154 FERC ¶ 61,152
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. ER16-425-000

ORDER ACCEPTING PROPOSED TARIFF REVISIONS SUBJECT TO CONDITION

(Issued March 1, 2016)

1. On November 30, 2015, pursuant to section 205 of the Federal Power Act (FPA),[1] the New York Independent System Operator, Inc. (NYISO) filed proposed revisions to the scarcity pricing logic NYISO uses in its real-time market, set forth in its Market Administration and Control Area Services Tariff (Services Tariff) and Open Access Transmission Tariff (OATT). According to NYISO, the proposed revisions will improve NYISO's existing scarcity pricing logic by incorporating scarcity pricing into the real-time optimization. In this order, we accept NYISO's filing, subject to condition, effective upon NYISO's implementation of the necessary software changes, as discussed below.

I. Background

2. NYISO uses *shortage* pricing to refer to the value placed on reserves when the market is short of operating, regulation, or transmission reserves. NYISO uses *scarcity* pricing to refer to the pricing rules used for energy and certain ancillary services in real-time during periods when NYISO has called on Special Case Resources[2] and the

[1] 16 U.S.C. § 824d (2012).

[2] "Special Case Resources" are "Demand Side Resources whose Load is capable of being interrupted upon demand at the direction of the ISO, and/or Demand Side Resources that have a Local Generator, which is not visible to the ISO's Market Information System and is rated 100 kW or higher, that can be operated to reduce Load from the NYS Transmission System or the distribution system at the direction of the ISO . . . ." NYISO, Services Tariff, § 2.19 (11.0.0).

Emergency Demand Response Program[3] (SCR/EDRP) to provide load reduction to assist in maintaining system reliability. The purpose of scarcity pricing is to ensure that real-time energy prices appropriately reflect the costs associated with deploying these SCR/EDRP resources. Under NYISO's existing *ex post* scarcity pricing logic, NYISO uses a "but-for test" to determine whether SCR/EDRP resources will set real-time energy prices.[4] Pricing occurs after resource schedules have been established, in the load zone(s) in which SCR/EDRP resources will be activated. Per the "but-for test," NYISO adjusts real-time prices if it determines that the amount of SCR/EDRP resources called on to provide load reduction was greater than the amount of unscheduled (or latent) 30-minute reserve capability available from eligible resources. Thus, the "but-for test" provides an indication of whether NYISO would likely have experienced a shortage of operating reserves absent, or "but-for," the activation of SCR/EDRP resources.

3. Over time, NYISO has filed iterative improvements to its scarcity pricing logic, the most recent of which the Commission approved in 2013.[5] In that 2013 order, the Commission approved NYISO's existing scarcity pricing mechanism, noting improved price signals resulting from that mechanism, but also recognized that extensive system changes may be required to optimize the mechanism and stakeholders should have an opportunity to consider whether that effort is warranted.[6] The Commission stated that, "[w]hile we accept NYISO's revised proposal as an improvement over its existing market rules, we will require NYISO to submit an informational report" with "a comprehensive evaluation of both how well the revised scarcity pricing mechanism achieved its objectives . . . and the existence of any undesirable effects on market outcomes," and "a description of the steps that would need to be taken, and the resources required, to implement a real-time scarcity pricing optimization engine ..... "[7] In the requisite informational report, NYISO explained that, during the summer of 2013, it activated its SCR/EDRP resources on five consecutive days, and that NYISO's scarcity pricing

[3] The "Emergency Demand Response Program" is "[a] program pursuant to which the ISO makes payments to Curtailment Service Providers that voluntarily take effective steps in real time, pursuant to ISO procedures, to reduce [New York Control Area] demand in Emergency conditions." NYISO, Services Tariff, § 2.5 (7.0.0).

[4] NYISO, Services Tariff, § 15.4.6.2 (5.0.0).

[5] *N.Y. Indep. Sys. Operator, Inc.*, 144 FERC ¶ 61,013 (2013).

[6] *Id.* P 27.

