NEW YORK INDEPENDENT SYSTEM OPERATOR
10 Krey Boulevard ♦ Rensselaer, NY 12144

October 4, 2013

By Electronic Delivery

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

Re: *New York Independent System Operator, Inc.*, Proposed Tariff Revisions Related to Special Case Resources; Docket No. ER14- -000

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,[1] the New York Independent System Operator, Inc. ("NYISO") hereby submits proposed revisions to its Market Administration and Control Area Services Tariff ("Services Tariff") to enhance its Special Case Resource ("SCR") demand response program. This program allows a Responsible Interface Party ("RIP") to become an Installed Capacity Supplier by enrolling demand side resources with eligible load reduction capability in the NYISO's Installed Capacity/SCR Program.

As described in detail in Section III below, the proposed tariff revisions will extend the range of hours used in determining the baseline demand reduction capabilities of a SCR (this baseline is referred to as the Average Coincident Load or "ACL"), significantly expand the circumstances when a RIP may enroll a SCR with an estimated baseline or "Provisional ACL", allow for a qualified increase in load above the SCR's ACL to be added to its baseline, clarify tariff provisions related to reporting qualified decreases in a SCR's load that may require a downward adjustment to its ACL, clarify when installed capacity shortfall penalties and reporting sanctions may apply, and add new and revise existing defined terms related to these changes.

The NYISO requests that the proposed tariff revisions become effective on March 15, 2014, and requests a waiver of the Commission's maximum 120 day notice requirement for the reasons set forth in Section IV below.[2] The NYISO intends for the proposed tariff revisions to apply to the SCR program commencing with the enrollment period for the 2014 Summer Capability Period. The NYISO also requests that the Commission issue an order by December 3, 2013, accepting this filing within the 60 day period normally applicable to filings under Section 205 of the Federal Power Act.[3]

[1] 16 U.S.C. § 824d (2013).

[2] 18 C.F.R. § 35.3 (2013).

[3] 16 U.S.C. § 824d(d).

I. LIST OF DOCUMENTS SUBMITTED

The NYISO submits the following documents:

1. This filing letter;

2. A clean version of the proposed revisions to the Services Tariff (Attachment I); and

3. A blacklined version of the proposed revisions to the Services Tariff (Attachment II).

II. BACKGROUND

The NYISO first implemented the ACL baseline methodology for determining the baseline load level of a SCR that is used to measure its capacity performance for the 2011 Summer Capability Period.[4] Following the 2011 Summer Capability Period, stakeholders brought ideas to the NYISO for enhancements to those rules. Over the past twelve months, the NYISO met with stakeholders to discuss those proposals and other enhancements to the SCR program rules at the August 20 and September 11, 2012, and the February 19, April 29, May 22, June 24, July 9, July 24, and August 13, 2013 joint meetings of the Installed Capacity and Price Responsive Load Working Groups. The tariff revisions proposed in this filing reflect the outcome of those working group meetings.

Additional background regarding the rationale for each set of proposed tariff revisions is provided in Section III below along with descriptions of the proposed revisions.

III. DESCRIPTION OF PROPOSED TARIFF REVISIONS

A. SCR Capacity Baseline: Average Coincident Load (ACL)

The ACL establishes the baseline for a SCR by Capability Period and is the baseline from which its load reduction capability and its capacity performance are measured. The ACL for a SCR is calculated using the top twenty (20) hours of the SCR's metered load that are coincident with SCR Load Zone Peak Hours -- the top forty (40) hours of NYCA peak load during the Prior Equivalent Capability Period, as identified and adjusted by the NYISO on a Load Zone basis. The ACL is the basis for the maximum amount of load reduction capability that a SCR may be initially enrolled with by a RIP. When calculating the ACL for a SCR that participates in a Transmission Owner's demand response program in hours coincident with any of the SCR Load Zone Peak Hours, the SCR's metered load for those hours is adjusted upward to include its

[4] *See New York Independent System Operator, Inc.*, 135 FERC ¶ 61,020 (2011).

verified load reduction in the Transmission Owner's program. This adjustment is made so the SCR's load better represents its maximum load reduction capability.[5]

In this filing, the NYISO proposes to similarly adjust a SCR's metered load when calculating its ACL if the SCR is simultaneously enrolled in either of the NYISO's economic demand response programs (*i.e.,* the Day Ahead Demand Response Program or the Demand Side Ancillary Services Program) to account for its verified load reduction under those programs in hours coincident with the SCR Load Zone Peak Hours.[6] Load reductions during an energy schedule or dispatch for ancillary services coincident with hours on which the ACL is based have a similar impact to load reductions that occur in a Transmission Owner's demand response program.

