

November 30, 2010

**By Electronic Submission**

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

**Re: *New York Independent System Operator, Inc's, Proposed Tariff Revisions Regarding its Locational Based Marginal Pricing Calculation; Docket No. ER11-\_\_\_\_ - .***

Dear Secretary Bose:

In accordance with Section 205 of the Federal Power Act<sup>1</sup> and Part 35 of the Commission's regulations, the New York Independent System Operator, Inc. ("NYISO") respectfully submits proposed revisions to its Market Administration and Control Area Services Tariff ("Services Tariff") and its Open Access Transmission Tariff ("OATT") to clarify the provisions defining the NYISO's Locational Based Marginal Pricing<sup>2</sup> ("LBMP") calculation. The proposed tariff changes involve comprehensive reorganization and clean-up of these provisions to provide a clearer formula for Market Participants. These revisions are not substantive in nature and will not involve any software changes.

**I. Documents Submitted**

1. This filing letter;
2. A clean version of the proposed revisions to the NYISO's OATT and Services Tariff;
3. A blacklined version of the proposed revisions to the NYISO's OATT and Services Tariff.

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<sup>1</sup> 16 U.S.C § 824(d)

<sup>2</sup> Capitalized terms not otherwise defined herein shall have the meaning specified in Article 1.0 of the OATT and Article 2 of the Services Tariff.

## **II. Background**

A majority of the changes proposed in this filing are to the LBMP Calculation provisions located in Attachment B of the NYISO's Services Tariff. The NYISO calculates the marginal price of Energy at generator and load locations in the NYS Transmission System, at each of the Control Area borders and at each location where a Scheduled Line enters the Control Area. This locational, marginal methodology produces a Location Based Marginal Price or LBMP. The NYISO recently conducted an internal review of several provisions in its tariffs, including those that describe the calculation of LBMP, and identified inconsistencies, ambiguities, and opportunities to improve and clarify certain provisions.<sup>3</sup> Many of the changes proposed in this filing involve deleting extraneous or unclear words and phrases, re-organizing sections, and inserting/removing cross-references as appropriate. These changes are proposed to clarify the entire Section.

As part of this effort the NYISO is proposing to delete Section 16.1 of Attachment J to its OATT, which repeats the provisions in Section 17.1 of Attachment B of the Services Tariff. This change consolidates the LBMP Calculation rules into one place in the NYISO's Tariffs.

The NYISO proposes to specifically revise such provisions as described below.

## **III. Tariff Description and Justification**

### **A. Revisions to the Services Tariff**

#### **1. Revisions to Section 17 of Attachment B**

The majority of the revisions the NYISO is seeking to make are located in this Section. The NYISO proposes to delete the word "Method" from the title of the Section to improve the accuracy of its description of the Section which includes all the rules and definitions surrounding LBMP calculations. Throughout the Section, the NYISO proposes to clarify the acronyms being used and to consistently use: i) "RTS" in place of the term "Real-Time Scheduling;" ii) "RTC" in place of the term "Real-Time Commitment;" iii) "RTD" in place of the term "Real-Time Dispatch;" and iv) "SCUC" in place of the phrase "Security Constrained Unit Commitment." These changes add consistency and flow to the Section. Also, with respect to the term Real-Time Dispatch in section 17.1, the NYISO proposes to delete the separate reference to "RTD-CAM", which is a special mode that the RTD software runs in based on system conditions. This type of information does not need to be specified because the term "RTD-CAM" is necessarily encompassed under Real-Time Dispatch. Finally the phrase "as determined by the ISO" is deleted in Section 17.1 as unnecessary.

Proposed subsection 17.1.1 contains the LBMP Calculation equation and description.

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<sup>3</sup> The NYISO conducted this internal review and is making this filing as part of an on-going comprehensive review of its tariffs to identify opportunities to improve and clarify them.

The NYISO proposes to relocate this language from existing subsection 17.1.3. This subsection is more appropriately located at the beginning of the Section because it contains the basic equation used in the calculation methods described in Sections 17.1.1 (real-time LBMP calculation) and 17.1.2 (Day-Ahead LBMP calculation). Additionally, two minor changes are proposed to this subsection including addition of the word “Bus” to the title and appropriate references to subsections 17.1.2.2.1 and 17.1.2.3.1. Besides these two changes and the overall relocation, this subsection remains the same although its relocation required a renumbering of the entire Section. Section references in this filing letter specify whether they are to existing or proposed numbering.

Existing subsection 17.1.1, renumbered as 17.1.2, contains the procedures for calculating Real-Time LBMP. In this subsection, the NYISO proposes to delete the reference to the Marginal Losses Component and the Congestion Component because those calculations are contained in proposed subsection 17.1.1. Cross-references to the subsections containing the bus, zonal, and Proxy Generator Bus LBMP calculation procedures are added to this subsection to point the reader to the exact location of these more specific rules. The NYISO also proposes to delete the sentence providing the general reference to the calculation of LBMPs at external locations, now that the specific subsection cross-references are identified. Further, the NYISO eliminated empty cells in the table in this subsection as unnecessary and confusing and filled in two cells to clarify that the information above should have been inserted there.

In existing subsection 17.1.1.1, proposed subsection 17.1.2.1.1, the NYISO proposes numerous language clarifications. First, the time period for each new RTD run is clarified to "initialize" as opposed to "begin" every five minutes. Second, to be more precise, the NYISO proposes to use a new term "optimization period" to refer to the five points in time that each Real Time Dispatch run produces schedules and prices for. This is a more accurate characterization and this term replaces generic references to a "run", where appropriate throughout the Section. The NYISO also proposes adding a clarification that the posting time and the first time point in each RTD run will be five minutes apart, while deleting an unnecessary statement that the first and second points will be five minutes apart. These language changes do not involve any substantive changes, but are clarifications to the existing rules.

