nomination deadline.²⁷

III. Notices, Interventions, and Pleadings

16. Notice of the 206 Order was published in the *Federal Register*, 79 Fed. Reg. 16,791 (2014). Motions to intervene or notices of intervention were filed by Algonquin Gas Transmission, LLC, American Gas Association, American Public Power Association, America's Natural Gas Alliance, Arizona Public Service Company, Atmos Pipeline Texas, Atmos Energy Corporation, Atmos Energy Marketing LLC, BG Energy Merchants, LLC, Big Sandy Pipeline, LLC, Calpine Corporation, DC Office of the People's Counsel, Delaware Division of the Public Advocate, DTE Gas Company,

²¹ *Id.* (citing NYISO, Market Administration and Control Areas Services Tariff, § 4.2.5).

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.* NYISO notes that a Supplemental Resource Evaluation unit is not assigned a day-ahead schedule, only a real-time schedule. *Id.* at 2 n.6.

²⁷ *Id.* at 3.

Dominion Resources Services, Inc., Duke Energy Corporation Subsidiaries,²⁸ Duquesne Light Company, Duquesne Power, LLC, Dynegy Marketing and Trade, LLC, East Tennessee Natural Gas, LLC, Edison Electric Institute, Electricity Consumers Resource Council, Electric Power Supply Association (EPSA), Entergy Nuclear Power Marketing, LLC,²⁹ Exelon Corporation, Gulfstream Natural Gas System, L.L.C., Interstate Natural Gas Association of America, Macquarie Energy LLC, Maritimes & Northeast Pipeline, L.L.C., Mississippi Public Service Commission, Morgan Stanley Capital Group Inc., National Fuel Gas Distribution Corporation, National Grid Gas Delivery Companies, Natural Gas Supply Association (NGSA), National Rural Electric Cooperative Association, New England States Committee on Electricity, New York State Public Service Commission, New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation, New York Transmission Owners,³⁰ NRG Companies I,³¹ Old Dominion Electric Cooperative, Ozark Gas Transmission, L.L.C., Pacific Gas and Electric Company, Pennsylvania Office of Consumer Advocate, PSEG Companies,³² Public Utilities Commission of The State of California, Puget Sound Energy, Inc., Repsol Energy North America Corporation, Southeast Supply Header, LLC, Southern California Generation Coalition, Texas Eastern Transmission, LP, Trans Louisiana Gas Pipeline, Inc., Vitol Inc., Wabash Valley Power Association, Inc., and Western Power Trading Forum. Comments were filed by Puget Sound Energy, Inc.

17. Notice of NYISO's compliance filing was published in the *Federal Register*, 80 Fed. Reg. 46,265 (2015), with interventions and protests due on or before August 18, 2015. Timely motions to intervene were filed by EPSA, the Interstate Natural Gas

²⁸ Duke Energy Corporation Subsidiaries include Duke Energy Carolinas, LLC, Duke Energy Progress, Inc., and Duke Energy Florida, Inc.

²⁹ On behalf of Entergy Nuclear FitzPatrick, LLC, Entergy Nuclear Generation Company, Entergy Nuclear Indian Point 2, LLC, Entergy Nuclear Indian Point 3, LLC, Entergy Nuclear Palisades, LLC, and Entergy Nuclear Vermont Yankee, LLC.

³⁰ New York Transmission Owners include Central Hudson Gas & Electric Corporation, Consolidated Energy Company of New York, Inc., Long Island Power Authority, New York Power Authority, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation.

³¹ NRG Companies I include NRG Power Marketing LLC, GenOn Energy Management, LLC, Arthur Kill Power LLC, Astoria Gas Turbine Power LLC, Dunkirk Power LLC, Huntley Power LLC, NRG Bowline LLC, Oswego Harbor Power LLC, and Energy Curtailment Services, Inc.

³² Specifically, PSEG Power New York LLC and PSEG Energy Resources & Trade LLC.

Association of America, NGSa, New York Transmission Owners,³³ and NRG Companies II.³⁴ NRG Companies II filed a protest.

