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By Electronic Delivery

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

Re: *New York Independent System Operator, Inc.*, Proposed Tariff Revisions to Clarify the Definition of Available Transfer Capability and to Update List of Applicable North American Energy Standards Board WEQ Standards, Docket No. ER11-_____

Dear Secretary Bose:

In accordance with Section 205 of the Federal Power Act and Part 35 of the Commission's regulations,¹ the New York Independent System Operator, Inc. ("NYISO") respectfully submits a proposed revision to its Open Access Transmission Tariff ("OATT") to clarify and update its definition of "Available Transfer Capability" ("ATC"). The proposed revision will result in the NYISO OATT definition more accurately reflecting the function that ATC performs, and the way that ATC is calculated, under the NYISO's "financial reservation" based transmission system. The submission of these proposed tariff revisions also fulfills the NYISO's prior commitments to amend the definition of ATC, most recently expressed in its May 12, 2011 *Additional Compliance Filing to Revise Attachment C to the NYISO OATT and Request for Expedited Action and Request for Shortened Comment Period* (as amended May 23, 2011) in Docket Nos. ER11-2043-003 and -004 ("May 12 Filing").

¹ 18 C.F.R. § 35 *et seq.* (2009).

The NYISO is also submitting proposed language, as required under Order No. 676-E² to incorporate in its Services Tariff and OATT an updated list of the currently effective North American Energy Standards Board (“NAESB”) Wholesale Electric Quadrant (“WEQ”) version 002.1 standards that are applicable to it. Order No. 676-E authorizes public utilities to include this update in otherwise unrelated tariff filings.

I. Documents Submitted

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

II. Background

A. “ATC” Under the NYISO’s Financial Reservation Based Transmission Model

The NYISO administers a Commission-approved market design that differs substantially from the “physical reservation” transmission model contemplated by Order Nos. 888, 889, and 890.³ Under the NYISO’s financial reservation model, congestion is managed and bid-based spot markets are operated using Locational Based Marginal Pricing.⁴ Physical transmission service is not expressly reserved; instead the NYISO schedules transmission service implicitly when customers submit energy schedules via the energy markets or arrange for bilateral transactions. Customers may schedule transactions between any two points, as long as doing so is not inconsistent with a security-constrained economic dispatch. All desired uses of the

² *Standards for Business Practices and Communication Protocols for Public Utilities*, Order No. 676-E, Final Rule, 74 FR 63288 (Dec. 3, 2009), FERC Stats. & Regs. ¶ 31,299, 129 FERC ¶ 61,162 (2009).

³ See, e.g., *New York Independent System Operator, Inc.*, 123 FERC ¶ 61,134 at P 13 (2008) (conditionally approving NYISO’s Order No. 890 compliance filing and acknowledging the substantial differences between the NYISO’s tariffs and the *pro forma* OATT related to the NYISO’s use of a financial reservation model). The Commission also recognized that many ISOs and RTOs use the financial reservation models instead of the physical reservation model of the *pro forma* OATT and noted that the Commission did not intend to “upset” those market designs. See *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs., Regulations Preambles ¶ 31,241 at PP 158, 603 (2007) (Order No. 890); *order on reh’g*, Order No. 890-A, FERC Stats. & Regs., Regulations Preambles ¶ 31,261 (2007) (Order No. 890-A); *order on reh’g and clarification*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh’g*, Order No. 890-C, 126 FERC ¶ 61,228 (2009) (“Order No. 890”).

⁴ Capitalized terms that are not otherwise defined herein shall have the meaning specified in Part I of the NYISO OATT.

transmission system are scheduled to the extent that customers are willing to pay congestion charges, which can be hedged using financial Transmission Congestion Contracts established under the NYISO's tariff.

The role played by ATC under the NYISO system differs from that under a physical reservation framework in various ways. In the NYISO, ATC performs an "advisory" function by signaling the presence of congestion, and does not determine a customer's ability to obtain transmission service.⁵ Customers' ability to schedule transactions within New York is not limited by a pre-defined amount of ATC. The entire capacity of the New York State Transmission System is made available for both firm and non-firm service prior to the start of each Day-Ahead Market cycle. ATC is calculated and posted based on the transactions accepted in the Day-Ahead Market.

