

March 13, 2017

By Electronic Delivery

Honorable Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: *New York Independent System Operator, Inc.*, Docket No. ER17-\_\_\_-000;  
Proposed Tariff Revisions to Implement Balance-of-Period TCC Auctions  
and Enhancements to the Credit Requirements for TCCs**

Dear Secretary Bose:

In accordance with Section 205 of the Federal Power Act<sup>1</sup> and Part 35 of the regulations of the Federal Energy Regulatory Commission (“Commission”), the New York Independent System Operator, Inc. (“NYISO”) respectfully submits proposed amendments to its Open Access Transmission Tariff (“OATT”) and Market Administration and Control Area Services Tariff (“Services Tariff”) to implement: (i) a monthly balance-of-period (“BoP”) Transmission Congestion Contract (“TCC”) auction structure; and (ii) enhancements to the credit requirements for TCCs.<sup>2</sup>

The NYISO Management Committee unanimously approved the proposed tariff revisions on December 21, 2016. The NYISO respectfully requests: (i) an order accepting the proposed tariff revisions by May 12, 2017 (*i.e.*, sixty days from the date of this filing letter); and (ii) a flexible effective date for the proposed tariff revisions to be established upon at least two weeks’ prior notice.<sup>3</sup>

---

<sup>1</sup> 16 U.S.C. § 824d.

<sup>2</sup> Capitalized terms not otherwise defined herein shall have the meaning specified in Section 1 of the OATT and Section 2 of the Services Tariff.

<sup>3</sup> As further described in Section IV below, the NYISO proposes two subsequent filings to the Commission to establish two distinct effective dates for various components of the proposed tariff revisions. The first would establish the effective date for the proposed revisions to Attachment K of the Services Tariff, which will occur upon deployment of the software to implement such revisions. The NYISO currently anticipates that the effective date for the revisions to Attachment K of the Services Tariff will be mid- to late-June 2017. A second filing would then provide the effective date for the remaining proposed tariff revisions, which will occur in conjunction with when the NYISO begins conducting monthly BoP TCC auctions. The NYISO currently anticipates that it will begin conducting monthly BoP TCC auctions in August 2017 (*i.e.*, for TCCs effective beginning September 1, 2017).

**I. Documents Submitted**

1. This filing letter;
2. A clean version of the proposed revisions to the OATT (“Attachment I”);
3. A blacklined version of the proposed revisions to the OATT (“Attachment II”);
4. A clean version of the proposed revisions to the Services Tariff (“Attachment III”);  
and
5. A blacklined version of the proposed revisions to the Services Tariff (“Attachment IV”).

**II. Background**

**A. TCC Auctions**

TCCs are financial instruments that can be used to hedge costs resulting from transmission system congestion. The Primary Holder of a TCC is entitled to the value of the Day-Ahead Market congestion between the point of injection (“POI”) and point of withdrawal (“POW”) associated with that TCC.<sup>4</sup> TCCs are primarily allocated to Market Participants through auctions administered by the NYISO.

The NYISO currently conducts Centralized TCC Auctions twice each year in advance of each Capability Period. The Centralized TCC Auctions provide Market Participants the opportunity to purchase and sell longer duration (*i.e.*, two-year, one-year and six-month) TCCs through a series of Sub-Auctions.<sup>5</sup> The NYISO also administers monthly Reconfiguration Auctions to allow Market Participants the opportunity to purchase and sell one-month TCCs. Currently, the monthly Reconfiguration Auctions encompass only a single month.<sup>6</sup>

---

<sup>4</sup> A TCC represents the right to collect, or the obligation to pay, the Day-Ahead Market Congestion Rents associated with one MW of transmission between a specified POI and POW. The Congestion Rent value for a TCC is calculated as the Congestion Component of the Day-Ahead Market Locational Based Marginal Price (“LBMP”) at the POW specified for the TCC, less the Congestion Component of the Day-Ahead LBMP at the POI specified for that TCC during each hour that the TCC is valid.

<sup>5</sup> Sub-Auctions are conducted separately for TCCs of a particular duration. Sub-Auctions for longer duration TCCs precede Sub-Auctions for shorter duration TCCs.

<sup>6</sup> Reconfiguration Auctions are conducted in the month prior to the month in which the TCCs purchased and sold in the auction are valid. For example, in April, the NYISO would conduct a Reconfiguration Auction that provides Market Participants the ability to purchase and sell TCCs valid for May.

The monthly Reconfiguration Auctions, in part, provide Market Participants the ability to adjust their TCC portfolio to account for market changes over time. The current monthly auction structure, which encompasses only a single month, however, limits the ability of a Market Participant to adjust its TCC holdings for all remaining months of a Capability Period to, for example, account for persistent changes in load serving obligations or market conditions that may arise.

## **B. TCC Credit Requirements**

Each participant in the NYISO-administered markets must satisfy credit requirements based on the Market Participant's expected financial obligations to the NYISO ("Operating Requirement") and the bids that the customer seeks to submit in the TCC auctions ("Bidding Requirement"). The Bidding Requirement<sup>7</sup> is designed to ensure that a Market Participant bidding on a TCC provides sufficient collateral to cover the cost of any TCC ultimately awarded. The Bidding Requirement equals the greater of (i) the sum of all positive bids to purchase TCCs plus the absolute value of the sum of all negative offers to sell TCCs; or (ii) the minimum Bidding Requirement threshold for each bid, based on the TCC duration, as set forth in Section 26.4.3 of the Services Tariff.

In addition, upon award of a TCC, the Market Participant must satisfy the credit requirement as set forth in Section 26.4.2.4.1 of the Services Tariff ("Holding Requirement").<sup>8</sup> This Holding Requirement is designed to ensure that a Market Participant awarded a TCC provides sufficient collateral to cover payments owed to the NYISO over the term of the TCC.<sup>9</sup> In 2011, the NYISO implemented tariff changes intended to enhance the methodology for calculating the Holding Requirement by revaluing the requirement at specified points during the term of a TCC.<sup>10</sup> For example, the Holding Requirement for the final six months of a one-year TCC is now revalued as a six-month TCC awarded in the most recently completed Centralized

---

<sup>7</sup> The calculation of a Bidding Requirement is set forth in Sections 26.4.3(i) and (ii) of Attachment K of the Services Tariff.

