

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF ENERGY MARKET REGULATION

In Reply Refer To:
New York Independent System Operator, Inc.
Docket No. ER16-425-001
Issued: 5/19/16

New York Independent System Operator, Inc.
Attn.: Garrett E. Bissell, Senior Attorney
10 Krey Boulevard
Rensselaer, NY 12144

Reference: Data Request Regarding Compliance Filing

Dear Mr. Bissell:

On March 29, 2016, you submitted on behalf of the New York Independent System Operator, Inc. (NYISO) a compliance filing in response to the Commission's March 1, 2016 Order, Docket No. ER16-425-000.¹ In the March Order, the Commission accepted NYISO's proposed improvements to its existing scarcity pricing mechanism, but required NYISO to clarify its Market Administration and Control Area Services Tariff (Services Tariff) and Open Access Transmission Tariff (OATT) "to ensure they clearly state whether they apply to scarcity events, shortage events, or both."² As an example of where the proposed tariff revisions were unclear, the Commission pointed to proposed Services Tariff section 15.4.7(i).³

NYISO's original filing, made on November 30, 2015, stated that the proposed revisions to section 15.4.7 of the Services Tariff "address the implications of Scarcity Reserve Requirements on the applicable 30-Minute Reserve demand curves in real-time during activations of the [Emergency Demand Response Program (EDRP)] and/or [Special Case Resources (SCR)] program." NYISO explained that the proposed revisions "provide that in circumstances where the Load Zone(s) included as part of an activation of the EDRP and/or SCR program match the Load Zone(s) encompassed by an existing reserve region, the NYISO will utilize a revised 30-Minute Reserve demand curve for the affected reserve region." NYISO then stated that the "revised demand curves reflect the

¹ *N.Y. Indep. Sys. Operator, Inc.*, 154 FERC ¶ 61,152 (2016) (March Order).

² *Id.* PP 19, 24.

³ *Id.* P 24.

addition of the Scarcity Reserve Requirement to the otherwise applicable 30-Minute Reserve requirement for the affected reserve region, with any shortage in meeting the Scarcity Reserve Requirement priced at \$500 per MW.”⁴

The proposed revisions to section 15.4.7(i) in the original filing seemed to establish \$500/MW as the price for real-time intervals in which NYISO established a Scarcity Reserve Requirement for total 30-Minute Reserves where quantities of Operating Reserves meeting the total 30-Minute Reserves requirement are: (1) less than or equal to the target level for that locational requirement minus 655 MW but exceed the target level for that locational requirement minus 955 MW; (2) less than or equal to the target level for that locational requirement minus 300 MW but exceed the target level for that locational requirement minus 655 MW; or (3) less than or equal to the target level but exceed the target level for that locational requirement minus 300 MW. In addition, the language at the beginning of section 15.4.7(i) seemed to establish \$750/MW as the price where quantities of Operating Reserves meeting the total 30-Minute Reserves requirement are less than or equal to the target level for that locational requirement minus 955 MW, but it did not clearly state whether this price applied to shortage events, scarcity events, or both. At the same time, the proposed revisions to section 15.4.7(i) seemed to establish \$750/MW as the price for real-time intervals in which NYISO established a Scarcity Reserve Requirement “for which the pricing rules established in Section 15.4.6.1.1(a)(i)” apply where quantities of Operating Reserves meeting the total 30-Minute Reserves locational requirement target level plus the Scarcity Reserve Requirement (NYCA scarcity target level) are less than or equal to the NYCA scarcity target level minus an amount equal to the sum of 955 MW and the Scarcity Reserve Requirement. Given this lack of clarity, in the March Order, the Commission directed NYISO to clarify where the pricing applies to scarcity events, shortage events, or both.

In the March 29, 2015 compliance filing, NYISO proposes to further revise section 15.4.7(i) to, among other things, “expressly define a separate Operating Reserve Demand Curve that will apply during all scarcity periods, except for statewide activations (*i.e.*, all Load Zones) of the EDRP and/or SCR program.”⁵ Specifically, NYISO proposes the following additional language:

During each real-time interval that the ISO has established a Scarcity Reserve Requirement(s) in the Real-Time Market, other than a Scarcity Reserve Requirement for which the pricing rules established in Section 15.4.6.1.1(a)(i) of this Rate Schedule apply, the applicable Operating Reserves demand curve for total 30-Minute Reserves shall be as follows: For quantities of Operating Reserves meeting the total 30-Minute Reserves

⁴ NYISO November 30, 2015 Transmittal Letter at 14.

⁵ NYISO March 29, 2016 Transmittal Letter at 3.

locational requirement target level plus the applicable Scarcity Reserve Requirement(s) (“adjusted NYCA target level”) that are less than or equal to the adjusted NYCA target level minus 955 MW, the price on the total 30-Minute Reserves demand curve shall be \$750/MW.

Based upon this information, we request that you provide the following additional information:

1. Although section 15.4.7(i) of the Services Tariff applies to *Total* 30-Minute Reserves, the new proposed language seems to establish pricing for scarcity events where NYISO has activated the EDRP or SCR program in part but not all of the New York Control Area. In addition, sections 15.4.7(j), (k), and (l) apply to scarcity events in certain zones. Please explain under what circumstances NYISO expects to apply each of its 30-Minute Reserves provisions (sections 15.4.7(i), (j), (k), and (l)). To the extent useful, please include examples, flow-charts, or tables.
2. In addition, NYISO stated in its original filing that the “revised demand curves reflect the addition of the Scarcity Reserve Requirement to the otherwise applicable 30-Minute Reserve requirement for the affected reserve region, with any shortage in meeting the Scarcity Reserve Requirement priced at \$500 per MW.”⁶ Please explain how the \$750/MW price point is consistent with this statement in the original filing and the tariff revisions proposed in the original filing.

This action is taken pursuant to 18 C.F.R. § 375.307(b)(3)(ii) (2015) and is interlocutory. This letter is not subject to rehearing pursuant to 18 C.F.R. § 385.713 (2015), and a response to this letter must be filed with the Commission within 10 days of the date of this letter. An additional electronic copy of the response should be emailed to Scotiana Collins at scotiana.collins@ferc.gov.

Sincerely,

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

⁶ NYISO November 30, 2015 Transmittal Letter at 14.