

April 16, 2019

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. ER19-____-000;
Proposed Tariff Revisions to Modify the Fixed Price Transmission
Congestion Contract Credit Requirement**

Dear Secretary Bose:

In accordance with Section 205 of the Federal Power Act (“FPA”)¹ 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 Market Administration and Control Area Services Tariff (“Services Tariff”).² Through these amendments, the NYISO seeks to better align its credit requirement for Fixed Price Transmission Congestion Contracts (“FPTCCs”) with the credit risk associated therewith, and make the credit requirement for FPTCCs consistent with that of all other Transmission Congestion Contracts (“TCCs”).

The NYISO Management Committee unanimously approved the proposed tariff revisions on January 30, 2019 and March 27, 2019. The NYISO respectfully requests that the tariff revisions proposed in this filing become effective on June 18, 2019.³

I. Documents Submitted

The NYISO respectfully submits the following documents with this filing letter:

1. A clean version of the proposed revisions to the Services Tariff (“Attachment I”);
and

¹ 16 U.S.C. § 824d.

² Capitalized terms not otherwise defined herein shall have the meaning specified in the Services Tariff and the Open Access Transmission Tariff (“OATT”).

³ Should the NYISO determine that the changes cannot be implemented on June 18, 2019, the NYISO will promptly notify the Commission.

2. A blacklined version of the proposed revisions to the Services Tariff (“Attachment II”).

II. Background

A. Fixed Price TCC Offerings

The NYISO offers three types of FPTCCs: Historic Fixed Price TCCs (“HFPTCCs”), HFPTCC extensions, and Non-Historic Fixed Price TCCs (“NHFPTCCs”). The NYISO first offered HFPTCCs in 2008 to Load Serving Entities (“LSEs”) that received transmission service under certain long-term transmission agreements that predated the NYISO’s commencement of operations. Qualifying LSEs may purchase HFPTCCs upon expiration or termination of these long-term transmission service agreements and may renew the HFPTCCs on an annual basis for a total initial duration of up to 10 years (except in certain limited circumstances where an initial duration of up to 12 years is available).⁴

The NYISO first offered HFPTCC extensions in 2018 to qualifying LSEs. The HFPTCC extension product is generally available only to LSEs that purchased and retained HFPTCCs for their entire initial duration. Qualifying LSEs can purchase HFPTCC extensions for one year at a time. The purchase price for each one-year extension is updated annually.⁵

The NYISO first offered NHFPTCCs in 2013 to LSEs to hedge congestion costs associated with their load-serving obligations. Qualifying LSEs can purchase NHFPTCCs for an initial term of two years, renewable thereafter for one year at a time.⁶ There are currently no active NHFPTCCs in the market. Previously-awarded NHFPTCCs have expired and no LSE sought to purchase new NHFPTCCs during the NYISO’s most recent offering of this product as part of the recently completed Centralized TCC Auction conducted in advance of the upcoming 2019 Summer Capability Period.

B. Fixed Price TCC Credit Requirement

The existing TCC Component of the Operating Requirement is equal to the greater of (a) the Auction TCC Holding Requirement or the Fixed Price TCC Holding Requirement, as appropriate, or (b) the Mark-to-Market Calculation.⁷ Currently, the Fixed Price TCC Holding Requirement is calculated as follows:

Upon award of a Fixed Price TCC, and for the duration of the Fixed Price TCC, the credit holding requirement will equal the amount calculated in accordance with the one-year TCC formula set forth in Section 26.4.2.1.5; provided, however, the

⁴ See Section 19.2.1 of the OATT.

⁵ See Section 19.2.1.4 of the OATT.

⁶ See Section 19.2.2 of the OATT.

⁷ See Section 26.4.2.4 of the Services Tariff.

market clearing price (P_{ijt}) shall be replaced by the fixed price associated with that Fixed Price TCC, as determined in accordance with, as appropriate, OATT Section 19.2.1 or OATT Section 19.2.2.

In this calculation, the price used to calculate the Fixed Price TCC Holding Requirement is the price paid for the FPTCC, and the requirement remains the same over the entire term of the FPTCC. In contrast, the holding requirement for all other TCCs (the Auction TCC Holding Requirement) is calculated based on the market clearing prices determined in the NYISO-administered TCC auctions.⁸ As subsequent TCC auctions are conducted following the initial purchase of such TCCs, the holding requirement calculation is updated reflecting the most recent market clearing prices. As such, the TCC Holding Requirement for all TCCs other than FPTCCs changes over the life of such TCCs to account for changes in the credit risk profile of TCCs over time.⁹

III. Description of Proposed Tariff Revisions

The NYISO proposes to modify the calculation of the holding requirement for FPTCCs by eliminating Section 26.4.2.4.2 of the Services Tariff that sets forth a separate calculation for FPTCCs. Instead, the NYISO proposes to calculate the holding requirement for FPTCCs consistent with the calculation applicable to all other TCCs pursuant to Section 26.4.2.4.1.

Consistent with all other TCCs, the credit requirement for FPTCCs will be both calculated based on market clearing prices from the most recent TCC auctions and recalculated over the term of the TCC. Using recent auction prices and recalculating the holding requirement over the term of a FPTCC more accurately reflects the potential credit risk of a TCC over time than the NYISO's current methodology applied to FPTCCs, which utilizes a static value based solely on the initial purchase price of each instrument.¹⁰

IV. Effective Date

The NYISO requests an effective date for these tariff amendments of June 18, 2019.

V. Stakeholder Process

The proposed amendments were unanimously approved by the NYISO Management Committee on January 30, 2019 and March 27, 2019. The NYISO's Board of Directors approved the proposed revisions on April 16, 2019.

⁸ See Section 26.4.2.4.1 of the Services Tariff.

⁹ See Section 26.4.2.4.1 of the Services Tariff.

¹⁰ The NYISO proposes changes in Section 26.4.2.4.1.6 of the Services Tariff to clarify the calculation of the holding requirement for HFPTCCs that have terms that do not begin on the start date of a Capability Period. Currently, three such sets of HFPTCCs exist in the market.

VI. Communications and Correspondence

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

Karen Georgenson Gach, Acting General Counsel
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VII. Service

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

VIII. Conclusion

The NYISO respectfully requests that the Commission accept the tariff revisions proposed in this filing to become effective on June 18, 2019.

Respectfully submitted,

/s/ Amie Jamieson

Amie Jamieson, Senior Attorney/Registered In-House Counsel
New York Independent System Operator, Inc.

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