[7] *Id.* P 28.

mechanism successfully incorporated the cost of these resources in the cost of energy.[8] Overall, NYISO concluded that its scarcity pricing mechanism did not produce undesirable outcomes, but that it would be beneficial to employ scarcity pricing at proxy generator buses, in addition to internal locations.[9] With regard to implementing a real-time scarcity pricing optimization engine, NYISO stated that such a change would require significant effort to design and strong stakeholder support.[10] NYISO explained that it would be undertaking a comprehensive evaluation of scarcity pricing in early 2014. This filing is a result of that evaluation.[11]

II. NYISO's Filing

4. According to NYISO, its existing *ex post* scarcity pricing logic has the potential to cause inconsistencies between resource schedules and pricing outcomes, which could result in uplift costs.[12] NYISO explains that its existing scarcity pricing mechanism also does not apply to NYISO's proxy generator buses, which may result in inefficient scheduling of imports and exports during the periods when NYISO is likely to activate SCR/EDRP resources.[13] NYISO states that its Market Monitoring Unit (MMU) has previously recommended that NYISO extend scarcity pricing to its external interfaces. NYISO contends that incorporating scarcity pricing into the real-time optimization will improve NYISO's existing scarcity pricing mechanism by: (1) ensuring consistency between resource schedules and pricing outcomes in real-time when NYISO activates SCR/EDRP resources, thereby reducing the potential for uplift costs; and (2) reflecting

[8] New York Independent System Operator, Inc., Informational Report, Docket No. ER13-909-001, at 3 (filed Oct. 31, 2013).

[9] *Id.* at 8-11.

[10] *Id.* at 11-14.

[11] NYISO November 30, 2015 Transmittal Letter at 3 (NYISO Transmittal).

[12] *Id.* at 2.

[13] NYISO defines "Proxy Generator Bus" as: "A proxy bus located outside the [New York Control Area] that is selected by the ISO to represent a typical bus in an adjacent Control Area and at which [Locational Based Marginal Prices] are calculated. The ISO may establish more than one Proxy Generator Bus at a particular Interface with a neighboring Control Area to enable the NYISO to distinguish the bidding, treatment and pricing of products and services available at the Interface." NYISO, OATT, § 1.16 (7.0.0).

the impacts of scarcity pricing at proxy generator buses, thereby facilitating more efficient interchange transactions when NYISO activates SCR/EDRP resources in real-time.[14]

5. NYISO proposes to incorporate scarcity pricing into the real-time optimization by establishing a supplemental 30-minute reserve requirement in real-time during the periods when NYISO has called upon SCR/EDRP resources to provide load reduction (Scarcity Reserve Requirement).[15] NYISO states that it will seek to procure the Scarcity Reserve Requirement from eligible suppliers located within the load zone(s) in which it has activated SCR/EDRP Resources (Scarcity Reserve Region).[16] NYISO will price any resulting shortage in meeting the Scarcity Reserve Requirement at $500 per MW (the same value NYISO assigns to SCR/EDRP resources under the existing scarcity pricing mechanism).[17]

6. NYISO explains that the amount of the Scarcity Reserve Requirement is based, in part, on the expected load reduction to be provided by the SCR/EDRP resources that NYISO has activated, calculated using historical performance of SCR/EDRP resources. NYISO notes that certain stakeholders raised concerns about the use of a 30-minute reserve product resulting in inefficient dispatch of resources or in triggering scarcity pricing when the system has sufficient resources available to meet all energy and reserve requirements absent the Scarcity Reserve Requirement. NYISO states that, in response to these concerns, it now proposes to call on the amount of energy production capability that

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[14] NYISO Transmittal at 3.

[15] *Id.* at 11-12. NYISO proposes to define "Scarcity Reserve Requirement" as: "A 30-Minute Reserve requirement established by the ISO for a Scarcity Reserve Region in accordance with Rate Schedule 4 of this ISO Services Tariff." Proposed NYISO Services Tariff § 2.19; *see also* Proposed NYISO OATT § 1.19.

[16] NYISO Transmittal at 11. NYISO proposes to define "Scarcity Reserve Region" as: "A Load Zone or group of Load Zones containing EDRP and/or SCRs that have been called by the ISO to address the same reliability need, as such reliability need is determined by the ISO." Proposed NYISO Services Tariff § 2.19; Proposed NYISO OATT § 1.19. NYISO explains that the Scarcity Reserve Region defines the geographic area within which resources must be located in order to provide the additional 30-minute reserve requirement that NYISO will utilize to incorporate scarcity pricing into the real-time optimization. In addition, NYISO states that, if NYISO activates SCR/EDRP resources in different geographic areas in response to different reliability needs, NYISO may establish more than one Scarcity Reserve Region in real-time. NYISO Transmittal at 11.