<sup>8</sup> The Holding Requirement is determined based on the market-clearing price of the TCC. If at any time during the term of the TCC the "mark-to-market" valuation of the TCC based on net Congestion Rents exceeds the Holding Requirement, the customer must provide additional collateral, pursuant to Section 26.4.2.4.2 of the Services Tariff. Implementation of the BoP TCC auction structure does not affect Section 26.4.2.4.2 (except that under the proposed tariff revisions it is renumbered as Section 26.4.2.4.3).

<sup>9</sup> The Holding Requirement calculation uses TCC path-specific characteristics to achieve a high probability, based on historical TCC market data, that the amount of collateral provided by the Market Participant will cover the payments due the NYISO over the term of the TCC. See Docket No. ER08-778-000, *New York Independent System Operator, Inc.*, Proposed Tariff Revision Regarding the Credit Requirements for Holding Transmission Congestion Contracts and Request for Expedited Treatment at 6 (April 2, 2008).

<sup>10</sup> Docket No. ER11-1937-000, *New York Independent System Operator, Inc.*, Letter Order (December 6, 2010)

TCC Auction with the same POI and POW combination as the original TCC award.<sup>11</sup> With the implementation of the BoP TCC auction structure there are additional opportunities to revalue the Holding Requirement for the remaining portion of a TCC based on the market-clearing prices produced by the BoP TCC auctions.

### **III. Description of Proposed Tariff Revisions**

The NYISO intends to replace its current monthly Reconfiguration Auction structure with a new monthly BoP TCC auction structure. Unlike the currently monthly auctions, which provide Market Participants the capability to purchase and sell TCCs for only a single month, the monthly BoP TCC auction structure will provide the ability to purchase and sell TCCs for all remaining months of the Capability Period.<sup>12</sup> The new BoP TCC auction structure will allow Market Participants the opportunity, on a monthly basis, to adjust their TCC holdings for the remainder of a Capability Period to reflect changes in load serving obligations and/or market conditions over time.

The NYISO also proposes to implement enhancements to the credit requirements for TCCs. These enhancements, in part, leverage the additional monthly TCC market-clearing price data made available by the BoP TCC auction structure. Each month, the BoP TCC auction structure will produce TCC market-clearing prices for all remaining months of a Capability Period. This additional market-clearing price information provides the necessary pricing data to adjust TCC collateral holding requirements on a monthly basis. These enhancements are expected to result in the calculation of collateral holding requirements that more accurately reflect changes in the market value of a Market Participant's TCC portfolio over time.

#### **A. Proposed Revisions to the OATT**

The NYISO proposes certain revisions to the TCC market-related provisions within the OATT to address the new BoP TCC auction structure. The affected provisions are Sections 1.2, 1.18, Attachment H, Attachment M and Attachment N.

The NYISO also proposes certain clarifying revisions to the existing TCC market-related provisions within the OATT. These revisions do not represent substantive changes to current rules and procedures. Instead, they are intended to improve and clarify existing tariff language.

---

<sup>11</sup> Docket No. ER11-1937-000, *supra*, Proposed Tariff Revisions Regarding Credit Requirements for Holding TCCs at 4 (October 29, 2010).

<sup>12</sup> For example, the first BoP TCC auction conducted for the Summer Capability Period would provide the ability to purchase and sell TCCs for all six months of the Capability Period (*i.e.*, May through October). The next BoP TCC auction would then provide the capability to purchase and sell TCCs for the remaining five months of the Capability Period (*i.e.*, June through October). Each successive BoP TCC auction for the Capability Period will include one fewer month. The final BoP TCC auction for a given Capability Period covers only a single month, and, thus, is the functional equivalent of the current single month Reconfiguration Auction structure administered by the NYISO.

The provisions affected by these clarifying revisions are Sections 1.4, 1.5, 1.15, Attachment H, Attachment M and Attachment N.

## 1. Definitions (OATT Section 1)

### a. Tariff Revisions for BoP TCC Auction

The NYISO proposes to add the new definition below of a “Balance-of-Period Auction” within Section 1.2. This definition describes that, unlike the current single month Reconfiguration Auction type, the BoP TCC auction provides the ability to purchase and sell TCCs for all remaining months of a Capability Period.

**Balance-of-Period Auction:** An auction administered by the ISO in which Transmission Customers may purchase and sell TCCs valid for a future month or months in the same Capability Period in which the auction is conducted; provided, however, that the Balance-of-Period Auction conducted in the last month of a Capability Period will allow for the purchase and sale of TCCs valid for a future month or months in the next Capability Period.

The NYISO also proposes to revise the definition of “Reconfiguration Auction” in Section 1.18 of the OATT to recognize the BoP TCC auction as a type of monthly Reconfiguration Auction that may be conducted by the NYISO.

### b. Additional Tariff Revisions

The NYISO further proposes to clarify three existing definitions.

The NYISO proposes to clarify within the definition of “Direct Sale” in Section 1.4 that Transmission Owners are authorized to conduct Direct Sales of Original Residual TCCs in addition to Existing Transmission Capacity for Native Load (“ETCNL”) and Grandfathered TCCs. This clarifying revision is consistent with Section 19.6 of Attachment M of the OATT that identifies the instrument types that are eligible for Direct Sales.

In Section 1.5, the NYISO proposes to further clarify the definition of “Excess Congestion Rents” to appropriately reflect that such excess amounts may arise when the Transfer Capability of the Transmission System used in the Day-Ahead Market is not fully exhausted by the set of all valid TCCs and Grandfathered Rights for the applicable period in question. The set of valid TCCs includes TCCs awarded in the Reconfiguration Auctions and Centralized TCC Auctions, as well as those that may be allocated outside the auctions such as Fixed Price TCCs and Incremental TCCs.

The NYISO also proposes to clarify the definition of “Optimal Power Flow (“OPF”)” in Section 1.15 to appropriately recognize that the OPF is used in the administration of both the Centralized TCC Auctions and Reconfiguration Auctions.