ATC is not derived by modeling the system to establish Total Transfer Capability, expressed in terms of contract paths or flowgates.⁶ If a posted ATC is zero, that is an indication that an internal interface is congested and that additional non-firm transmission capacity would not be available across it in the real-time market absent changed circumstances. It may well be possible, however, for the NYISO to accept additional firm transactions, for customers willing to pay congestion charges, through its continuous economic re-dispatching procedures. Therefore, ATC is not used "as a determinant as to whether additional requests for transmission service can be satisfied."⁷

B. NYISO OATT Provisions that Accurately Reflect the Nature of "ATC" Under the NYISO's Financial Reservation Model

Order No. 890 directed transmission providers to modify Attachment C to their OATTs to include more detailed information describing their ATC calculation procedures. Transmission Providers were also required to demonstrate their compliance with the North American Electric Reliability Corporation's ("NERC") Modeling and Data Analysis ("MOD") Reliability Standards.⁸ The NYISO recently made a series of compliance filings which explained its ATC calculation procedures under its financial reservation-based transmission model in greater detail, including the role played by the NYISO's market software in the calculations. The compliance filings also affirmed the consistency of the NYISO's ATC calculation procedures with all applicable NERC MOD Reliability Standards. The Commission issued an order accepting these filings on June 6, 2011 ("June 6 Order").⁹

⁵ See *Central Hudson Gas & Electric Corp., et al.*, 88 FERC ¶ 61,253 at 61,803 (1999) (recognizing that ATC postings in New York are advisory projections based on calculations performed by the NYISO's day-ahead and real-time market software).

⁶ Order No. 890 at P 209.

⁷ Request for Limited OASIS Waivers, Docket EL99-77-000 at 5-6 (July 9, 1999).

⁸ Order No. 890 at P 162.

⁹ *New York Independent System Operator, Inc.*, Docket No. ER11-2048-003 and -004 (June 6, 2011).

Other NYISO OATT provisions have reflected the nature of ATC under the NYISO's financial reservation transmission model. For example, the original version of Attachment C explained that the NYISO's ATC calculations of "Transfer Capability" would be "performed by the ISO through the performances of SCUC, SCD, and the BME" *i.e.*, the NYISO's then existing market software systems. Section 3.6.4 of the NYISO OATT has always included similar language. The *pro forma* version of that provision, "Determination of Available Transmission Capability" was renamed "Determination of Available Transmission Capability Using Security Constrained Unit Commitment ("SCUC") and Security Constrained Dispatch ("SCD")"¹⁰ in the NYISO's 1999 OATT. The NYISO version of Section 3.6.4 likewise has never included the *pro forma* deadlines for making ATC determinations within a prescribed time from the receipt of a request for physical transmission service. Section 3.6.4 of the NYISO OATT instead states that "[t]he ISO continuously re-dispatches the resources subject to its control to meet Load and accommodate requests for Firm Transmission Service through the use of SCUC, RTC, and RTD."

C. The Need to Update the NYISO OATT Definition of "ATC"

The definition of ATC that is set forth Section 1.1 of the NYISO OATT is outdated because it reflects the *pro forma* OATT definition of ATC that is based upon a physical rather than a financial transmission service model. It states that "Available Transfer Capability" is:

A measure of the Transfer Capability remaining in the physical transmission network for further commercial activity over and above already committed uses. ATC is defined as the Total Transfer Capability, less Transmission Reliability Margin, less the sum of existing transmission commitments, (which includes retail customer service) less the Capacity Benefit Margin

This definition has been in place since the Commission's accepted the NYISO's OATT in 1999.¹¹ It does not have an analogue in the current *pro forma* OATT, which does not include a definition of "ATC", and appears to have been adapted by the transmission-owning utilities that established the NYISO from a definition that was first included in Section 37.6(b)(1)(v) of the Commission's regulations in 1996.

The existing definition is inconsistent with the nature of the NYISO's financial reservation model, under which ATC is not "[a] measure of the Transfer Capability remaining in the physical transmission network for further commercial activity over and above already committed uses." Its description of how ATC is calculated is also not entirely consistent with

¹⁰ Subsequently, the title of Section 18.4 of the NYISO OATT was revised to reflect the NYISO's change from SCD to more advanced real-time market unit commitment and dispatch software but the essential point, that ATC in the NYISO system is driven in large part by the output of the NYISO market software has not changed.

¹¹ See *Central Hudson Gas & Electric Corp., et al.*, 86 FERC ¶ 61,062 (1999).

the ATC calculation algorithms in Attachment C to the NYISO OATT that were accepted in the June 6 Order.

