

February 17, 2011

**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., Proposed Tariff  
Revisions for the Measurement and Performance of Special Case  
Resources, Aggregations and Responsible Interface Parties, Docket  
No. ER11-\_\_\_-000***

Dear Secretary Bose:

In accordance with Section 205 of the Federal Power Act and Part 35 of the Federal Energy Regulatory Commission's ("Commission") regulations,<sup>1</sup> the New York Independent System Operator, Inc. ("NYISO") hereby submits proposed amendments to its Market Administration and Control Area Services Tariff ("Services Tariff") to enhance the NYISO Special Case Resource Installed Capacity program ("ICAP/SCR") that allow for the participation of demand side resources to provide installed capacity through a Responsible Interface Party.<sup>2</sup> This filing proposes to amend the Services Tariff and provide greater clarity in the measurement of the performance of Special Case Resources ("SCRs"), and the Responsible Interface Parties ("RIPs") that may seek to aggregate one or more SCRs in the NYISO's ICAP/SCR markets, by applying new performance factor calculations and performance deficiency penalties that apply to RIPs. The proposed amendments to the Services Tariff will allow the NYISO to better align the participation and performance of demand response with the operational expectations of the NYISO during an ICAP/SCR event called for reliability purposes by obtaining better estimates of the demand reduction capabilities (and Installed Capacity) of Special Case Resources.

The tariff amendments include a new process to determine the baseline Load of demand response that reflects the capacity of each individual SCR that is available at the time of an ICAP/SCR event. Currently this baseline amount is calculated in accordance with ISO Procedures found in section 4.12 of the NYISO Installed Capacity Manual and is known as the Special Case Resource Average Peak Monthly Demand ("APMD"). An

---

<sup>1</sup> 18 C.F.R § 35 *et seq.* (2010).

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

SCR's APMD is the average one-hour peak Load calculated using the SCR's four peak one-hour Load values measured between noon and 8 p.m. during the four middle months of the Prior Equivalent Capability Period. The APMD methodology does not ensure that the demand reduction capabilities of an SCR are coincident with the peak system Loads in the New York Control Area ("NYCA"). This filing proposes to replace the APMD methodology currently provided for in ISO Procedures with a new baseline approach, Average Coincident Load ("ACL"), that better estimates the demand reduction capabilities of the ICAP/SCR program during peak Load conditions. The ACL proposal calculates a baseline load level for each SCR by Capability Period using the top twenty (20) hours of the resource's measured Load that are coincident with the top forty (40) coincident hours of the NYCA Peak Load during the Prior Equivalent Capability Period, adjusted on a Load Zone basis ("SCR Load Zone Peak Hours").

In accordance with the ICAP Manual amendments approved by the Business Issues Committee on January 26, 2011, an adjustment from the top forty (40) SCR Load Zone Peak Hours will be made for the Summer 2011 Capability Period. The approved ISO Procedures provide that the NYISO will identify the top 50 SCR Load Zone Peak Hours to be used by RIPs in calculating the ACL values for their Special Case Resources in the Summer 2011 Capability Period. This adjustment is being made because the NYISO is unable to implement a process through its Demand Response Information System ("DRIS") that will be able to address resource-specific adjustments to each applicable SCR's reported coincident Load for this summer. This DRIS functionality is expected to be in place by the Winter 2011/12 Capability Period. This will allow the Transmission Owner to submit Load adjustment values by resource for all SCRs that have participated in a Transmission Owner's demand response event. DRIS will also allow the RIPs to view the amount of Load added back to their SCR resources Load values for all affected coincident hours.

The proposed tariff amendments also relate to various aspects of measurement and performance of SCRs and RIPs within the ICAP/SCR program. The amendments include changes in the calculation for RIP performance factors to allow individual resources that over-perform during an hour of an SCR event or test to offset the under-performance of resources during that same hour that are within the same SCR aggregation. The proposed tariff amendments also include new tariff language that provides for the calculation of a shortfall for an Installed Capacity Supplier that is a RIP, which would also subject the RIP to deficiency payments as provided by the Services Tariff.