[17] NYISO Transmittal at 11.

could be provided by available resources in greater than 30 minutes, but less than or equal to 60 minutes (available operating capacity), within the Scarcity Reserve Region prior to activating SCR/EDRP resources. NYISO explains that it will subtract the amount of available operating capacity from the expected load reduction to be provided by SCR/EDRP resources that NYISO has activated and will use the resulting value to establish the Scarcity Reserve Requirement.[18]

7. To effectuate the incorporation of scarcity pricing into NYISO's real-time optimization, NYISO proposes to increase the value of Southeastern New York 30-minute reserves from $25 per MW to $500 per MW, effective at all times. According to NYISO, this increase appropriately recognizes that NYISO has historically called upon SCR/EDRP resources to protect reserves in Southeastern New York. NYISO explains that this proposed change aligns the value of reserves with the actual cost of providing such resources.[19] NYISO states that this proposed increase in Southeastern New York 30-minute reserves necessitates a corresponding increase in the value of the middle pricing point of the regulation service demand curve (i.e., relating to shortages of regulation service greater than 25 MW, but less than 80 MW) from $400 per MW to $525 per MW, effective at all times.[20] Similarly, NYISO explains that the proposed increase in Southeastern New York 30-minute reserves necessitates a reduction in the target level for Southeastern New York 30-minute reserves to zero during storm watch events (i.e., during actual or anticipated severe weather conditions).[21] Lastly, NYISO also proposes to increase the New York Control Area 30-minute reserve demand curve values priced at less than $500 per MW to $500 per MW, effective in real-time during any SCR/EDRP resource activation.[22]

8. NYISO requests Commission action within 60 days of the date of its filing (i.e., by January 29, 2016) to provide NYISO and market participants with timely notice, to allow NYISO to confidently proceed with developing and deploying necessary software changes, and to enable NYISO to achieve the desired effective date for its proposal. NYISO requests a flexible effective date and proposes to submit a compliance filing at least two weeks prior to the proposed effective date that will specify the proposed effective date. NYISO states that it anticipates an effective date on or before June 30,

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[18] *Id*. at 4-7.

[19] *Id*. at 8.

[20] *Id.*

[21] *Id.* at 8-9.

[22] *Id*. at 9.

2016. To the extent necessary, NYISO seeks waiver of the Commission's regulations to allow NYISO to make this filing more than 120 days prior to the date on which the proposed service is to become operational. NYISO contends that no market participants will be prejudiced because the implementation timeframe was developed in consultation with market participants and NYISO will provide at least two weeks' prior notice.[23]

III. Notice of Filing and Responsive Pleadings

9. Notice of NYISO's filing was published in the *Federal Register*, 80 Fed. Reg. 76,013 (2015), with interventions and protests due on or before December 21, 2015. The New York State Public Service Commission filed a notice of intervention. The Utility Intervention Unit of the New York State Department of State (UIU), NRG Companies,[24] Exelon Corporation, Electric Power Supply Association (EPSA), Independent Power Producers of New York, Inc. (IPPNY), PSEG Companies,[25] and New York Transmission Owners (NYTOs)[26] filed timely motions to intervene. IPPNY and EPSA (jointly, IPPNY/EPSA) and NYTOs filed comments in support of the filing. UIU filed a protest to the filing. NYISO filed an answer to UIU's protest.

A. Comments in Support

10. IPPNY/EPSA assert that the Commission should accept NYISO's proposal because it will improve the accuracy of real-time prices, support efficient dispatch, and reduce uplift costs. IPPNY/EPSA also contend that NYISO's proposal is consistent with the Commission's price formation efforts because it will improve price formation during periods of scarcity by more accurately and transparently reflecting scarcity situations in

[23] *Id.* at 16-17 (citing 18 C.F.R. § 35.3(a)(1) (2015)).

[24] NRG Companies consist of NRG Power Marketing LLC and GenOn Energy Management, LLC.

[25] PSEG Companies consist of PSEG Power LLC, PSEG Energy Resources & Trade LLC, and PSEG Power New York LLC.