The NYISO previously brought these inconsistencies to the Commission's attention. The Commission indicated that the NYISO should make a filing to update its OATT definition of ATC. The NYISO committed to submit such a filing under Section 205 of the Federal Power Act after the completion of the necessary stakeholder process.¹² Given that the NYISO is updating the tariff definition of ATC in accordance with the Commission's instruction, there is no need for the NYISO to demonstrate that its proposed revised definition of "ATC" is "consistent with or superior to" any language included in the Commission's *pro forma* OATT. The inclusion of such a definition in the NYISO OATT has previously been found to meet that standard.

III. Proposed Update to the NYISO OATT Definition of "ATC"

For the reasons set forth above, the NYISO proposes to replace the existing definition of ATC in its OATT, with the following language: "An advisory projection of the transfer capability on Internal and External Interfaces and on Scheduled Lines calculated using the methodology described in Attachment C to the OATT."

The proposed revision will simplify the definition and ensure its present and future consistency with the Commission-accepted language for calculation of ATC for different types of interfaces as set forth in Attachment C to the NYISO OATT. Adopting the updated definition will not result in any change to the NYISO's existing ATC calculation procedures but will eliminate inconsistencies and prevent the outdated tariff language from causing confusion. The Commission's acceptance of the update would be consistent with previous orders accepting tariff changes that eliminate vestigial language that is inconsistent with the actual workings of the NYISO's financial reservation system.¹³

IV. Tariff Update to Reflect Order No. 676-E

In Order No. 676-E, the Commission amended its regulations to incorporate by reference Version 002.1 of certain NAESB WEQ business practice standards. None of the updated, revised or new NAESB WEQ business practice standards adopted by Order No. 676-E and applicable to the NYISO require substantive Tariff revisions for implementation.¹⁴ Consistent with prior orders implementing NAESB WEQ business practices standards, Order No. 676-E

¹² See, e.g., May 12 Filing at 4-5.

¹³ See, e.g., *New York Independent System Operator, Inc.*, Docket No. ER09-984 (June 5, 2009) (letter order accepting NYISO proposal to eliminate vestigial OATT provisions governing re-assignments of physical point-to-point capacity reservations which did not actually exist under the NYISO's financial reservation transmission model).

¹⁴ Order No. 676-E at PP 129 and 130.

allowed entities that did not require substantive revisions to their tariff to update their tariffs to reflect the newly adopted standards in an unrelated tariff filing.¹⁵

The NYISO therefore respectfully requests that the Commission accept proposed modifications to its OATT and Services Tariff to incorporate by reference the list of updated NAESB business practice standards that are (and that are not) applicable to the NYISO,¹⁶ as set forth in Order No. 676-E and 18 C.F.R. § 38.2. There is no substantive relationship between these NAESB-related changes and the proposal to revise the NYISO OATT's definition of "ATC."

V. Requested Effective Dates

The NYISO requests an effective date for its proposed revision to the OATT's definition of "ATC" of August 23, 2011, sixty days after the date of this filing.

Consistent with Order No. 676-E, the NYISO respectfully requests that its proposed tariff revisions to update the list of NAESB WEQ standards that are incorporated into its tariffs by reference become effective as of April 1, 2011.¹⁷

VI. Requisite Stakeholder Approval

The proposed revision to the NYISO OATT's definition of "ATC" was approved by the NYISO's stakeholder Business Issues Committee in February, by the stakeholder Management Committee in February 2011, and by the NYISO's independent Board of Directors in April 2011.

The proposed revisions to update the OATT and the Services Tariff to incorporate by reference all applicable NAESB requirements are submitted in compliance with Order No. 676-E and thus did not require NYISO stakeholder approvals.

¹⁵ *Id.* at P 128.

¹⁶ The compliance tariff modifications adopt the Commission ordered 676-E implementation language, and note the standards for which the NYISO requested, and received, waivers. *New York Independent System Operator, Inc.*, 133 FERC ¶ 61,246 (2010).

¹⁷ The NYISO has been complying with all applicable WEQ Version 002.1 standards since their implementation date.

VII. Communications and Correspondence

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

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VIII. Service

The NYISO will electronically 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 New Jersey Board of Public Utilities. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com.

IX. Conclusion

Wherefore, for the foregoing reasons, the NYISO respectfully requests that the Commission take action as requested herein and accept: (i) the proposed revisions to the NYISO OATT definition of ATC effective August 23, 2011; and (ii) the proposed update to its list of applicable NAESB standards effective April 1, 2011.

Respectfully submitted,

/s/ Ted J. Murphy

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