## **2. Attachment M (OATT Section 19)**

Attachment M of the OATT sets forth the general rules and procedures related to the TCC market and auctions administered by the NYISO. The NYISO proposes revisions to Sections 19.2, 19.8 and 19.9 to address the BoP TCC auction structure. The NYISO also proposes clarifying and other ministerial revisions unrelated to the BoP TCC auction proposal within Sections 19.2, 19.6, 19.8, 19.9 and 19.10.

### **a. Tariff Revisions for BoP TCC Auction**

In Section 19.2.1.1, the NYISO proposes to clarify the language related to transmission capacity made available on a temporary basis when a Load Serving Entity elects to defer the start date of its Historic Fixed Price TCCs to the beginning on the next Capability Period immediately following expiration of the underlying Existing Transmission Agreement giving rise to such Historic Fixed Price TCCs. Because this period may encompass one or more months covered by a BoP TCC auction, the NYISO has revised the language to relieve the restriction of only making this temporary capacity available to support single month TCCs. This will facilitate the NYISO's ability to make this temporary capacity available to support TCCs awarded in any BoP TCC auction covering the month(s) that such temporary capacity exists.

The NYISO proposes to revise the description of the Reconfiguration Auctions in Section 19.8.1. The revised description recognizes that the monthly BoP TCC auction structure is not limited to a single month but instead facilitates the purchase and sale of TCCs for all remaining months of the Capability Period. The NYISO proposes similar revisions to the description of the Reconfiguration Auctions in Section 19.8.5.

The NYISO currently anticipates that the BoP TCC auction structure will initially be implemented with bid functionality that will require Market Participants to enter separate bids for each month covered by a given auction for which the Market Participant is seeking to purchase or sell TCCs. However, the NYISO is continuing to explore providing additional, optional bid functionality in the future that would allow a Market Participant to utilize a single bid to specify their desire to purchase or sell TCCs for multiple months encompassed by a given BoP TCC auction.<sup>13</sup> To the extent that this optional multi-period bid functionality is made available, the NYISO has proposed tariff revisions to address bids utilizing this functionality. Section 19.9.4 includes a requirement for Market Participants to specify the month(s) for which

---

<sup>13</sup> In the case of a multi-period bid, the TCC purchases or sales associated therewith will either be awarded at a uniform MW value for all of the months covered by the bid or not awarded at all. Awards for less than the full number of months specified in the bid or for differing MW values for each month would not be provided. Market Participants have expressed a desire for the NYISO to make such bid functionality optional to the extent it is provided in the future. This would preserve the ability to utilize separate bids for each month, thereby facilitating the ability of a Market Participant to attain awards for less than the entire period of interest and/or differing MW values across the months of interest, if warranted by the auction solution.

they are bidding.<sup>14</sup> Section 19.9.5 clarifies how the aggregate market-clearing price would be determined for an awarded multi-period bid. In this case, the market-clearing price for the TCC would be equal to the sum of the applicable market-clearing prices for each month in which the awarded TCC is valid.

The NYISO proposes revisions to Section 19.9.7 to address the BoP TCC auction structure. The proposed revisions require that, in the context of a BoP TCC auction, the auction solution must, for each month it covers, accommodate all previously awarded and unsold TCCs that are valid for each such month.

The NYISO also proposes revisions to the information made available for each auction to address the BoP TCC auction structure. The proposed revisions in Sections 19.9.8 and 19.9.8.7 require the NYISO to make available the following information for each month covered by a BoP TCC auction: (i) the assumptions regarding transmission facility maintenance and outages; (ii) the market-clearing prices of the awarded TCCs; and (iii) the TCCs awarded.

b. Additional Tariff Revisions

The NYISO proposes certain clarifying revisions to several of the ETCNL rights listed in Attachment M, Table 2. The clarifying revisions address the segmentation of certain ETCNL rights across the multiple units of the generation facility that serves as the POI for the respective rights. The notations proposed for inclusion within the “Transmission Capacity (MW)” column of Table 2 obviate the need for “note no. 1” currently set forth below the table. Therefore, the NYISO proposes to delete this explanatory note.

The NYISO further proposes a series of ministerial revisions throughout Attachment M. The proposed revisions are as follows, with the affected tariff section(s) noted in parenthesis:

- ensure consistent use of the term “market-clearing price” (Sections 19.2.2.3.1, 19.9.1.2, 19.9.3, 19.9.5, 19.9.6, 19.9.8.6, 19.9.8.7 and 19.10);
- replace “Auction” or “Centralized TCC Auction” with “auction” in certain instances to refer generally to all TCC auction types (Sections 19.6.2, 19.9.1, 19.9.2, 19.9.3, 19.9.5, 19.9.6, 19.9.7, 19.9.8, 19.9.8.7 and 19.10);
- replace “Auction” or “Sub-Auction” with “Centralized TCC Auction” in certain instances to further clarify auction references (Sections 19.8.3.1, 19.8.3.2, 19.8.4, 19.9.1, 19.9.1.1, 19.9.1.2, 19.9.2, 19.9.3, 19.9.4, 19.9.7 and 19.9.8);

---

<sup>14</sup> This same requirement also applies with respect to use of multiple single month bids as is currently contemplated upon initial implementation of the BoP TCC auction. Each individual bid would need to specify the month covered by the BoP TCC auction to which the bid applies.

- broaden references to “Centralized TCC Auction” to include references to “Reconfiguration Auction” to clarify, as appropriate, where provisions apply equally to both types of auctions (Sections 19.7, 19.9.6 and 19.9.8);
- delete extraneous and unnecessary language and punctuations marks (section titles of Sections 19.6.1 and 19.6.2, as well as Sections 19.9.1, 19.9.1.1, 19.9.3, 19.9.4, 19.9.5, 19.9.7 and 19.9.8.2);
- ensure consistent use of references to “Attachment M” for cross references (Sections 19.9.1.1, 19.9.1.2, 19.9.5 and 19.10);
- replacing references to “Services tariff” with “NYISO Services Tariff” to ensure the use of terms defined in the OATT (Sections 19.9.2 and 19.9.4);
- ensure consistent use of references to “19.8.2(i)” in referring to certain pre-existing TCCs and Grandfathered Rights that are subject to reduction in accordance with Section 19.8.2 (Section 19.8.2);
- replace references to the undefined acronym “TO” with “Transmission Owner” to ensure the use of terms defined in the OATT (Section 19.8.2);
- replace incorrect reference to “Fixed Price TCCs” with “Historic Fixed Price TCCs” (Section 19.8.3);
- replace obsolete reference to “Primary Owner” with “Primary Holder” (Section 19.8.5);<sup>15</sup>
- clarify that certain data and information provided in advance of the TCC auctions is limited solely to the Day-Ahead Market (Sections 19.9.8.1 and 19.9.8.2);
- clarify that certain TCC auction related information is provided either between rounds or following the conclusion of each auction (Section 19.9.8);
- replace references to “End-State Auction” with “End-State Centralized TCC Auction” to ensure the use of terms defined in the OATT (Section 19.10);
- replace references to “Auction” with “semi-annual auction” to clarify provisions addressing this optional auction structure as part of the end-state TCC auction design (Section 19.10); and

