May 31, 2011

Submitted Electronically

Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street N.E.
Washington, D.C. 20426

   Re: New York Independent System Operator, Inc. Errata Correcting Tariff
     Provision; Docket No. ER11-___-___

Dear Ms. Bose:

   On July 30, 2010, the New York Independent System Operator, Inc. ("NYISO") submitted proposed revisions to its Market Power Mitigation Measures ("MMM")[1] to improve the NYISO's ability to fuel index Generator reference levels ("July 30 Filing"). The revisions were conditionally accepted by the Federal Energy Regulatory Commission ("Commission") in an order issued on September 29, 2010 in Docket No. ER10-2062-000 ("September 29 Order"). On November 15, 2010, the NYISO submitted a compliance filing addressing the requirements of the Commission's September 29 Order ("November 15 Filing"). The November 15 Filing was accepted by the Commission in a Letter Order issued on December 21, 2010 in Docket No. ER10-2062-001 ("December 21 Order").[2]

   The tariff revisions that were proposed in the July 30 and November 15 Filings include penalties/sanctions that apply to Market Parties[3] that submit inaccurate fuel price and/or fuel type information for a Generator, where (i) the inaccurate information is used by the NYISO to develop a reference level, and (ii) the inaccurate information increases guarantee payments or market clearing prices paid to the Market Party above the payment(s) that the Market Party would have received had it submitted accurate fuel price/type information for its Generator(s).

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[1] The NYISO's MMM are set forth in Attachment H to its Market Administration and Control Area Services Tariff.

[2] The NYISO initially attempted to submit this errata filing in Docket No. ER10-2062, but the associated e-Tariff submission was rejected, so the NYISO is instead submitting this filing in a new Docket.

[3] Capitalized terms that are not otherwise defined herein shall have the meaning specified in the Services Tariff or in the MMM.

It has subsequently come to the NYISO's attention that the penalty calculation included in Section 23.4.3.3.3.4 of the MMM, as submitted by the NYISO in Docket No. ER10-2062, erroneously transposed two variables in the formula used to calculate the daily Real-Time Market penalty. The error within the formula was not identified in the tariff development or stakeholder process, and was only recently discovered by the NYISO. It has taken the NYISO some time to discover this error because the NYISO has not had cause to consider implementation of the Real-Time Market penalty provision contained in Section 23.4.3.3.3.4 of the MMM. To be clear, the NYISO has not identified any Market Parties that have submitted significantly inaccurate fuel price and/or fuel type information since the tariff revisions first proposed in the July 30 Filing became effective. The NYISO is filing this errata to correct Section 23.4.3.3.3.4 of the MMM.[4]

I.   DISCUSSION

Section 23.4.3.3.3.4 of the MMM contains the following erroneous formula for calculating the Real-Time Market daily penalty:

$$\text{Daily Penalty} = \text{Max} \left[(\text{Multiplier} * \Sigma_g [\blacktriangle \text{ simplified guarantee payment}_g]) + \Sigma_h \Sigma_g (\text{Multiplier} * [\text{updated reference level}_{gh} - \text{original reference level}_{gh}]) * \text{max} [\text{MWh DAM}_{gh}, \text{MWh RT}_{gh}, \text{Market Party MWh}_{gh}, 0], 0 \right]$$

The highlighted variables 'updated reference level$_{gh}$' and 'original reference level$_{gh}$' were inadvertently reversed in the formula. As a result of this error, the penalty calculation will result in a penalty of zero dollars, even though the results of the relevant Real-Time Market impact tests[5] indicate that the Incremental Energy Bid submitted for a Market Party's Generator had either LBMP or guarantee payment impact. As mentioned above, the NYISO does not believe that any Market Parties have exploited this error.

To achieve its intended purpose, the formula should read as follows:

$$\text{Daily Penalty} = \text{Max} \left[(\text{Multiplier} * \Sigma_g [\blacktriangle \text{ simplified guarantee payment}_g]) + \Sigma_h \Sigma_g (\text{Multiplier} * [\text{original reference level}_{gh} - \text{updated reference level}_{gh}]) * \text{max} [\text{MWh DAM}_{gh}, \text{MWh RT}_{gh}, \text{Market Party MWh}_{gh}, 0], 0 \right]$$

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[4] The Commission has previously permitted filing entities to correct errors in filed tariff sheets after the issuance of an order accepting the tariff revisions for filing. *See, e.g., New York Independent System Operator, Inc.*, Letter Order, Docket No. ER09-1027-001 (Sept. 24, 2009) (accepting revised tariff sheets to reinstate erroneously omitted language several months after the Commission's acceptance of the tariff revisions that contained the erroneous omission); *New York Independent System Operator, Inc.*, Letter Order, Docket Nos. ER04-230-037 and ER04-230-038 (Sept. 5, 2008) (accepting corrected tariff sheets that reinstated erroneously omitted language and corrected the table of contents several months after the Commission's acceptance of the tariff revisions that contained errors).