Specifically, the NYISO proposes to revise the Services Tariff as follows:

Average Coincident Load ("ACL"): The NYISO proposes to modify the definition of this term to add clarity and provide for the use of the acronym "ACL."[7]

DSASP Baseline MW: The NYISO proposes to add this new defined term to be used as a reference value when calculating the ACL for a SCR that performs a load reduction as a DSASP resource in one or more of the SCR Load Zone Peak Hours.

Section 5.12.11.1.1 Special Case Resource Average Coincident Load: The NYISO proposes to modify this section of the Services Tariff to allow the NYISO, when calculating ACL, to take into account the verified load reduction of a SCR that performs as a DADRP or DSASP resource in one or more of the SCR Load Zone Peak Hours.

B. SCR Load Zone Peak Hours

The current SCR Load Zone Peak Hours are the top forty (40) hours of NYCA Load during the Prior Equivalent Capability Period falling between 1:00 p.m. and 7:00 p.m. for each Load Zone, subject to certain exclusions. The SCR's capacity baseline (ACL) is an average that

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[5] To achieve greater participation of a demand response resource, the NYISO does not require a SCR to forego participation in a Transmission Owner's demand response program in order to participate in the NYISO's program.

[6] The NYISO's tariffs include restrictions that prohibit a demand response provider from receiving double payment for providing the same type of demand response service and the NYISO's procedures include controls that prevent double payment for the load reduction.

[7] To facilitate understanding of the ACL changes and related definitions proposed in this filing, the NYISO has included a table in Addendum 1 that illustrates the various categories of the Average Coincident Load (ACL) that a SCR may be eligible to use in enrollment, how an ACL may be adjusted, when an ACL requires verification data after enrollment, and the applicable ACL used in calculating performance and penalties.

is calculated using the top twenty (20) hours of its load that are coincident with the SCR Load Zone Peak Hours. The 1:00 p.m. to 7:00 p.m. window has historically aligned with when the majority of event hours have occurred, however, events have begun as early as 9:00 a.m., with several starting at 11:00 a.m. and a small number of NYISO events have remained in effect beyond 8:00 p.m.

Some stakeholders commented that the 1:00 p.m. to 7:00 p.m. limitation on SCR Load Zone Peak Hours resulted in SCR capacity baselines, particularly during the Winter Capability Period, that were not an accurate reflection of the demand reduction capability of their customers. In response to those comments, the NYISO analyzed the Top 50 NYCA hours from the prior four Winter Capability Periods and five Summer Capability Periods and the Top 50 NYCA hours for each month in the prior three calendar years to assess whether the actual hours of peak load fell within the 1:00 p.m. to 7:00 p.m. measurement period, and whether additional exclusions were warranted. The analysis revealed that expanding the measurement period would account for changes in the NYCA Load profile relating to times when demand response is most likely to be needed and, therefore, result in an ACL that better reflects the load reduction capability of the SCR.

Between Summer 2010 and Winter 2012-2013, high load hours that were excluded because they were outside of the current period of 1:00 p.m. to 7:00 p.m. represented between 25% and 50% of Winter and approximately 37% of Summer SCR Load Zone Peak Hours. Increasing the period from which hours are selected will reduce the number of high load hours excluded for falling outside of the applicable time period, resulting in greater coincidence with NYCA peak load hours. The proposed range from which the SCR Load Zone Peak Hours are selected will expand the window by three hours, to include the hours between 11:00 a.m. and 8:00 p.m.

The analysis also showed that fewer than 5% of the peak load hours occurred during the 8:00 p.m. to 9:00 p.m. range. The NYISO is, therefore, not proposing to include the 8:00 p.m. to 9:00 p.m. hour in its proposal for revising the SCR Load Zone Peak Hours. In the future, however, if the percentage of NYCA peak load hours that occur during the 8:00 p.m. to 9:00 p.m. hour increases to 10% or more, the inclusion of this hour in the SCR Load Zone Peak Hours may be reconsidered.[8]

Accordingly, the NYISO proposes to revise the Services Tariff as follows:

Capability Period SCR Load Zone Peak Hours: The NYISO proposes to replace the defined term "SCR Load Zone Peak Hours" with this new defined term for use in enrollment of a SCR or verification of a SCR enrolled with a Provisional ACL. In addition, the NYISO proposes to extend the measurement period by three hours,

[8] Charts illustrating the results of the analysis are attached as Addendum 2.

beginning with the 2014 Summer Capability Period, to include the hours from 11:00 a.m. to 8:00 p.m. The NYISO is also proposing to exclude from the determination of the Capability Period SCR Load Zone Peak Hours, the hour before and the hour after a reliability event or performance test, excluding up to a maximum of eight such hours in descending rank order of NYCA Load. A SCR's load in those hours may not accurately reflect its demand reduction capability because the SCR may have begun to adjust or recover its load in response to the event or test.