---

<sup>15</sup> The NYISO ceased use of this term in 2010. *See* Docket No. ER10-982-000, *New York Independent System Operator, Inc.*, Proposed Tariff Clarifications Regarding Transmission Congestion Contracts at 2 (March 31, 2010); and Docket No. ER10-982-000, *supra*, Letter Order (May 27, 2010).

- add parenthesis surrounding the numeric value “3” listed in several data cells within Attachment M, Table 1 to clarify that these are intended as references to explanatory note no. 3 listed below the table (Attachment M, Table 1).

### **3. Attachment N (OATT Section 20)**

Attachment N of the OATT addresses TCC auction settlements and Congestion-related settlements in the Day-Ahead Market.<sup>16</sup> TCCs are “fully funded,” meaning that the Primary Holder of each TCC will always receive (or pay) the full value of Congestion Rents associated with the TCC. Payments to Primary Holders are primarily funded through Congestion Rents collected by the NYISO from Day-Ahead energy market transactions. To the extent that insufficient Congestion Rents are collected in the Day-Ahead Market, any resulting shortfall (*i.e.*, Congestion Shortfall) is funded by the Transmission Owners subject to Section 20.2.5 of Attachment N of the OATT.<sup>17</sup> Similarly, if the amount of Congestion Rents collected in the Day-Ahead Market exceeds the payment obligation to Primary Holders, the remaining excess (*i.e.*, Excess Congestion Rent) is paid to such Transmission Owners.

#### **a. Tariff Revisions for BoP TCC Auction**

Section 20.2 addresses Congestion Rent settlements in the Day-Ahead Market, including the allocation of Congestion Shortfalls and Excess Congestion Rents to the applicable Transmission Owners. The NYISO proposes revisions throughout Section 20.2 to account for the differences between the current, one-month Reconfiguration Auction structure and the proposed monthly BoP TCC auction structure.

Unlike the current monthly Reconfiguration Auction structure in which a given month is only covered by one monthly auction, the BoP TCC auction provides the potential for a given month to be included in multiple monthly Reconfiguration Auctions. The monthly BoP TCC auction structure also results in the potential for Reconfiguration Auctions that cover more than one month. As a result, the NYISO proposes revisions throughout Section 20.2 to account for these differences. The NYISO has proposed the addition of language throughout Section 20.2, such as “for the month that contains the relevant hour” or “for the month that contains hour *h*,” in

---

<sup>16</sup> See Docket No. ER04-54-000, *New York Independent System Operator, Inc.*, Tariff Revisions Regarding the Allocation Among Transmission Owners of Revenue Shortfalls and Surpluses in Day-Ahead Market Related Congestion Settlements and in TCC Auctions, and the Allocation Among Transmission Owners of Net Congestion Rents and Net TCC Auction Revenues (October 16, 2003); Docket No. ER04-54-001, *supra*, Compliance Filing (December 30, 2003); Docket No. ER04-54-000, *supra*, Letter Order (December 15, 2003); and Docket No. ER04-54-001, *supra*, Letter Order (February 26, 2004).

<sup>17</sup> Presently, the New York Transmission Owners (“NYTOs”) are the only Transmission Owners that are subject to these procedures. The NYTOs consist of: (i) Central Hudson Gas & Electric Corporation; (ii) Consolidated Edison Company of New York, Inc.; (iii) New York Power Authority (“NYPA”); (iv) New York State Electric & Gas Corporation; (v) Niagara Mohawk Power Corporation d/b/a National Grid; (vi) Orange and Rockland Utilities, Inc.; (vii) Power Supply Long Island; and (viii) Rochester Gas and Electric Corporation.

referencing Reconfiguration Auction information considered in the Congestion Rent settlement process to ensure that the calculations assess only the information from like months in the Day-Ahead Market and Reconfiguration Auctions. Because the BoP TCC auction structure provides the potential for a given month to be included in multiple monthly Reconfiguration Auctions, the NYISO has also proposed revisions throughout Section 20.2 that are intended to ensure that the applicable Reconfiguration Auction information considered is the most recent monthly auction in which TCCs valid for the applicable month were sold.

Similar revisions to those described above are also proposed for the defined term “Deemed ISO-Directed DAM Status Change” in Section 20.1.2. This defined term is used as part of the calculations described in Section 20.2.

Section 20.3 addresses TCC auction settlements and the allocation of Net Auction Revenues among the Transmission Owners responsible for the full funding obligation of TCCs. The NYISO proposes revisions throughout Section 20.3 to account for the fact that the BoP TCC auction structure may encompass multiple months as it relates to auction settlements for monthly Reconfiguration Auctions. The proposed revisions, such as inserting language similar to “each month covered by,” “a given month covered” or “the relevant month covered by,” result in the NYISO conducting separate calculations for each month covered by a monthly BoP TCC auction. The NYISO also proposes to clarify within Section 20.3.7 that, for BoP TCC auctions, the NYISO will sum the Net Auction Revenue allocations for each applicable Transmission Owner across the months covered by the auction and provide a lump sum payment to each such Transmission Owner of their aggregate share of such revenues. In doing so, the NYISO will also provide each such Transmission Owner information regarding the respective revenues associated with each month covered by a BoP TCC auction. This information is intended to assist the applicable Transmission Owners in calculating their monthly Transmission Service Charge (“TSC”) and NYPA Transmission Adjustment Charge (“NTAC”) rates pursuant to Attachment H of the OATT.