[26] NYTOs consist of: Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., Niagara Mohawk Power Corporation, New York Power Authority, New York State Electric & Gas Corporation, Orange and Rockland Utilities, Inc., Power Supply Long Island, and Rochester Gas and Electric Corporation.

market outcomes.[27] IPPNY/EPSA add that the supplemental 30-minute reserve requirement is more likely to incent market participants to take actions and make investments in their capabilities to respond to shortage pricing signals, which, in turn, will support reliability. IPPNY/EPSA assert that, while this proposal is an improvement, NYISO and the Commission should continue to pursue additional improvements to price formation, consistent with the price formation principles.[28]

11. NYTOs support NYISO's proposal, stating that NYISO's existing scarcity pricing mechanism can cause inconsistent real-time prices for different products at a given location. According to NYTOs, this can result in some generators realizing windfall profits when capacity that was scheduled to provide one product in the day-ahead market is scheduled to produce a second product in the real-time market if the real-time price of the first product does not reflect scarcity conditions while the real-time price of the second product reflects scarcity conditions. NYTOs contend that NYISO's proposal avoids these inconsistencies. Although NYTOs support NYISO's proposal, they note that NYISO's proposal relies on modifications to 30-minute reserve requirements to ensure that real-time prices reach appropriate levels during scarcity conditions, which can produce some adverse consequences, such as a less efficient dispatch, in certain conditions. Under an alternative design that NYTOs proposed in the stakeholder process, NYTOs explain that NYISO would have defined separate 30-minute reserve and scarcity reserve requirements. NYTOs argue that this alternative design would have avoided those adverse consequences, but also would have taken considerably longer to implement and cost considerably more. NYTOs concluded that it would be better to promptly implement NYISO's scarcity pricing proposal. However, NYTOs also believe that this issue should be revisited once NYISO has sufficient experience with these proposed changes to assess whether further improvements are justified.[29]

B. Protest

12. UIU argues that there are three flaws with NYISO's proposal and that, therefore, the Commission should reject the proposal. First, UIU contends that NYISO's filing

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[27] IPPNY/EPSA December 21, 2015 Comments at 2-3 (IPPNY/EPSA Comments) (citing *Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System Operators*, Docket No. AD14-14-000, Notice, at 2 (June 19, 2014); *Settlement Intervals and Shortage Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators*, 152 FERC ¶ 61,218, at P 51 (2015)).

[28] *Id*. at 2-3.

[29] NYTOs December 21, 2015 Comments at 2-4 (NYTOs Comments).

misses an opportunity to improve the efficiency of the existing SCR/EDRP resource deployment strategy by incorporating economic factors into the deployment logic. UIU explains that, instead, NYISO proposes to maintain the existing practice of basing SCR/EDRP resource deployment solely on operational factors without regard to market conditions. According to UIU, considering economic factors would allow NYISO to better tailor the timing and magnitude of SCR/EDRP resource deployments, resulting in a more accurate market representation of these resources and a higher degree of economic efficiency.[30]

13. Second, UIU argues that, "NYISO's proposal would . . . implement a phantom reserve constraint [(i.e., the Scarcity Reserve Requirement)] that yields artificial price increases."[31] In addition, UIU expands by stating that the proposal fails to remedy the "flaw" in NYISO's existing scarcity pricing mechanism that SCR/EDRP resources "do not submit demand bids analogous to generation supply bids and are not subject to all security constraints as part of the real-time market optimization."[32] UIU explains that the proposed Scarcity Reserve Requirement would provoke market impacts, but those impacts would occur after NYISO has deployed the SCR/EDRP resources, while the price of the SCR/EDRP resources themselves would remain an out-of-market determination. UIU asserts that this flaw in NYISO's existing mechanism leads to higher costs to customers.[33]

14. Third, UIU asserts that, "NYISO's proposed artificial load and contingency requirements would lead to inefficient generation commitments."[34] In particular, UIU argues that, "NYISO's proposal would mandate higher operating reserve requirements whenever [SCR/EDRP] resources are deployed—whether or not they are ultimately necessary—and, consequently, may result in a recommitment and dispatch of generating resources."[35] UIU contends that this would increase the total production costs of meeting load, and thus, is less efficient than NYISO's existing mechanism.[36]

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[30] UIU December 21, 2015 Protest at 2 (UIU Protest).

[31] *Id.* at 2.

[32] *Id.* at 3.

[33] *Id.*

[34] *Id.* at 3.