18. NGSa states that while NYISO states that Supplemental Resource Evaluation committed units are “almost always notified prior to the Evening Nomination Cycle nomination deadline,” NGSa is not aware of any NYISO tariff language requiring such notification.³⁵

19. NGSa supports regional variation in responding to the 206 Order. NGSa, however, urges the Commission and ISOs and RTOs to consider revising scheduling timelines in the future should pipeline capacity become constrained, particularly as states move to implement the Clean Power Plan.

20. While NRG Companies II state that NYISO’s compliance filing satisfies the Commission’s directive, they also argue that NYISO’s current day-ahead processes are inadequate to provide natural gas price certainty. NRG Companies II argue that natural gas-fired generators in NYISO submit day-ahead bids using two-day old gas prices because day-ahead bids are due several hours before a fixed-gas trade is likely to occur. NRG Companies II support PJM’s proposal to require day-ahead bids thirty minutes after fixed-gas trading has begun (10:30 a.m. EPT) and to publicize successful bids thirty minutes before the close of the Timely Nomination Cycle (1:30 p.m. EPT), and suggest that NYISO propose a similar day-ahead schedule.³⁶

IV. Discussion

A. Procedural Matters

21. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

³³ Specifically, Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., Power Supply Long Island, New York Power Authority, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation.

³⁴ NRG Companies II are NRG Power Marketing LLC and GenOn Energy Management, LLC.

³⁵ NGSa Comments at 5, n.10.

³⁶ NRG Companies II Comments at 7-9.

B. Commission Determination

22. The Commission accepts NYISO's compliance filing. Consistent with the 206 Order, the NYISO Tariff provides natural gas-fired generators with the ability to know their natural gas supply and pipeline transportation needs in advance of the Timely Nomination Cycle, which was one of the goals of the changes to the natural gas scheduling timeline in Order No. 809.³⁷ Further, NYISO represents that its remaining reliability unit commitments are almost always publicized before the Evening Nomination Cycle.³⁸

23. While NRG Companies II favor PJM's proposed approach over NYISO's, the Commission notes that PJM does not run its day-ahead market in the same way as NYISO given that PJM has a separate reliability unit commitment process that occurs after PJM posts its day-ahead results. NYISO performs its reliability unit commitment processes iteratively, some of which occur during the six-hour clearing window and some of which occur after the day-ahead results are posted. In addition, there is insufficient evidence in the record to indicate that NYISO has the current capability to shorten its clearing window further. Therefore, the Commission declines in this proceeding to require NYISO to change its current clearing window. The Commission, however, recognizes the benefits that could accrue from faster clearing windows and encourages NYISO to continue work with its stakeholders, in an effort to improve market efficiency, to develop means to reduce its clearing window further and to allow market participants to submit bids reflecting increased fuel price certainty.³⁹

³⁷ See Order No. 809, FERC Stats. & Regs. ¶ 31,368 at P 24 ("Moving the Timely Nomination Cycle to an hour and a half later will allow electric transmission operators additional time to complete their day-ahead scheduling sufficiently before the Timely Nomination Cycle deadline, so that gas-fired generators receive electric market dispatch instructions prior to the deadline for acquiring pipeline capacity in the Timely Nomination Cycle."); see also 206 Order, 146 FERC ¶ 61,202 at PP 16 (describing the purpose of allowing natural gas-fired generators to participate in the Timely Nomination Cycle as "forward[ing] the objective of minimizing situations in which gas-fired generators, particularly those that opt to procure natural gas supply and transportation after the day-ahead electricity market results are posted, are unable to procure sufficient resources to fulfill their electricity market commitments and to contribute to reliable system operation."), 18 n.11 ("We acknowledge that the New York Independent System Operator, Inc. announces its reliability unit commitments at the same time that it publicizes successful day-ahead bids, 10:00 a.m. CCT, which is before both the Timely and Evening Nomination Cycles.").

³⁸ NYISO Compliance Filing at 3.

³⁹ The Commission notes that NYISO states in its filing that if changes to its day-ahead scheduling process become necessary in the future, NYISO will develop tariff

The Commission orders:

NYISO's compliance filing is hereby accepted, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

revisions through its stakeholder process and submit an FPA section 205 filing to the Commission. *Id.* at 3.