These proposed amendments will collectively enhance the NYISO's ability to measure and track the performance of individual SCRs and RIPs that are participating in the NYISO's Installed Capacity markets through the ICAP/SCR program. The provisions are designed to be implemented concurrently. As we have noted above, there are also additional procedural revisions made to the NYISO Installed Capacity Manual that are required to be implemented when these tariff amendments become effective. These procedures have been reviewed, and were approved by, the NYISO's Business

Issues Committee on January 26, 2011, subject to the Commission's acceptance of the proposed tariff language.

## **I. Documents Submitted**

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

## **II. Background for Proposed Tariff Amendments**

### **A. Proposed Change from APMD to ACL**

Due to the increased participation of demand response in the NYISO Installed Capacity market, and the importance of these demand response megawatts to system planning and operations, the NYISO began a detailed evaluation in 2010 of the current baseline methodology used to determine the amount of Load reduction available from SCRs. The objective of this assessment was to determine whether changes in the baseline methodology could be implemented that would better represent the expected Load of a demand response resource at the time of an event and as such provide the NYISO with a better measure of the Installed Capacity associated with each SCR that can be sold in the NYISO market and called upon at the time of an event.

In order to conduct this analysis, NYISO staff collected interval metered data for 229 demand response resources that were currently enrolled as Special Case Resources. The NYISO looked at approximately forty (40) different calculation methods. These alternatives include baseline methodologies that focused on demand during hours that were both coincident and non-coincident with the NYCA peak load hours. A number of discussions were held with NYISO stakeholders at the NYISO's Installed Capacity Working Group ("ICAPWG") to discuss and propose methodologies to be evaluated and to establish the protocols for the analysis. Results were also reviewed with stakeholders at the several ICAPWG meetings before the NYISO brought its proposal to replace the APMD methodology and discuss implementation plans for the proposed ACL methodology. The proposed ACL baseline methodology was then brought to the NYISO's Business Issues Committee for discussion, review and action in December 2010 and January 2011.

### **B. Proposed Provisions Regarding Measurement and Tracking of RIP's and Calculation of RIP Deficiency**

At the same time that the NYISO was assessing its baseline methodology with NYISO stakeholders, market participants requested that the NYISO also evaluate the

procedures and requirements that the NYISO utilized to measure and track performance of SCRs. In particular, RIPS requested that the NYISO consider modifying its procedure for calculating performance factors for a RIP that was based upon its entire portfolio of SCRs to include performance factors calculations for SCRs that are grouped in an aggregation in a single Load Zone. The RIPS also requested that the performance factor calculation take into account the over-performance of SCRs as well as the under-performance of others.

In conducting its assessment of measuring and tracking RIP performance the NYISO determined that it was also necessary to modify the tariff to allow for the NYISO to calculate RIP performance and to calculate RIP deficiency charges. The NYISO developed new tariff provisions and revisions to address the proposal to calculate RIP performance factors and SCR Aggregation performance factors and also identified the need to add a Responsible Interface Party to the tariff as well as providing expressly for a RIP deficiency calculation to support a RIP deficiency charge. These changes also included minor revisions to existing definitions and provisions in the Services Tariff.

The proposed amendments to the Services Tariff, as well as the necessary changes to the Installed Capacity Manual, were discussed at several ICAPWG meetings before being brought to the Business Issues Committee for discussion, review and action in January 2011.

### **III. Description of Proposed Tariff Revisions**

#### **A. Tariff Definitions and Provisions Regarding the Proposed ACL Methodology**

**Average Coincident Load:** The NYISO proposes to include this new defined term that reflects the new baseline methodology for SCRs. Each SCR will have an ACL value calculated for it in accordance with Section 5.12.11.1.1 of the Services Tariff, proposed herein, for each Capability Period that represents its average hourly Load in lieu of the current APMD value calculated in accordance with section 4.12 of the NYISO Installed Capacity Manual.