The NYISO also proposes revisions throughout Section 20.3 to account for the fact that the BoP TCC auction structure provides the potential for a given month to be included in multiple monthly auctions. Accordingly, for provisions that seek to compare auction information for the current auction to the most recent prior auction, the NYISO has proposed revisions to clarify that the most recent prior auction may be another monthly Reconfiguration Auction in which TCCs valid in the applicable month were sold.

Revisions consistent with those described above are also proposed for the defined terms “Deemed ISO-Directed Auction Status Change,” “ISO-Directed Auction Status Change” and “Reconfiguration Auction Interface Uprate/Derate Table” in Section 20.1.2. These defined terms are used as part of the calculations described in Section 20.3.

Consistent with the proposed revisions to Section 19.9.5 of Attachment M of the OATT, the NYISO proposes revisions to Sections 20.3.2 and 20.3.4 to describe the calculation of the market-clearing price for TCCs awarded in a BoP TCC auction using multi-period bid functionality, to the extent that this optional functionality is made available in the future. In the

case of TCC sales or purchases awarded pursuant to a multi-period bid, the applicable market-clearing price for the award is calculated as the sum of the market-clearing prices of the TCC for the applicable months in which the TCC award is valid.

b. Additional Tariff Revisions

The NYISO also proposes several clarifying revisions to Attachment N, as well as the removal of certain provisions that are no longer relevant.

The NYISO proposes to add the definition below for “Auction Constraint Residual” within Section 20.1.2. This term is used in the calculations set forth in Section 20.3, but is currently undefined.

**Auction Constraint Residual:** The dollar value associated with a Constraint that is binding for a round of a 6-month Sub-Auction of a Centralized TCC Auction or a given month covered by a Reconfiguration Auction, which is calculated pursuant to Section 20.3.6.1.

The NYISO also proposes to remove language in Section 20.2.3 that is now obsolete. This language describes the prior “shortfall reimbursement surcharge” that was assessed to certain Primary Holders of TCCs. The NYISO also proposes to entirely remove Section 20.2.4.4.4 addressing allocation of responsibility for certain transmission facility status changes during the NYISO’s initial commencement of operations.

The proposed revisions to Sections 20.3.3 and 20.3.5 clarify the existing procedures for reducing payments to Transmission Owners for sales of Original Residual TCCs and ETCNL when insufficient auction revenues are available to pay the applicable market-clearing prices for sales associated therewith. These revisions clarify that when conducting any proportionate reduction in payments to Transmission Owners under such circumstances, the NYISO jointly considers sales of both Original Residual TCCs and ETCNL. The NYISO also proposes to remove language in Section 20.3.5 related to payments for the sales of Original Residual TCCs during the NYISO’s initial commencement of operations.

The NYISO further proposes clarifying revisions to the language describing the “ISORatingChange<sub>a,n</sub>” component of Formula N-17 in Section 20.3.6.1. The proposed revisions provide further details on the manner in which the value of this component is calculated in certain qualifying circumstances.

The NYISO proposes revisions to the description of several of the components of Formula N-15 (Section 20.2.5) and Formula N-29 (Section 20.3.7) to further clarify the calculation of these components. The NYISO has also proposed to remove language from several of the components in both formulas that is no longer relevant. The applicable language refers to the manner in which calculations for certain components were performed for auctions

conducted prior to May 1, 2010. The NYISO has also proposed additional clarifying language to better explain the different subscripts used in the respective formulas.

The NYISO further proposes a series of ministerial revisions throughout Attachment N. The proposed revisions are as follows, with the affected tariff section(s) noted in parenthesis:

- replace references to “OATT” with “ISO OATT” and “tariff” with “Tariff” to ensure the use of terms defined in the OATT (Sections 20.1.1, 20.1.2 and 20.3.6.1 [Formula N-17]);
- replace reference to “Section” with “section” to ensure consistent use of capitalization (Section 20.1.2);
- ensure consistent use of the term “market-clearing price” (Sections 20.2.5 [Formula N-15], 20.3.1, 20.3.2, 20.3.3, 20.3.5 and 20.3.7 [Formula N-29]);
- replace references to “phase angle regulator schedule” with “phase angle regulator schedules” to appropriately account for the existence of multiple such devices (Sections 20.2.4.2.3 [Formula N-8], 20.3.6.1 [Formula N-17] and 20.3.6.2.3 [Formula N-21]); and
- replace a reference to “Section 3.6.2” with “Section 20.3.6.2” to provide the correct section reference (Section 20.3.6.2).

#### **4. Attachment H (OATT Section 14)**

TSCs and NTAC are assessed to users of the transmission system to allow the NYTOs to recover the net costs of owning and maintaining their respective systems. In addition to ensuring recovery of the costs of owning and maintaining transmission facilities, the TSC and NTAC rates determined pursuant to Attachment H of the OATT account for the NYTOs’ full funding obligation of the TCC market.

##### **a. Tariff Revisions for BoP TCC Auction**

The TSCs and NTAC account for the value received by the NYTOs from the sale of TCCs related to the transmission capacity made available by their respective systems. These revenues are accounted for on a monthly basis in the “SR” component of each rate. Unlike the currently single month Reconfiguration Auction structure, the monthly BoP TCC auction structure may encompass multiple months. Therefore, to ensure proper accounting of revenues received by the NYTOs from the sale of TCCs, the NYISO will need to provide information regarding the revenues attributable to each month encompassed by a given BoP TCC auction. The proposed revisions to Sections 14.1.2.1 and 14.2.2.2.1 specify the NYISO’s obligation to provide this information.

b. Additional Tariff Revisions

The NYISO also proposes several clarifying revisions to Attachment H, as well as the removal of certain provisions that are no longer relevant. Within Section 14.1.2.1, the NYISO has proposed to relocate certain language to ensure that all the terms related to the formula set forth in that section immediately follow such formula. The NYISO also has proposed to reorganize several provisions within subsections in Section 14.1.2.1 in order to improve the clarity of the existing provisions.

