

March 29, 2024

Submitted Electronically

Honorable Debbie-Anne A. Reese, Esq., Acting Secretary
Federal Energy Regulatory Commission
888 First Street N.E.
Washington, D.C. 20426

Re: *New York Independent System Operator, Inc.*'s Proposed Tariff Amendments to Enhance Financial Transaction Capabilities and Improve Fast-Start Resource Scheduling in the Day-Ahead Market;
Docket No. ER24-____-000.

Dear Acting Secretary Reese:

The New York Independent System Operator, Inc. ("NYISO") submits this filing pursuant to Section 205 of the Federal Power Act,¹ and Part 35 of the regulations of the Federal Energy Regulatory Commission ("Commission"), to propose amendments to its Market Administration and Control Area Services Tariff ("Services Tariff") and its Open Access Transmission Tariff ("OATT").² This filing includes two distinct sets of proposed revisions, which were developed and will be implemented independently. The first set of proposed revisions enhances financial transaction capabilities within the NYISO-administered wholesale Energy market by allowing Bilateral Transactions, or contracts, to sink at a Withdrawal-Eligible Generator that is located in the New York Control Area. The second set of proposed revisions enhance the way Fast-Start Resources are scheduled in the Day-Ahead Market. The Fast-Start Resource enhancement will require the NYISO to issue physically feasible schedules to Fast-Start Resources that are Non-Fixed Block Units in the Day-Ahead Market.

The NYISO Management Committee unanimously approved both sets of revisions proposed herein. The proposed revisions related to enhancing bilateral transaction capability were approved by the NYISO Management Committee on May 31, 2023. The NYISO Management Committee unanimously approved the proposed revisions related to improving Fast-Start Resource scheduling in the Day-Ahead Market on January 31, 2024. For the reasons explained in this filing letter, the NYISO respectfully requests: (1) issuance of an order accepting the proposed tariff revisions on or before May 28, 2024 (*i.e.*, within sixty days after submission of this filing); and (2) acceptance of the effective dates proposed in Section V of this filing letter.

¹ 16 U.S.C. §824d.

² Capitalized terms not otherwise defined herein shall have the meaning specified in the Services Tariff.

I. List of Documents Submitted

The NYISO submits the following documents with this filing letter:

1. A clean version of the proposed Services Tariff and OATT revisions related to enhancing financial transaction capabilities (“Attachment I”);
2. A blackline version of the proposed Services Tariff and OATT revisions related to enhancing financial transaction capabilities (“Attachment II”);
3. A clean version of the proposed Services Tariff revisions related to enhancing Fast-Start Resource scheduling (“Attachment III”); and
4. A blackline version of the proposed Services Tariff revisions related to enhancing Fast-Start Resource scheduling (“Attachment IV”).

II. Correspondence

All communications and correspondence concerning this filing should be directed to:

Robert E. Fernandez, Executive Vice President, General Counsel & Chief Compliance Officer

Karen G. Gach, Deputy General Counsel

Raymond Stalter, Director, Regulatory Affairs

Alex Schnell, Assistant General Counsel & Registered Corporate Counsel

*James H. Sweeney, Senior Attorney

New York Independent System Operator, Inc.

10 Krey Boulevard

Rensselaer, NY 12144

Tel: (518) 356-6000

Fax: (518) 356-7678

jsweeney@nyiso.com

* Person designated for receipt of service

III. Background

A. Enhancing Financial Transaction Capabilities

Generators and loads within the New York Control Area (“NYCA”) often enter into Energy purchase agreements outside of the NYISO-administered Energy markets. Bilateral Transactions allow two or more parties that transact outside of the NYISO-administered Energy markets to reflect their agreements in the markets and to assign financial responsibility for any associated transmission service to one of the parties. This construct has been available and used

in the NYISO-administered Energy market for decades. The NYISO's currently effective Bilateral Transaction rules and software functionality require that internal Bilateral Transactions originate or source at a Generator, and terminate or sink at a Load.³ The requirement to sink Bilateral Transactions at a Load prevents Market Participants from scheduling Bilateral Transactions that sink at a Withdrawal Eligible Generator that is capable of withdrawing and storing Energy for later injection back onto the grid.