[35] *Id.*

[36] *Id.*

C. NYISO's Answer

15. NYISO asserts that UIU's first two arguments are about flaws in NYISO's existing scarcity pricing mechanism and would require a fundamental redesign that is beyond the scope of this proceeding. NYISO explains that its proposal is not intended to address the dispatch procedures for SCR/EDRP resources; instead, it is intended to improve real-time price formation during periods when NYISO deploys such resources, while simultaneously reducing the potential for uplift cost impacts during such periods. NYISO contends that UIU should pursue any proposed redesign of the existing scarcity pricing mechanism as part of the normal stakeholder process to ensure all interested parties have an opportunity to review the proposed redesign, as well as consider the appropriate priority to assign to such a project.[37]

16. As for UIU's third argument, NYISO responds that its proposal will reduce the potential for uplift costs, thereby improving price formation and transparency. In addition, NYISO explains that reflecting the impacts of scarcity pricing at proxy generator buses will facilitate more efficient scheduling of interchange transactions when NYISO has activated SCR/EDRP resources, which will, in turn, improve the reliability of the system. Moreover, according to NYISO, prices that fail to accurately reflect system needs and resource costs will result in incorrect signals, leading to inefficient decisions and ultimately higher costs for consumers. NYISO states that it conducted a consumer impact analysis as part of its stakeholder discussions, analyzing potential market outcomes if NYISO's proposal had been in effect during SCR/EDRP resource activations in 2013. NYISO explains that its analysis identified potential annual energy cost savings for consumers when NYISO activates SCR/EDRP resources of approximately $46.7 million.[38] NYISO notes that its analysis also indicated that, in years when NYISO does not activate SCR/EDRP resources, its proposal could result in an annual energy cost increase of approximately $14.6 million, driven by the corollary changes necessitated by the proposal to ensure proper pricing outcomes. NYISO argues that its proposal will improve its existing scarcity pricing mechanism, as well as provide benefits to consumers and the marketplace as a whole.[39]

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[37] NYISO January 5, 2016 Answer at 4-5 (NYISO Answer).

[38] *Id.* at 5-7 & n.16.

[39] *Id.* at 7.

IV. Discussion

A. Procedural Matters

17. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,[40] the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to the proceeding.

18. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure prohibits an answer to a protest unless otherwise ordered by the decisional authority.[41] We accept NYISO's answer because it has provided information that has assisted us in our decision-making process.

B. Commission Determination

19. For the reasons discussed below, we accept NYISO's filing, subject to condition, effective upon NYISO's implementation of the necessary software changes, as requested.[42] We agree with NYISO that the proposal will improve NYISO's existing scarcity pricing mechanism, as well as provide benefits to consumers and the marketplace as a whole.[43] Thus, we find that, subject to NYISO submitting compliance filings, as discussed below, NYISO's proposed revisions are just and reasonable.

20. Under NYISO's existing scarcity pricing mechanism, NYISO performs an after-the-fact test (the "but-for test") that determines whether a scarcity event occurred (i.e., whether the amount of SCR/EDRP resources NYISO activated exceeded the amount of unscheduled operating reserves). Here, NYISO proposes to incorporate this process into the real-time optimization, which will improve real-time price formation, reduce the potential for uplift costs, and increase price transparency. Thus, incorporating scarcity pricing into the real-time optimization will reflect actual operator actions without the need to adjust prices on an after-the-fact basis. Once these changes are implemented, prices will more accurately reflect resource costs, which will send market participants

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[40] 18 C.F.R. § 385.214 (2015).

[41] *Id.* § 385.213(a)(2).

[42] The Commission can revise a proposal filed under section 205 of the Federal Power Act as long as the filing utility accepts the change. *See City of Winnfield v. FERC*, 744 F.2d 871, 875-77 (D.C. Cir. 1984). The filing utility is free to indicate that it is unwilling to accede to the Commission's conditions by withdrawing its filing.

[43] NYISO Answer at 7 & n.16 (explaining the consumer impact analysis results).

improved market signals.[44] In addition, incorporating scarcity pricing into the real-time optimization will reflect the actual opportunity cost to resources of providing energy, as opposed to reserves. Because NYISO currently implements scarcity pricing on an *ex post* basis, energy prices reflect scarcity levels on an after-the-fact basis, but operating reserves prices do not because real-time dispatch cannot go back and re-determine ancillary service schedules to reflect each provider's opportunity cost.[45] Furthermore, unlike NYISO's existing scarcity pricing mechanism, NYISO's proposal recognizes that capacity that is available within 30 to 60 minutes can be dispatched to meet load prior to activating SCR/EDRP resources. Thus, NYISO will procure a greater amount of available operating capacity from the market before relying on SCR/EDRP resources and triggering scarcity pricing than under its existing rules.