**Average Coincident Load of an SCR Aggregation:** The NYISO proposes to add this new defined term that represents the ACL for a group of SCRs located in a single Load Zone and assigned to an SCR Aggregation by the RIP. The ACL for an SCR Aggregation will be calculated in accordance with Section 5.12.11.1.2 of the Services Tariff, proposed herein, for each month in the Capability Period and is equal to the sum of the ACLs and Provisional ACLs for all SCRs assigned to the SCR Aggregation for that month.

**Provisional Average Coincident Load:** The NYISO proposes to add this new defined term to be used in lieu of the ACL for SCRs that have not previously been enrolled with the NYISO and did not have interval metering Load data available to it for the Prior Equivalent Capability Period. The Provisional ACL for a newly enrolled SCR

is determined once for each Capability Period and may not be applied for more than three consecutive Capability Periods.

**SCR Change of Load:** The NYISO proposes to modify and incorporate into the Services Tariff this defined term, which currently exists in section 4.3.3.1 of its Installed Capacity Manual. The proposed definition is updated from the existing procedure to refer to the ACL baseline methodology being proposed herein Provisional ACL rather than APMD.

**SCR Change of Status:** The NYISO proposes to modify and incorporate into the Services Tariff this defined term, which currently is found in section 4.3.3.2 of the Installed Capacity Manual. An SCR Change of Status is a SCR Change of Load that is reasonably expected to last for more than sixty continuous days. In accordance with the proposed Section 5.12.11.1.1 of the Services Tariff, RIPs must report an SCR Change of Status in order that the NYISO may recalculate an ACL for the resource and any SCR Aggregation to which the resource has been assigned to reflect the reduction in the megawatts that can be expected to be provided during an SCR event or test.

**SCR Load Zone Peak Hours:** The NYISO proposes this new defined term, which describes the top coincident peak hours, falling between one o'clock p.m. and seven o'clock p.m. that are identified by the NYISO for the Prior Equivalent Capability Period. These top hours will be adjusted for each Load Zone to exclude hours in which SCRs and Emergency Demand Response Program resources were deployed by the NYISO in that Load Zone. Each SCR will identify its the top twenty hours of demand that are coincident with these SCR Load Zone Peak Hours in order to calculate the ACL as set forth in the Section 5.12.11.1.1 of the Services Tariff proposed herein.

**5.12.11.1.1 Special Case Resource Average Coincident Load or Provisional Average Coincident Load:** This proposed new section to the Services Tariff provides for the calculation of an ACL for each SCR that is enrolled by a RIP in the ICAP/SCR program prior to each Capability Period. In the case where an SCR has not previously been enrolled with the NYISO and does not have adequate interval metering Load data for the Prior Equivalent Capability Period, the RIP enrolling the resource is responsible for providing the NYISO with a Provisional ACL that will apply to that resource for the entire Capability Period. An SCR may use a Provisional ACL for a maximum duration not to exceed three consecutive Capability Periods.

This section also provides that the RIP shall report any applicable SCR Change of Status and that the NYISO shall adjust the ACL (or, if applicable, a Provisional ACL) value attributed to the SCR for all months in which the SCR Change of Status applies.

**5.12.11.1.2 Average Coincident Load of an SCR Aggregation:** This newly proposed section of the Services Tariff provides that the ISO shall compute the Average Coincident Load of an SCR Aggregation each month in accordance with ISO Procedures. Monthly calculation of an SCR Aggregation will account for the addition of newly enrolled resources to the aggregation, the exit of resources from the market, a

reconfiguration of the aggregation established by the RIP, and any migration of resources in the aggregation between RIPs.

**B. Tariff Definitions and Provisions that Address SCR Aggregations and RIP Performance Factor and Deficiency Calculations**

**Responsible Interface Party:** The NYISO proposes to add this new defined term to describe an existing subset of NYISO Customers that is authorized by the ISO to be the Installed Capacity Supplier for one or more Special Case Resources. The NYISO interacts with the RIP directly as set forth in these proposed revisions to the Services Tariff and in accordance with its procedures. Pursuant to the proposed definition, RIPs will include any individual SCR that is participating in the NYISO's ICAP/SCR program and any Customer that controls more than one SCR resource in the ICAP/SCR Program.