Market Participants developing Energy Storage Resources expressed significant interest in the NYISO expanding the internal Bilateral Transaction rules and functionality to allow Energy purchase agreements to source at specific Generators within the NYCA and to sink at Generators in the NYCA that are capable of withdrawing and storing Energy for later injection back into the grid, defined as Withdrawal-Eligible Generators in the NYISO's Services Tariff.⁴ Thus, the NYISO undertook an effort with its stakeholders to enhance the internal Bilateral Transaction rules and functionality to meet increasing demand for transactions to sink at Withdrawal-Eligible Generators. The tariff revisions proposed in this filing will enable developers, owners, and operators of Withdrawal-Eligible Generators to enter into internal Bilateral Transactions to purchase Energy, which may enable them to represent that the Energy stored in their facility was sourced from specific Generators, such as renewable, emission-free resources.

B. Fast-Start Resource Scheduling Enhancements

A Fast-Start Resource is a Generator that requires 30 minutes or less to start-up. On April 18, 2019, FERC issued an order that required the NYISO to: (1) modify its pricing logic to allow fast-start resource start-up and minimum generation costs to be reflected in prices; and (2) allow the relaxation of dispatchable fast-start resources minimum operating limits for the purpose of setting prices.⁵ The NYISO implemented its fast start pricing rules in compliance with FERC's order on December 15, 2020.⁶

In the NYCA, two types of Fast-Start Resources participate in the NYISO-administered markets: (1) Fixed Block Units; (2) and Non-Fixed Block Units. A Fixed Block Unit can only operate at stable output level or be turned off. A Non-Fixed Block Unit ordinarily has a minimum generation level and is dispatchable above that point up to its Upper Operating Limit ("UOL"). Currently in the Day-Ahead Market, Fixed Block Units receive their schedule from

³ Load in this context refers to a consumer of Energy. *See*, Services Tariff Section 2.12 ("**Load:** A term that refers to either a consumer of Energy or the amount of demand (MW) or Energy (MWh) consumed by certain consumers. Energy withdrawals by Withdrawal-Eligible Generators are not Load.").

⁴ *See*, Services Tariff Section 2.23 ("**Withdrawal-Eligible Generator:** A Generator that is eligible to withdraw energy from the grid at a price for the purposes of recharging or refilling for later injection back into the grid.").

⁵ *Order on Paper Hearing*, Docket No. EL18-33-000, 167 FERC ¶ 61,057 (April 18, 2019).

⁶ *New York Indep. Sys. Operator, Inc.*, Letter Order, Docket No. ER20-1696-000 (June 17, 2020).

the physical pass of the NYISO's Security Constrained Unit Commitment ("SCUC") software, which respects Generators' physical operating capabilities and limitations. However, under the Fast-Start Pricing rules FERC accepted in 2019, Non-Fixed Block Units receive their schedule from the "ideal" or "pricing" pass of SCUC. In some instances, the Day-Ahead schedules a Non-Fixed Block Unit receives can be physically infeasible. In particular, a Fast-Start Non-Fixed Block Unit can receive a Day-Ahead Energy schedule to produce less Energy than its minimum stable operating configuration or "minimum generation."

The enhancement proposed in this filing will improve the NYISO-administered Energy market by assigning Day-Ahead schedules that respect the physical operating limitations of Non-Fixed Block, Fast-Start Resources. Providing feasible Day-Ahead Energy schedules will reduce the potential that affected units could have to deviate from their Day-Ahead schedule to produce Energy in real-time, or buy out of their Day-Ahead schedule in the Real-Time Market when their Day-Ahead Energy schedule is infeasible and cannot be accomplished due to the physical limitations of the facility.

IV. Description of Proposed Revisions to the Services Tariff

A. Enhancing Financial Transaction Capabilities

The NYISO proposes revisions in Services Tariff Section 4.2 and OATT Section 16.3 to enhance financial transaction capability by allowing internal Bilateral Transactions to sink at Withdrawal-Eligible Generators. The proposed revisions in Services Tariff Section 4.2 and OATT Section 16.3 explicitly permit Withdrawal-Eligible Generators, including Aggregations containing one or more Withdrawal-Eligible Generators, to be the Point of Injection or the Point of Withdrawal (*i.e.*, sink) of a Bilateral Transaction, but not both the Point of Injection and the Point of Withdrawal for the same Bilateral Transaction. These revisions are necessary to support the NYISO's and stakeholders' objective to allow internal Bilateral Transactions to sink at Withdrawal-Eligible Generators. Consistent with the rules previously developed for Distributed Energy Resources, the proposed revisions state that an Aggregation containing one or more Demand Side Resources cannot be the Point of Injection or the Point of Withdrawal of a Bilateral Transaction. The proposed revisions in OATT Section 16.3 also specify that Import Bilateral Transactions, which are imports to the NYCA from a neighboring Control Area, are not permitted to sink at a Withdrawal-Eligible Generator consistent with the scope of this project agreed to with stakeholders.