C. SCR Enrollment with a Provisional ACL

Under current SCR program rules, a RIP may enroll a new SCR with a Provisional ACL provided that the SCR has not previously been enrolled with the NYISO and never had interval metering data. The Provisional ACL is the RIP's estimate of the SCR's peak load for the Capability Period. A RIP that enrolls a SCR with a Provisional ACL is required to submit metering data for the SCR following the Capability Period to allow the NYISO to verify the accuracy of the Provisional ACL and calculate an ACL for the SCR. The NYISO is dependent on the RIP to upload the SCR's meter data into the NYISO's Demand Response Information System ("DRIS").

Stakeholders requested that the NYISO consider modifications to the Provisional ACL rules because they could unintentionally prevent the SCR from participating in the program for up to twelve months when the SCR elects to change its RIP. The new RIP would not be able to use a Provisional ACL to enroll the SCR because the SCR is not new to the program. In addition, the SCR may not have an ACL to use for enrollment if the prior RIP failed to provide the NYISO with the SCR's data, that data was insufficient to calculate an ACL, or the necessary meter data was otherwise unavailable to the new RIP. The NYISO is proposing tariff revisions to allow a RIP to enroll a SCR with a Provisional ACL when any of the following conditions exist: 1) the SCR has not previously been enrolled for the same Capability Period, 2) the SCR was previously enrolled but had insufficient meter data to calculate an ACL, or 3) a new RIP is enrolling the SCR and there is insufficient meter data in the DRIS to calculate an ACL.

Additionally, to facilitate determining whether or not a SCR may be enrolled with a Provisional ACL, the NYISO will be providing a feature in the DRIS that allows a RIP to query the eligibility of the SCR to be enrolled with a Provisional ACL. Further, when the NYISO has the meter data required to enroll the SCR, the NYISO will make that meter data available to the enrolling RIP.

The NYISO believes that these proposed changes will improve the ability for a SCR to continue to participate in the SCR program and to enroll with a Provisional ACL when the SCR elects to continue its participation with another RIP. The implementation of these changes will also improve the RIP's ability to enroll resources by providing information about the eligibility of a SCR to be enrolled with a Provisional ACL and the ability to obtain available meter data from the DRIS that was used in determining the ACL of the SCR.

The NYISO is also proposing to add a defined term "Verified ACL" to refer to the ACL calculated by the NYISO using the SCR's interval meter data reported by the RIP following the close of the Capability Period. As further described below, the NYISO will calculate a Verified ACL for each SCR enrolled with a Provisional ACL or Incremental ACL. The Verified ACL will be used to determine whether a RIP is subject to penalty and/or deficiency charges for overestimating the SCR's Provisional ACL or Incremental ACL.

Specifically, the NYISO proposes to revise the Services Tariff as follows:

Provisional Average Coincident Load ("Provisional ACL"): The NYISO proposes to modify the definition of this term to clarify and expand the conditions for enrollment with a Provisional ACL, beginning with the 2014 Summer Capability Period, by cross-referencing Services Tariff Section 5.12.11.1.2 as revised herein.

Verified Average Coincident Load ("Verified ACL"): The NYISO proposes to add this defined term to describe both (i) the ACL calculated by the NYISO in accordance with Services Tariff Section 5.12.11.1.2 using the SCR's interval meter data reported after the close of the Capability Period to verify the Provisional ACL, and (ii) the ACL calculated by the NYISO in accordance with Services Tariff Section 5.12.11.1.5 using the SCR's interval meter data reported after the close of the Capability Period to verify the Incremental ACL (as further described in Section III. D. below). The Verified ACL shall be used to evaluate the SCR's event responses for performance and in the calculation of the SCR's performance factor and all associated performance factors, deficiencies and penalties.

Section 5.12.11.1.2 Use of a Provisional Average Coincident Load: The NYISO proposes to modify this section of the Services Tariff to clarify the conditions for enrollment with a Provisional ACL, beginning with the 2014 Summer Capability Period, expand those enrollment opportunities, and facilitate the SCR's enrollment through a new RIP using an ACL by providing the RIP with the SCR's metered load data from the Prior Equivalent Capability Period when such data exists in the DRIS. The NYISO is also proposing to clarify in this section that when the RIP fails to report verification data to verify the Provisional ACL, the value of the Verified ACL will be set to zero for the Capability Period.