[5] *See,* MMM §§ 23.4.3.3.3.2.2, 23.4.3.3.3.2.3.

The intended purpose of the penalty was explained to the NYISO's Market Participants at stakeholder meetings.[6] It was also accurately described in the July 30 filing letter that accompanied the NYISO's proposed tariff revisions.

On page 5 of its July 30 filing letter, the NYISO explained the intended purpose of the proposed penalty provisions:

> The proposed penalty is calculated based on the difference between the compensation the Market Party received based on the inaccurate fuel type and/or fuel price information it submitted and the compensation the Market Party would have received if it had submitted accurate information.

On page 10 of its July 30 filing letter, the NYISO described the purpose of the Section 23.4.3.3.3.4 Real-Time Market penalty in the following manner:

> Section 23.4.3.3.3.4 - sets forth the Real-Time Market penalty calculation. It necessarily differs from the Day-Ahead penalty calculation because the NYISO is not able to re-run its Real-Time Market in an integrated manner to determine the full market impact that a Market Party's submission of inaccurate fuel type or fuel price information causes. The real-time penalty calculation is performed for the hours during which (a) inaccurate fuel type or fuel price information was provided, and (b) at least one of the Market Party's Generators failed the real-time conduct and impact tests that are described above. The NYISO proposes to use the difference between the inaccurate reference level that was originally used to evaluate the Generator's Real-Time Market Bids and the Corrected Reference Level to approximate the LBMP impact of the Market Party's behavior for each affected Generator. Similarly, the NYISO proposes to perform a simplified guarantee payment impact calculation to estimate the impact that the submission of incorrect fuel type or fuel price information had on real-time Bid Production Cost guarantee payments to affected Generators. To address the full potential impact of the submission of incorrect fuel price or fuel type information, the NYISO will use the greater of the Generator's Day-Ahead scheduled MWs, its real-time scheduled MWs, or its actual real-time output for each hour. This is appropriate to better capture disruptions to economic dispatch that may be caused by the submission of inaccurate fuel price information…. [Highlighting added.]

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[6] *See*, http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2010-04-19/RLS_Tariff_Changes_revised.pdf.   Page 7 of the Market Issues Working Group presentation for discussion of the Real-Time Market daily penalty. In this presentation the variable 'updated reference$_{gh}$' describes the Market Party's submission of (inflated) fuel cost information; and the variable 'previously calculated reference$_{gh}$' describes a reference level calculated using the fuel cost that was in place prior to the Market Party's submission of inaccurate data.

It is clear from the quoted sections of the NYISO's filing letter that the intended purpose of the penalty calculation is to start with the inappropriately inflated reference level that results from the inaccurate submission of fuel price or fuel type information, and to subtract the lower reference level that is calculated using accurate data to arrive at the difference. The properly calculated difference is then used in the penalty calculation formula to arrive at an appropriate result.

The NYISO requests permission to correct the inadvertent error that was included in the tariff revisions that it submitted on July 30 and November 15, 2010 in Docket No. ER10-2062. Proposed revisions to Section 23.4.3.3.3.4 of the NYISO's MMM that incorporate the correction described above are attached to this filing letter.

II.   DOCUMENTS SUBMITTED

The NYISO submits the following documents:

1.   this filing letter;

2.   a blacklined version of the proposed revisions to Section 23.4.3.3.3.4 of the MMM NYISO's MST ("Attachment I"); and

3.   a clean version of the proposed revisions to Section 23.4.3.3.3.4 of the MMM NYISO's MST ("Attachment II")

III.   COMMUNICATIONS

Correspondence concerning this filing should be served on:

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IV.   EFFECTIVE DATE

The attached tariff revision reflects a correction to an inadvertent error included in tariff revisions that were accepted for filing by the Commission. The NYISO, therefore, requests that the Commission accept the NYISO's proposed corrected tariff sections with an effective date of October 21, 2010, which is the effective date of the tariff revisions that were accepted by the Commission in this proceeding. If the Commission determines that a later effective date is necessary or appropriate for administrative reasons, the NYISO would not be opposed to the Commission assigning the corrections submitted herewith an effective date of May 31, 2011. Granting an effective date for the NYISO's proposed correction that is after the date of this filing (May 31, 2011) could permit a Market Party to take advantage of the error described herein.

V.   SERVICE LIST

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, to all parties listed on the Commission's official service list in Docket No. ER10-2062, 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.

VI.   CONCLUSION

The NYISO respectfully requests that the Commission accept the NYISO's proposed corrections to Section 23.4.3.3.3.4 of the MMM for the reasons set forth above. Consistent with Section IV of this letter, the NYISO requests an effective date of October 21, 2010.

Respectfully submitted,

/s/ Alex M Schnell
Alex M. Schnell
James H. Sweeney
New York Independent System Operator, Inc.