The NYISO also proposes revisions in Services Tariff Section 7.2 and OATT Section 16.3 to impose notice requirements on entities responsible for Energy Storage Resources and/or Withdrawal-Eligible Generators that are necessary to permit the NYISO to comply with the Commission's requirements to prevent resources using the participation model for electric storage resources from paying twice for the same charging energy. Specifically, the proposed revisions in Services Tariff Section 7.2 obligate Energy Storage Resource owners to notify the NYISO if an Energy Storage Resource becomes subject to (or is no longer subject to) a retail rate for its charging withdrawals. The proposed revisions in OATT Section 16.3 similarly obligate

any Market Participant that is responsible for a Withdrawal-Eligible Generator's participation in the NYISO-administered Energy market to be responsible for not allowing a Bilateral Transaction to sink at a former Withdrawal-Eligible Generator at a time when it is or will no longer be withdrawal-eligible. The NYISO needs this information to determine whether it should invoice the resource for its charging Energy. These obligations will support timely and accurate settlements for Energy Storage Resources and Withdrawal-Eligible Generators that participate in the NYISO-administered markets, including when those resources engage in Bilateral Transaction contracts.

B. Fast-Start Resource Pricing Enhancements

The NYISO proposes revisions to Services Tariff Section 17.1 to specify that *all* Fast-Start Resources, including Fast-Start Resources that are Non-Fixed Block Units, will receive feasible operating schedules from the physical commitment pass (pass 6) in the Day-Ahead Market. Fast-Start Resources with a dispatchable operating range will receive their final Day-Ahead schedule from the same pass that determines final schedules for Fixed Block Fast-Start Resources today.

V. Effective Date

The NYISO respectfully requests that the Commission issue an order accepting the tariff revisions proposed in this filing on or before May 28, 2024 (*i.e.*, within sixty days after submission of this filing). The NYISO intends to make the two sets of tariff revisions proposed herein effective on two different dates, as described below.

The NYISO respectfully requests acceptance of a flexible effective date for the proposed revisions to enhance financial transaction capabilities within the NYISO-administered wholesale Energy market. The NYISO proposes to submit a subsequent compliance filing to specify, upon at least two weeks' prior notice, the date on which the revisions will take effect and to submit up-to-date tariff sections as necessary to reflect other pending tariff revisions that may become effective between now and the date when these revisions become effective. The NYISO currently anticipates that the effective date for the proposed tariff revisions will likely be between June 11, 2024 and August 15, 2024. The NYISO, however, will be unable to propose a precise effective date until the software changes necessary to implement the proposed tariff revisions are ready for deployment and testing thereof is completed. Consistent with Commission precedent, the subsequent filing obligation will provide adequate notice to the Commission and Market Participants of the effective date for the tariff revisions.⁷

⁷ 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).

The NYISO respectfully requests that the Commission allow the proposed Fast-Start Resource scheduling revisions to become effective on June 11, 2024.

VI. Stakeholder Approval

The Management Committee unanimously approved the proposed enhancements to financial transaction capabilities within the NYISO-administered wholesale Energy market on May 31, 2023. The NYISO Board of Directors approved these proposed tariff revisions on October 17, 2023.

The Management Committee unanimously approved the proposed enhancements related to Fast-Start Resources on January 31, 2024. The NYISO Board of Directors approved these proposed tariff revisions on March 18, 2024.

VII. Service List

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. The NYISO will also post the complete filing on its website at www.nyiso.com.

VIII. Conclusion

The NYISO respectfully requests that the Commission issue an order by May 28, 2024, accepting the tariff revisions proposed in this filing without modification, and permitting the proposed tariff revisions to become effective consistent with the discussion in Section V above.

Respectfully submitted,

/s/ James H. Sweeney

James H. Sweeney, Senior Attorney
New York Independent System Operator, Inc.

cc:	Janel Burdick	Emily Chen
	Matthew Christiansen	Jette Gebhart
	Jignasa Gadani	Jaime Knepper
	Leanne Khammal	David Morenoff
	Kurt Longo	Eric Vandenberg
	Douglas Roe	