21. In addition to incorporating scarcity pricing into the real-time optimization, NYISO also proposes to apply scarcity pricing to proxy generator buses. NYISO currently only applies scarcity pricing to internal locations, resulting in large differences in real-time prices between internal locations and proxy generator buses. As a result, when NYISO is likely to call on SCR/EDRP resources, the price signals are asymmetric when comparing resources inside of the New York Control Area to the proxy generator buses. Therefore, the true value of imports is not currently represented during scarcity events.

22. UIU argues that NYISO's filing misses an opportunity to remedy an alleged flaw in NYISO's existing scarcity pricing mechanism. UIU contends that SCR/EDRP resources should submit demand bids analogous to generation supply bids and should be subject to all security constraints as part of the real-time market optimization.[46] This argument is beyond the scope of NYISO's section 205 filing, which proposes to

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[44] *See Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System Operators*, Docket No. AD14-14-000, Notice, at 3 (June 19, 2014) ("To the extent that actions taken to avoid reserve deficiencies are not priced appropriately or not priced in a manner consistent with the prices set during a reserve deficiency, the price signals sent when the system is tight will not incent appropriate short- and long-term actions by resources and loads.").

[45] *See N.Y. Indep. Sys. Operator, Inc.*, 144 FERC ¶ 61,013, at PP 14, 28 (2013) (describing NYTOs' protest to NYISO's existing scarcity pricing mechanism and recognizing that the existing scarcity pricing mechanism, while an improvement, should be re-evaluated to consider implementing real-time scarcity pricing optimization).

[46] UIU Protest at 2-3.

incorporate scarcity pricing into the real-time optimization, and not to change the way in which NYISO commits and dispatches SCR/EDRP resources in the real-time market.

23. As to UIU's argument that the proposal could result in less efficient dispatch of generating resources and higher production costs, we find that the benefits of increasing price transparency and incorporating scarcity pricing in the real-time market software outweigh such concerns.[47] NYISO's proposal increases price transparency by ensuring consistency between resource schedules and pricing outcomes in real-time when NYISO activates SCR/EDRP resources, thereby reducing the potential for uplift costs.[48] With that said, we recognize that additional system changes may be required to further optimize the scarcity pricing mechanism and avoid the potential issues UIU and NYTOs identify. We encourage NYISO to continue working with its stakeholders on optimizing its scarcity pricing mechanism.

24. In accepting NYISO's proposal as just and reasonable, we require NYISO to submit a compliance filing within 30 days of the date of this order clarifying its proposed Services Tariff and OATT provisions to clearly identify and state where they apply to shortage events versus scarcity events. For example, in proposed Services Tariff section 15.4.7(i), NYISO appears to describe the price points when it has called a shortage event; however, based on the proposed language, it is unclear whether these provisions apply to shortage pricing or scarcity pricing. We therefore direct NYISO to clarify its proposed Services Tariff and OATT provisions to ensure they clearly state whether they apply to scarcity events, shortage events, or both.

25. We also require NYISO to submit a further compliance filing with no less than two weeks' notice of the proposed effective date.[49]

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[47] UIU Protest at 3.

[48] *See Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System Operators*, Docket No. AD14-14-000, Notice, at 3 (June 19, 2014) ("Use of uplift payments can undermine the market's ability to send actionable price signals. Sustained patterns of specific resources receiving a large proportion of uplift payments over long periods of time raise additional concerns that those resources are providing a service that should be priced in the market or opened to competition.").

[49] We find good cause to grant NYISO's request for waiver of the prior notice requirements of section 35.3 of the Commission's Rules and Regulations, 18 C.F.R. § 35.3 (2015), to permit the filing to be made more than 120 days in advance of the proposed effective date because this will allow NYISO additional time to develop the software changes necessary to implement its proposed revisions.

The Commission orders:

(A) NYISO's filing is hereby accepted, subject to condition, effective upon NYISO's implementation of the necessary software changes, as discussed in the body of this order.

(B) NYISO is hereby directed to submit a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

(C) NYISO is hereby directed to submit a compliance filing with no less than two weeks' notice of the proposed effective date, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.