In addition, the proposed revisions will establish that 1) the Provisional ACL remains in effect for the entire Capability Period, 2) the SCR may not transfer from one RIP to another within the same Capability Period once enrolled with a Provisional ACL, and 3) use of a Provisional ACL for a SCR is limited to three consecutive Capability Periods when the SCR is enrolled by the same RIP.

D. Increase to SCR Capacity Baseline: Incremental ACL

Under existing SCR program rules, there is no mechanism for increasing a SCR's capacity baseline (ACL) to reflect a material increase in the SCR's load from the Prior Equivalent Capability Period. As a result, the actual demand reduction capabilities of the SCR could be understated if its load has increased materially since the Prior Equivalent Capability Period.

At the request of stakeholders, the NYISO is proposing tariff revisions to provide a mechanism that will allow a RIP to increase a SCR's ACL, subject to conditions, by the RIP's estimate of the SCR's increase in load (referred to as the "Incremental ACL"). To enroll a SCR with an Incremental ACL, the SCR must have an ACL of at least 500 kW and increase its ACL by at least 30% (or 10 MW in ROS or LI or 5 MW in NYC), up to a maximum of 100%. This eligibility threshold is the same as the threshold for reporting a Change of Load or Change of Status.

A RIP that enrolls a SCR with an Incremental ACL will be required to report the interval meter data for the SCR following the Capability Period to allow the NYISO to verify the Net ACL that includes the Incremental ACL. For each month the SCR is enrolled with an Incremental ACL, the NYISO will use this data to calculate a Monthly ACL for the SCR, based on the top 20 hours of its load that are coincident with the top 40 hours of NYCA Load in the month. The Monthly ACL will be used to calculate a Verified ACL, which shall be equal to the average of the two greatest Monthly ACLs except when the RIP fails to report meter data for the SCR for one or more months the SCR was enrolled with an Incremental ACL. In such case, the Monthly ACL for the month(s) with no data will be set to zero (0) and averaged with the two greatest Monthly ACLs to calculate the Verified ACL.[9] The Verified ACL will be used for evaluating performance of the SCR and to determine whether a RIP is subject to penalty and/or deficiency charges for over-estimating the SCR's Incremental ACL.

The NYISO is proposing these tariff provisions to address fluctuations in load levels that are above and beyond fluctuations resulting from weather conditions or other seasonal variations. When these fluctuations increase a SCR's load by 30% or more over its baseline, then enrolling the SCR with an Incremental ACL would increase the SCR's baseline demand reduction capability and increase the amount of Installed Capacity that could be sold. In addition, an increase in an SCR's load reported via an Incremental ACL would be taken into account when

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[9] For an example of the NYISO's proposed calculation of the Verified ACL for a SCR that enrolls with an Incremental ACL (referred to in example as "Calculated ACL"), *see* "*Concepts for Changes to ACL for SCRs,*" pp. 21-25, Joint Price Responsive Load and Installed Capacity Working Groups (Feb. 19, 2013), available at: http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2013-02-19/Concepts%20for%20Changes%20to%20ACL%20021413.pdf

measuring the SCR's performance. Interval meter data made available following the Capability Period will be used to verify the SCR's load increase when enrolled with an Incremental ACL.

Specifically, the NYISO proposes to revise the Services Tariff as follows:

Incremental Average Coincident Load ("Incremental ACL"): The NYISO proposes to add this defined term to describe the estimated increase in a SCR's capacity baseline provided by the RIP at enrollment, which is added to the standard baseline of the SCR.

Net Average Coincident Load ("Net ACL"): The NYISO proposes to add this defined term to describe the effective ACL calculated when a SCR is enrolled with an Incremental ACL or a SCR Change of Status. The Net ACL establishes the basis for the upper limit of Installed Capacity for a SCR that is enrolled with an Incremental ACL or a SCR Change of Status.

SCR Load Change Reporting Threshold: The NYISO proposes to add this defined term to describe the thresholds, based on the SCR size and amount of load change, for a SCR that is enrolled with an Incremental ACL or a SCR Change of Load or a SCR Change of Status.

Monthly Average Coincident Load ("Monthly ACL"): The NYISO proposes to add this defined term to represent the average ACL for the SCR for the month as calculated in accordance with new Services Tariff Section 5.12.11.1.5 proposed herein. A Monthly ACL will be calculated for each month that a SCR is enrolled with an Incremental ACL.

