

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

OFFICE OF ENERGY MARKET REGULATION

In Reply Refer To:
New York Independent System
Operator, Inc.
Docket No. ER16-168-000

Issued: 12/28/15

New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, N.Y. 12144

Attention: James H. Sweeney
Attorney for New York Independent System Operator, Inc.

Reference: Proposed Amendments to Market Power Mitigation Measures Regarding
Physical Withholding and Reflecting Fuel Costs in Reference Levels

Dear Mr. Sweeney:

On October 29, 2015, you submitted, on behalf of the New York Independent System Operator, Inc. (NYISO), proposed revisions to the market power mitigation measures set forth in section 23 of NYISO's Market Administration and Control Area Services Tariff (Services Tariff) to give NYISO authority to prohibit generators from including unauthorized natural gas costs and penalties in reference levels and to reject expost requests to recover costs associated with unauthorized natural gas use.

Please be advised that your submittal is deficient and that additional information is required in order to process the filing. Please provide complete responses to the following:

1. NYISO proposes revisions to section 23.3.1.1.2 of NYISO's Services Tariff which revise the energy market physical withholding rules to allow generators to not bid in the real-time market when generating would require consumption of unauthorized natural gas, or natural gas that is subject to a penalty, under the relevant interstate natural gas pipeline or Local Distribution Company tariff.
 - a. Please explain how NYISO, its internal Market Mitigation and Analysis Department, and the external Market Monitoring Unit will review such events.

Please detail the evaluation that would occur in each instance a generator is permitted to physically withhold because it would be required to use unauthorized gas. Please also outline the process that would occur in determining or allowing a generator to not generate because of unauthorized gas.

- b. Does NYISO have the ability to implement real-time screening of generators to review claims that a generator was unable to bid because its operation (or further operation) would have required it to consume unauthorized or penalty natural gas?
 - c. Will NYISO re-post or revise market clearing prices if it later determines that a generator has failed to support its assertion that an offer would have required it to consume unauthorized or penalty natural gas? What actions, such as imposing penalties, will NYISO take in this instance?
2. On page 5 of your transmittal letter, you state that NYISO does not expect a generator to offer incremental generating capability in the real-time market when it is unable to procure natural gas and would be required to consume unauthorized natural gas to operate.
- a. Please explain how the new energy market physical withholding rules would apply to Capacity Resources' day-ahead and real-time energy market must-offer obligations specified in section 5.12 of NYISO's Services Tariff.
 - b. Please explain how the new energy market physical withholding rules would apply to resources needed for reliability, including but not limited to resources committed via the Reliability Unit Commitment process.

This letter order is issued pursuant to delegated authority, 18 C.F.R. § 375.307 (2015) and is interlocutory. This letter order is not subject to rehearing pursuant to 18 C.F.R. § 385.713 (2015), and a response to this letter order must be filed within 10 days of the date of this letter order by making amendment filings in accordance with the Commission's electronic tariff requirements. For your response, use Type of Filing Code 180, Deficiency Filing.¹ In addition, submit an electronic version of your response to Adam Bednarczyk at adam.bednarczyk@ferc.gov. The information requested in this

¹ *Electronic Tariff Filings*, 130 FERC ¶ 61,047, at PP 3-8 (2010) (noting that an amendment filing must include at least one tariff record even though a tariff revision might not otherwise be needed).

letter order will constitute an amendment to your filing and a new filing date will be established.²

Failure to respond to this letter order within the time period specified may result in a further order rejecting your filing.

Sincerely,

Kurt M. Longo, Director
Division of Electric Power
Regulation - East

² See *Duke Power Co.*, 57 FERC ¶ 61,215 (1991).