The NYISO has proposed to further clarify the accounting of Direct Sales, as well as sales of ETCNL TCCs and RCRR TCCs, in both TSCs and the NTAC. Consistent with other TCC sales, the proposed revisions in Sections 14.1.2.1.1, 14.1.2.1.3 and 14.2.2.2.1 provide that revenues derived from these sales are accounted for in equal portions over the months for which the underlying TCCs are sold.

The NYISO also proposes to clarify that revenues accounted for as part of the “SR” term of both the TSCs and NTAC include revenues from the sale of TCCs in both Centralized TCC Auctions and Reconfiguration Auctions. These clarifying revisions are included in Sections 14.1.2.1, 14.1.2.1.1 and 14.2.2.2.1.

The NYTOs calculate monthly TSC and NTAC rates that are provided to the NYISO and posted on its website. These calculations involve coordination between the NYISO and the NYTOs to ensure that NYTOs have the necessary information to perform the required calculations. The NYISO proposes revisions to Section 14.1.2.1 to clarify this coordination. The revisions specify that with respect to several components of the TSC, the NYISO is responsible for providing the information necessary for the NYTOs to calculate the value of such components.<sup>18</sup>

The NYISO also proposes to remove certain provisions from Attachment H that are no longer relevant. These provisions address the calculation of TSCs and NTAC during the first few months after the NYISO’s commencement of operations, as well as a component of the TSC formula related thereto (*i.e.*, the LBMP Transition Period Payment or “LTTPP”). The obsolete language that the NYISO proposes to delete is set forth within Sections 14.1.1, 14.1.2.1, 14.1.2.2, 14.2.2.1, 14.2.2.2.1 and 14.2.2.2.2.

**B. Proposed Revisions to the Services Tariff**

The NYISO proposes revisions to Attachment K of the Services Tariff to implement enhancements to the existing credit requirements for TCCs. These enhancements are expected to result in the calculation of collateral holding requirements for TCCs that more accurately reflect changes in the market risk of a Market Participant’s TCC portfolio over time.

---

<sup>18</sup> The revisions within Section 14.1.2.1 are consistent with the existing tariff language in Section 14.2.2.3 describing the coordination between NYPA and the NYISO as it relates to NYPA’s determination of monthly NTAC rates.

The NYISO also proposes to add the new term “Balance-of-Period Auction” within Section 2.2 of the Services Tariff. Furthermore, the NYISO proposes certain clarifying revisions and reducing unnecessary duplication of certain TCC market-related provisions in the Services Tariff and the OATT.

**1. Attachment K (Services Tariff Section 26)**

a. Bidding Requirement

The BoP TCC auction structure will allow Market Participants to purchase TCCs of two, three, four, or five month durations for the first time. The NYISO therefore proposes to establish Bidding Requirements for these new TCC durations. The new Bidding Requirements are set forth in revised Section 26.4.3 and the table below. The Bidding Requirements for TCC terms that previously existed (*i.e.*, two-year, one-year, six-month and one-month) have not changed.<sup>19</sup>

<b>TCC Duration</b>	<b>Minimum Credit Required</b>
Two Months	\$900 per MW
Three Months	\$1,200 per MW
Four Months	\$1,500 per MW
Five Months	\$1,800 per MW

b. Holding Requirement

The NYISO proposes changes to the Holding Requirement calculation to accommodate the implementation of the monthly BoP TCC auction structure. These changes establish Holding Requirements for TCCs purchased in a BoP TCC auction and enhance the Holding Requirement formulas for TCCs by using updated market-clearing prices from the BoP TCC auctions to adjust collateral requirements from month to month. The NYISO also proposes additional revisions to the tariff language to accommodate the BoP TCC auction structure, as well as to clarify the operation of the revised Holding Requirement calculation. Approval of these proposed tariff changes would allow the NYISO to establish credit requirements that not only facilitate implementation of the monthly BoP TCC auction structure, but also more accurately reflect the market risk of a TCC over the term of the TCC.

*i. Establishing Holding Requirements for the BoP TCC Auction and Enhancing the Holding Requirement Formulas*

The NYISO proposes to implement Holding Requirement formulas for the BoP TCC auction that will supersede the current Holding Requirements for monthly auctions. Following each BoP TCC auction, a TCC awarded in a prior TCC auction would be segmented, as appropriate, into (1) a monthly segment, corresponding to the months within the current

---

<sup>19</sup> The minimum Bidding Requirement for a two-year TCC has been clarified in the proposed revisions to Section 26.4.3(i), but the substance of the requirement remains the same.

Capability Period, (2) a future six-month segment, corresponding to the next Capability Period, and (3) a one-year segment, corresponding to the next Capability Year.<sup>20</sup> Together these segments would constitute the entire remaining duration of the TCC. The Holding Requirement for the monthly segment and the future six-month segment would be calculated in accordance with the BoP TCC auction Holding Requirement Formulas.<sup>21</sup> The Holding Requirement for the one-year segment would continue to be calculated in accordance with the Centralized TCC Auction Holding Requirement Formula.<sup>22</sup>

As noted in the proposed tariff revisions, the calculations of the Holding Requirements for the monthly segment and the future six-month segment contain elements (Monthly Margin, Six-Month Margin, Monthly Index Ratio, and Monthly Factor) that are based on historical data and a methodology approved by stakeholders.<sup>23</sup> The Monthly Margin is intended to cover the variability in TCC payments due to the NYISO and is based on historical NYISO data for monthly TCC auction prices and payment data. The Six-Month Margin is intended to account for the variability in the value of six-month TCCs covering a future six-month period and is based on an analysis of historic annual and six-month TCC auction prices. The Monthly Index Ratio accounts for the month-to-month variations in TCC pricing and is based on historic financial transmission rights (“FTR”) balance of period auction price data from the PJM market.<sup>24</sup> The Monthly Factor will initially not affect credit requirements, but may be changed in the future, as data becomes available, to adjust the margin required for certain months if the NYISO determines there is greater variability of credit outcomes in certain months, which would make the risk of default higher in such months. The NYISO will post the methodology for calculating these elements within the “Credit” section of its website.<sup>25</sup> The NYISO has agreed that these methodologies would be changed only upon approval by the NYISO Management Committee.