**Minimum Payment Nomination:** The NYISO proposes that addition of the clarifying language "by a Responsible Interface Party" in order to indicate the party responsible for submitting a Minimum Payment Nomination to the NYISO.

**Installed Capacity Supplier:** The NYISO proposes to modify this definition by replacing the term "Special Case Resource" with "Responsible Interface Party," which is a broader and more accurate term that the NYISO proposes to define herein.

**4.4.2.5 Converting to Demand Reduction, Special Case Resource Capacity scheduled as Operating Reserves, Regulation or Energy in the Real-Time Market:** The NYISO is proposing to modify this section to clarify the process and the role of the RIP in communicating with the individual SCR to reduce load in response to a NYISO event or test.

**5.12 Requirements Applicable to Installed Capacity Suppliers:** The NYISO is proposing to modify the existing language in several places to be consistent with the use of its proposal to modify the defined term "Installed Capacity Supplier" to reference "Responsible Interface Party" in place of "Special Case Resource." These proposed changes make RIPs participating as an Installed Capacity Supplier expressly subject to the applicable requirements for Installed Capacity Suppliers.

**5.12.11.1 Responsible Interface Parties:** In addition to replacing the term "Special Case Resource" with "Responsible Interface Party" where appropriate and the proposed modifications discussed above, the NYISO has included proposed modifications in this section that further clarify that the Minimum Payment Nomination submitted for an SCR by a RIP will be set to zero by the NYISO for all intervals for which that SCR was scheduled in the Day Ahead Market.

**5.14.2 Installed Capacity Supplier Shortfalls and Deficiency Payments:** The NYISO has proposed new language to this section of the Services Tariff that provides for the shortfall calculation the NYISO shall apply to Installed Capacity Suppliers that are RIPs. The calculation will determine a shortfall if the sum of (i) the UCAP sold and

certified by a RIP in an ISO Monthly, an ISO Capability Period Auction and as a Bilateral Transaction for a given month, and (ii) the UCAP sold by RIP in the ISO's ICAP Spot Market Auction for that month is greater than the greatest single hour of Load reduction achieved by the RIP's SCR resources during an event or test called by the ISO in the Capability Period as confirmed data provided by the RIP to the NYISO.

In addition, the NYISO proposal includes a separate shortfall calculation that applies to a RIP that enrolls a SCR with a Provisional ACL. This calculation determines a shortfall, which will be attributed to the RIP, if the Provisional ACL is higher than the individual SCR's actual Average Coincident Load calculated for that Capability Period. The shortfall amount will be equal to the sum of UCAP sold and certified in an ISO Monthly, an ISO Capability Period Auction and as a Bilateral Transaction for that SCR for a given month in the Capability period, the UCAP sold by RIP for that SCR in the ISO's ICAP Spot Market Auction and the SCR's actual metered demand for the month as determined in accordance with ISO procedure minus the SCR's actual ACL calculated for that Capability Period.

#### **IV. REQUEST FOR EXPEDITED CONSIDERATION AND SPECIFIC EFFECTIVE DATES**

The NYISO requests that the Commission act expeditiously and issue an order accepting the proposed tariff revisions no later than April 11, 2011. This expedited treatment is sought in order that the NYISO may implement these tariff provisions for the Summer 2011 Capability Period. While this period formally begins on May 1, 2011, significant preliminary work, including resource enrollment and data submission and collection, must be completed by both the NYISO and Market Participants. The bulk of this work will need to be completed and these proposed rules effective and implemented by early April in order to properly hold the monthly Installed Capacity auction for May 2011.

The NYISO has worked closely with its stakeholders to submit these amendments to its Services Tariff collectively in an effort to ensure that these changes are all in place for the Summer 2011 Capability Period. As noted below, the amendments proposed passed the Management Committee without any objection. Further, stakeholders at both the Business Issues Committee and the Management Committee strongly expressed their desire to have these provisions implemented for the Summer 2011 Capability Period and urged the NYISO to request this expedited treatment now being sought from the Commission in order implementation for the whole 2011 Summer Capability Period.