In existing subsection 17.1.1.1.2.1.1 (proposed subsection 17.1.2.1.2.1.1), the NYISO proposes to capitalize several words in the title and to replace four instances of the word “Resource” with the more specific reference to “Dispatchable Resource.” The NYISO also proposes to delete two outdated references to future software support of Demand Reduction, which is already in place.

In existing subsection 17.1.1.1.2.1.2 (proposed subsection 17.1.2.1.2.1.2), the NYISO proposes to make one capitalization correction to the title and to replace a reference to “time points” with the more precise term “optimization period” defined in an earlier subsection.

The NYISO is proposing to delete existing subsection 17.1.1.4 as extraneous, because the marginal losses and congestion components of LBMP are already specifically defined in proposed subsection 17.1.1. The NYISO also proposes two minor language clarifications and to

delete a cross-reference to Attachment J of the OATT, in existing subsection 17.1.1.1.5.

The NYISO also proposes several clarifying changes in Scarcity Pricing Rule “A” contained in existing subsection 17.1.1.2 (proposed subsection 17.1.2.2). First, in existing subsection 17.1.1.2.1, the NYISO proposes to replace the generic reference to LBMP with the term “system marginal price.” This more specific term is defined in proposed subsection 17.1.1 and is a more accurate description of what is calculated at the Reference Bus. In this subsection, the NYISO also proposes to delete the bullet defining LBMP as the sum of the Marginal Losses Component plus the LBMP at the Reference Bus. Instead the NYISO proposes the following bullet:

The LBMP at each location shall be as defined in Section 17.1.1 of this Attachment: the sum of the Marginal Losses Component of the LBMP at that location, plus the Congestion Component of the LBMP at that location, plus the LBMP at the Reference Bus.

This is a much more precise definition of the components of LBMP and provides an accurate cross-reference. Finally, to existing subsection 17.1.1.3 on Scarcity Pricing Rule “B” the NYISO proposes to add an introductory phrase to parallel the subsection on Scarcity Pricing Rule “A”.

In existing subsection 17.1.2 NYISO proposes two minor language changes throughout for consistency and greater accuracy. First, the acronym “SCUC” is defined and used throughout in place of the term “Security Constrained Unit Commitment.” Second, the terms “Virtual Supply” and “Virtual Load” are capitalized because they are defined terms in the NYISO’s Services Tariff and OATT.

As discussed above, existing subsection 17.1.3 is proposed for relocation to the beginning of the Section as proposed subsection 17.1.1. A reference to the specific Section of the Market Monitoring Plan, Attachment O of the Services Tariff, and the exact duties of the Market Monitoring Unit are proposed to be added to existing subsection 17.1.4 for clarification. The NYISO also proposes to add to existing subsection 17.1.5 a specific reference to Section 17.1.1, replace the phrase “predetermined by the ISO” with “calculated from the load bus MW distribution” to eliminate apparent NYISO discretion, and to delete the final paragraph of the subsection as repetitive of other language in the subsection. Finally, in existing subsection 17.1.6.5 the NYISO proposes to add a specific reference to Section 17.1.6 instead of using the imprecise word “above.”

## 2. Other Revisions to the Services Tariff

In order to effectuate the changes described above, particularly the elimination of the LBMP calculation provisions from Attachment J of the OATT, the NYISO proposes to replace references to LBMP calculations in Attachment J of the OATT with the correct reference to Attachment B of the Services Tariff, where appropriate in the Services Tariff, Rate Schedules

and Attachments.

**B. Revisions to the OATT**

As discussed above in the background Section of this letter, the NYISO is proposing to delete the entire Section 16.1 of Attachment J to the OATT, which is repetitive of the language in Attachment B of the Services Tariff. This will consolidate all the rules associated with the calculation of LBMP into one Section of the Tariffs. In existing Section 16.1, the NYISO proposes to insert standard language directing readers to Attachment B of the Services Tariff for the rules associated with LBMP calculation.

The NYISO proposes to replace a reference in subsection 16.2.2.3 of the OATT Attachment J to the correct reference in Attachment B of the Services Tariff now that Section 16.1 of the OATT is proposed for deletion. The NYISO also proposes to delete references to Section 16.1 of Attachment J of the OATT and replace them with the proper Attachment B references in the OATT rate schedules.

**IV. Effective Date**

The NYISO requests an effective date for these tariff amendments of January 31, 2011, 60 days from the date the proposed changes have been filed with the Federal Energy Regulatory Commission.

**V. Requisite Stakeholder Approval**

These amendments were unanimously approved, with an abstention, by the NYISO Management Committee on September 29, 2010 and by the NYISO's Board of Directors on October 18, 2010.

**VI. Communications and Correspondence**

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

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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, to each participant on its stakeholder committees, to the New York Public Service Commission, and to the electric utility regulatory agency of New Jersey. In addition, the complete filing will be posted on the NYISO's website at [www.nyiso.com](http://www.nyiso.com). This is in accordance with 18 C.F.R. 35.2(e).

## **VIII. Conclusion**

Wherefore, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept for filing the proposed tariff revisions that are attached hereto with an effective date of January 31, 2010.

Respectfully Submitted,

/s/ Kristin A. Bluvas

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