The results of BoP TCC auctions will provide the NYISO with updated TCC market-clearing prices that can be used to revalue TCC Holding Requirements. Therefore, the NYISO proposes to revise the tariff to revalue the Holding Requirements for TCCs purchased in the Centralized TCC Auction at additional points during the term of each TCC. Under the current

---

<sup>20</sup> See proposed Section 26.4.2.4.1.6 of the Services Tariff.

<sup>21</sup> See proposed Sections 26.4.2.4.1.6.1 and 26.4.2.4.1.6.2 of the Services Tariff.

<sup>22</sup> See Section 26.4.2.4.1.5 of the Services Tariff.

<sup>23</sup> See proposed Sections 26.4.2.4.1.6.1 and 26.4.2.4.1.6.2 of the Services Tariff.

<sup>24</sup> Because the NYISO has not previously conducted monthly BoP TCC auctions, there is currently no historic NYISO data to use in the analysis to determine the Monthly Index Ratios. The NYISO’s methodology assumes the ratio of the month-to-month variations in future FTR prices in PJM to the similar ratio in New York will be similar to the ratio of variability of current month TCC payments between the two regions. As NYISO data becomes available from the BoP TCC auctions, the NYISO will re-analyze this methodology to include data on the month-to-month variability of actual TCC prices from the BoP TCC auctions in the calculation of the Monthly Index Ratio.

<sup>25</sup> Available at:

[http://www.nyiso.com/public/markets\\_operations/services/financial\\_services/credit/index.jsp](http://www.nyiso.com/public/markets_operations/services/financial_services/credit/index.jsp)

TCC auction structure, the Holding Requirement for a TCC that is effective in the current Capability Period is based upon the price of a six-month TCC as determined in the most recent Centralized TCC Auction. This credit requirement is not adjusted during the Capability Period (until the Reconfiguration Auction for the last month in the Capability Period is conducted), even though the term of the TCC decreases each month. The monthly BoP TCC auctions will provide updated market-clearing prices that the NYISO will use to revalue the Holding Requirement for TCCs for each remaining month within the Capability Period. Because credit requirements will be recalculated more often during the term of a TCC than is the case under the current methodology and the recalculation methodologies incorporate more recent TCC market-clearing price information made available from the BoP TCC auctions, the proposed changes will better align TCC Holding Requirements with the actual TCC market risk as it fluctuates over the TCC term.

*ii. Additional Revisions to Attachment K*

The NYISO proposes certain additional revisions to accommodate the monthly BoP TCC auction structure and clarify the operation of the revised Holding Requirement calculation. First, for the Centralized TCC Auction, the formula for a one-month TCC is replaced with the formula for the BoP TCC auction.<sup>26</sup> The NYISO also proposes revisions to Section 26.4.2.4.1 to clarify that the NYISO will not impose a Holding Requirement on TCCs that have been sold by a Market Participant. While the proposed revisions to the calculation of Holding Requirements by their operation take into account changes in a Market Participant's TCC portfolio over time, including sales of previously held TCCs, the NYISO proposes adding language to the tariff to remove any potential ambiguity. The proposed revisions in Section 26.4.2.4.1 clearly state the effect of the revised Holding Requirements calculation by noting that a going forward Holding Requirement will not be imposed for a TCC that a Market Participant sells and, thereby, removes from its portfolio of TCC holdings.

**2. Additional Tariff Revisions**

a. Tariff Revisions for BoP TCC Auction

The NYISO proposes to insert the new defined term "Balance-of-Period Auction" within Section 2.2 and cross reference the definition of that term it proposes to add in Section 1.2 of the OATT.

b. Additional Tariff Revisions

The NYISO also proposes to remove the unnecessary duplication of certain TCC market-related provisions that currently exist in the Services Tariff and the OATT. Accordingly, the NYISO proposes to delete the substance of certain duplicative definitions in the Services Tariff and replace them with cross references to the OATT definitions of such terms. The affected definitions are as follows:

---

<sup>26</sup> See Section 26.4.2.4.1.4 of the Services Tariff.

- Capacity Reservation Cap, Centralized Transmission Congestion Contracts (“TCC”) Auction (“Auction”), Congestion Rent and Congestion Rent Shortfall in Section 2.3;
- Direct Sale in Section 2.4;
- ETA Agent, ETCNL TCC, Excess Congestion Rents, Existing Transmission Capacity for Native Load (“ETCNL”) and Existing Transmission Agreement (“ETA”) in Section 2.5;
- Facility Flow-Based Methodology and Fixed Price TCC in Section 2.6;
- Grandfathered Rights and Grandfathered TCCs in Section 2.7;
- Incremental TCC and Interface MW-Mile Methodology in Section 2.9;
- Net Auction Revenue and Net Congestion Rent in Section 2.14;
- Optimal Power Flow (“OPF”) and Original Residual TCC in Section 2.15;
- Primary Holder in Section 2.16;
- RCRR TCC, Reconfiguration Auction, Residual Capacity Reservation Right (“RCRR”) and Residual Transmission Capacity in Section 2.18;
- Secondary Holder<sup>27</sup> and Secondary Market in Section 2.19; and
- Transmission Congestion Contracts (“TCCs”) in Section 2.20.

The NYISO further proposes to delete in its entirety the substance of Section 17.5 of Attachment B of the Services Tariff and replace it with a cross reference to Attachment N of the OATT. The provisions set forth in Section 17.5 of Attachment B merely replicate those set forth in Attachment N of the OATT.

The NYISO also proposes to entirely remove the defined term “Primary Owner” from Section 2.16. The NYISO removed this term and use thereof from the OATT in 2010.<sup>28</sup> The redundant definition in the Services Tariff, however, was not removed at that time.

---

<sup>27</sup> The NYISO also proposes a ministerial revision to this term to use the singular rather than the plural form to coincide with the corresponding definition of this term in Section 1.19 of the OATT.

<sup>28</sup> See Docket No. ER10-982-000, *supra*, Proposed Tariff Clarifications Regarding Transmission Congestion Contracts at 2 (March 31, 2010); and Docket No. ER10-982-000, *supra*, Letter Order (May 27, 2010).

The NYISO further proposes to correct the numbering of the subsections within Section 7.2.5 of the Services Tariff addressing billing and payment procedures related to TCC auction settlements. The subsections are incorrectly numbered as 7.2.6.1 through 7.2.6.4. The NYISO proposes to correctly renumber these subsections as 7.2.5.1 through 7.2.5.4.