To the extent that the Commission deems it feasible to issue an order on or before April 11, the NYISO respectfully requests that the Commission provide that the proposed tariff amendments become effective on the day of the order, but in no event applicable for any ICAP auction(s) prior to the May 2011 Monthly Auction. The NYISO notes that it is requesting the Commission to take action within fifty-three days from this filing. In addition to the operational benefits and efficiencies of these tariff revisions accruing to this summer's ICAP/SCR program, good cause exists to waive the standard sixty day

prior notice requirement<sup>3</sup> and grant the requested early effective date because the proposed amendments cannot be readily implemented in the middle of the Capability Period. Both the NYISO and its stakeholders desire the benefits of these changes to accrue to the ICAP/SCR program as soon as possible. April 11, 2011, however, is the latest feasible effective date that would allow the NYISO to implement these baseline and performance measures consistently throughout the 2011 Summer Capability Period. An effective date that falls within the Summer Capability Period, but is later than April 11, 2011, will subject the NYISO and Market Participants engaged in the ICAP/SCR program to two inconsistent and irreconcilable sets of measurement and performance rules.

Because of the need to request the Commission act within the standard sixty day notice period, the NYISO also respectfully requests a shortened comment period. The NYISO does not anticipate that the Commission would harm any interested parties in granting this request because these matters have been subject to significant stakeholder review and discussion. In their approval of these proposed changes stakeholders provided an explicit recommendation for the NYISO to seek expedited treatment from the Commission to ensure these measures were in place for this summer. Further, in addition to the unanimous approval of these tariff amendments, no appeals of these provisions have been brought to the NYISO Board.

If, however, the Commission finds it cannot issue the requested order on or before April 11, 2011, there would be no need for a waiver of the sixty day prior notice period. Under such circumstance the NYISO respectfully asks that the Commission's order indicate that the proposed tariff revisions will go into effect for the Winter 2011/2012 Capability Period, which formally begins on November 1, 2011. The NYISO expects to implement these proposed changes into its ICAP/SCR program through a deployment of its DRIS software currently scheduled for late September. In order to ensure that these changes are fully captured and effective in the DRIS for the Winter 2011/2012 Capability Period, the NYISO requests that the Commission's order be issued on or before September 1, 2011. Therefore, if the Commission's order is issued after April 11, 2011, the NYISO respectfully requests a waiver of the Commission's maximum 120 day notice period.<sup>4</sup> The NYISO submits that good cause exists, as it has provided above, to waive this notice requirement and ensure that one set of rules govern the administration of, and the participation in, the NYISO's ICAP/SCR program within a discrete Capability Period.

## **V. Requisite Stakeholder Approval**

The NYISO Management Committee unanimously approved this proposal and the corresponding amendments to the Services Tariff with numerous abstentions on February 2, 2011.

---

<sup>3</sup> 18 C.F.R. §§ 35.3 and 35.11 (2010).

<sup>4</sup> 18 C.F.R. § 35.3 (2010).



## **VI. Communications and Correspondence**

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

Robert E. Fernandez, General Counsel  
Raymond Stalter, Director of Regulatory Affairs  
Gloria Kavanah, Senior Attorney  
\* David Allen, Attorney  
New York Independent System Operator, Inc.  
10 Krey Boulevard  
Rensselaer, NY 12144  
Tel: (518) 356-7530  
Fax: (518) 356-7678  
[rfernandez@nyiso.com](mailto:rfernandez@nyiso.com)  
[rstalter@nyiso.com](mailto:rstalter@nyiso.com)  
[gkavanah@nyiso.com](mailto:gkavanah@nyiso.com)  
[dallen@nyiso.com](mailto:dallen@nyiso.com)

\* Persons designated for receipt of service.

## **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).

## **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 no later than April 11, 2011.

Respectfully Submitted,

/s/ David Allen

David Allen

Attorney

New York Independent System Operator, Inc.

10 Krey Boulevard

Rensselaer, NY 12144

(518) 356-7530

[dallen@nyiso.com](mailto:dallen@nyiso.com)