#### **IV. Effective Date**

The NYISO respectfully requests Commission acceptance of the proposed tariff revisions within sixty days from the date of this filing (*i.e.*, May 12, 2017). Such timely action by the Commission will: (i) allow the NYISO to confidently proceed with the developing and deploying the software changes necessary to implement the proposed BoP TCC auction structure and enhancements to the TCC credit requirements; and (ii) enable the NYISO to achieve the desired effective dates for these proposed changes.

The NYISO respectfully requests approval of a flexible effective date for the proposed tariff revisions. The NYISO proposes to submit two subsequent compliance filings to specify the dates on which specific components of the revisions will take effect. These subsequent filings will each be submitted at least two weeks prior to the proposed effective dates for the relevant revisions. The NYISO, however, will be unable to propose precise effective dates until the software changes necessary to implement the proposed changes are ready for deployment and testing thereof is completed. Consistent with Commission precedent, the subsequent compliance filing obligation will provide adequate notice to the Commission and Market Participants of the implementation dates for the tariff revisions.<sup>29</sup>

The NYISO currently anticipates that the proposed revisions to Attachment K of the Services Tariff will become effective in mid- to late-June 2017 following the NYISO's currently planned software deployment that month. Upon deployment of the software necessary to implement the changes to the TCC credit requirements, the NYISO will establish revised holding requirements for one-month TCCs in accordance with Sections 26.4.2.4.1.5 and 26.4.2.4.1.6.1 of the proposed revisions to Attachment K of the Services Tariff. However, absent the conduct of a BoP TCC auction, the TCC segmentation and revised monthly recalculation of the holding requirement for longer duration (*i.e.*, two-year, one-year or six-month) TCCs utilizing BoP TCC auction market-clearing price data that is described in the proposed revisions to Attachment K of the Services Tariff, including Section 26.4.2.4.1.6, would not be triggered. This segmentation and monthly recalculation will not occur until the NYISO begins conducting monthly BoP TCC auctions.

The NYISO proposes to submit an additional compliance filing to establish the effective date for all of the remaining proposed tariff revisions. This effective date will coincide with

---

<sup>29</sup> See, *e.g.*, *New York Independent System Operator, Inc.*, 106 FERC ¶ 61,111 at P 10 (2004); Docket No. ER11-2544-000, *New York Independent System Operator, Inc.*, Letter Order at 1 (February 10, 2011); Docket No. ER15-485-000, *New York Independent System Operator, Inc.*, Letter Order at 2 (January 15, 2015); *New York Independent System Operator, Inc.*, 151 FERC ¶ 61,057 at P 20 (2015); and *New York Independent System Operator, Inc.*, 154 FERC ¶ 61,152 at P 19 and 25 (2016).

when the NYISO begins conducting monthly BoP TCC auctions. Given the timing of the currently planned software deployment in June 2017, the functionality for operating the BoP TCC auction structure will not be available in time for use in connection with the Reconfiguration Auction conducted in June 2017 (*i.e.*, for TCCs effective beginning July 1, 2017). Furthermore, in light of the necessary activities to provide for an orderly transition from the current single month Reconfiguration Auction structure to the BoP TCC auction structure (including the development and review with stakeholders of certain updated processes and procedures to administer the revised auction structure), the NYISO currently does not anticipate conducting the first BoP TCC auction in July 2017 (*i.e.*, for TCCs effective beginning August 1, 2017). The NYISO currently anticipates conducting the first BoP TCC auction in August 2017 (*i.e.*, for TCCs effective beginning September 1, 2017).

As it relates to the proposed tariff revisions other than Attachment K of the Services Tariff, to the extent necessary, the NYISO requests a waiver of the Commission's regulations to allow the NYISO to make this filing more than 120 days prior to the date on which the proposed service is to become operational.<sup>30</sup> No Market Participant will be prejudiced by this request because the proposed implementation time frame was discussed with Market Participants. Furthermore, as noted above, the NYISO will provide at least two weeks prior notice before implementation of these proposed tariff revisions.

**V. Requisite Stakeholder Approval**

The proposed amendments were unanimously approved by the NYISO Management Committee on December 21, 2016. The NYISO's Board of Directors approved the proposed revisions on February 14, 2017.

**VI. Communications and Correspondence**

All communications and service in this proceeding should be directed to:

Robert E. Fernandez, General Counsel  
Raymond Stalter, Director, Regulatory Affairs  
\*Garrett E. Bissell, Senior Attorney  
\*Amie Jamieson, Attorney/Registered In-House Counsel  
10 Krey Boulevard  
Rensselaer, NY 12144  
Tel: (518) 356-6000  
Fax: (518) 356-7678  
[gbissell@nyiso.com](mailto:gbissell@nyiso.com)  
[ajamieson@nyiso.com](mailto:ajamieson@nyiso.com)

\*Persons designated for receipt of service.

---

<sup>30</sup> See 18 C.F.R. § 35.3(a)(1).

**VII. Service**

The NYISO will send an electronic link to this filing to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York State Public Service Commission, and to the New Jersey Board of Public Utilities. In addition, the complete filing will be posted on the NYISO's website at [www.nyiso.com](http://www.nyiso.com).

**VIII. Conclusion**

For the foregoing reasons, the NYISO respectfully requests that the Commission: (i) issue an order accepting the proposed revisions to the OATT and Services Tariff that are filed herewith within sixty days of the date of this filing (*i.e.*, by May 12, 2017); and (ii) permit the NYISO to subsequently establish the effective dates for the proposed tariff revisions upon at least two weeks' prior notice, as described in Section IV above.

Respectfully submitted,

*/s/ Garrett E. Bissell*

Garrett E. Bissell, Senior Attorney

Amie Jamieson, Attorney/Registered In-House  
Counsel

New York Independent System Operator, Inc.

cc: Michael Bardee  
Larry Parkinson  
Nicole Buell  
J. Arnold Quinn  
Anna Cochrane  
Douglas Roe  
Kurt Longo  
Kathleen Schnorf  
David Morenoff  
Jamie Simler  
Daniel Nowak  
Gary Will