Monthly SCR Load Zone Peak Hours: The NYISO proposes to add this defined term for use in the verification process of an Incremental ACL. The Monthly SCR Load Zone Peak Hours will be based on the top forty (40) hours of NYCA Load during each month of the Capability Period in which a SCR is enrolled and include the hours from 11:00 a.m. to 8:00 p.m. The Monthly SCR Load Zone Peak Hours will also exclude existing program exclusions and the proposed exclusion of the hour before and the hour after a reliability event or performance test occurring in the month, excluding up to a maximum of eight such hours in descending rank order of applicable NYCA Load.

Section 5.12.11.1.5 Use of an Incremental Average Coincident Load: This proposed new section to the Services Tariff provides a mechanism for a SCR to increase its ACL during a Capability Period for a material increase in load. It sets forth the maximum increase permitted above the SCR's original ACL and describes the conditions under which an exception to the eligibility threshold requirement will permit a RIP to enroll a SCR with a load increase of between 20% and 29.99% of its original ACL, provided there is no increase to the eligible Installed Capacity associated with the SCR. This section also establishes eligibility criteria and conditions that determine when a SCR

enrolled with an Incremental ACL is required to perform in the second performance test in the Capability Period.

This proposed section also establishes the requirement for the RIP to submit data to verify the Incremental ACL value of the SCR after the close of the Capability Period. In addition, this section prescribes the following further conditions related to enrollment with an Incremental ACL: 1) the ACL may increase only once during a Capability Period; 2) the ACL may not increase by more than 100% of the original ACL; 3) a SCR enrolled with an Incremental ACL may not transfer from one RIP to another within the same Capability Period; and 4) a SCR enrolled using a Provisional ACL is not eligible to enroll with an Incremental ACL.

E. Decreases in SCR Load: SCR Change of Load and SCR Change of Status

The proposed tariff revisions clarify existing definitions and program requirements related to a degradation of a SCR's load reduction capability related to its ACL baseline that RIPs must report. Just as a traditional supplier must report an outage, a RIP must report when the ACL of a SCR no longer reflects its capacity to perform the load reduction capability of that resource. There are two types of decreases in a SCR's load that the RIP must report to the NYISO: 1) SCR Change of Load ─ for a shorter-term degradation of load reduction capability of more than seven and less than 60 continuous days; and 2) SCR Change of Status ─ for a longer-term degradation of load reduction capability of greater than 60 continuous days.

A SCR Change of Load is a short-term degradation in the load levels of a SCR below the ACL that may result in a loss of the SCR's load reduction capability. This period of reduced load levels may affect a SCR's ability to cause a load reduction on the bulk power system should an event occur during this period. Unlike traditional suppliers, SCRs are not required to provide daily offers into the energy market or report outages to NYISO Grid Operations. The SCR Change of Load reporting requirement provides the comparable short-term outage information that NYISO Grid Operations needs when considering the deployment of demand response during a reliability event.

A SCR Change of Status, like an Incremental ACL, results in an adjustment to the SCR's capacity baseline; in this case, a reduction. The NYISO is proposing to define this adjusted baseline as the "Net ACL." A failure of a RIP to report a SCR Change of Status will result in a "phantom load reduction" that could affect reliability and misrepresents its Unforced Capacity to the market. For example, assume a SCR with an ACL of 1000 kW, which sold 500 kW of Installed Capacity for this period, experiences a 500 kW decrease in its peak load levels for more than 60 days but fails to report this decrease. If the NYISO calls an event during this period, and the RIP submits hourly meter data for the SCR that reflects its load was 500 kW, it will appear to the NYISO as if the SCR fully reduced its load and provided the expected relief to the bulk power system during the reliability event. In this instance, however, the SCR failed to provide any load reduction during the reliability event. The impact of the failure to report the SCR

Change of Status allows the RIP to sell load reduction capability that may not exist and results in the report of phantom load reductions that will overstate the performance factors of the individual SCR as a well as the RIP in upcoming Capability Periods, thereby allowing them to sell higher amounts of UCAP than they should be qualified to offer in the NYISO markets. This overstated performance of the individual SCR with an unreported SCR Change of Status may also result in phantom over performance being credited to the RIP's aggregation that may compensate for underperformance of other SCRs in the aggregation, thereby artificially raising the performance factor of the aggregation that offers its Unforced Capacity into one of the NYISO's Capacity market auctions.

To clarify the conditions under which a RIP is obligated to report a SCR Change of Load or a SCR Change of Status, the NYISO is introducing the concept of Qualified Change of Load Conditions and Qualified Change of Status Conditions ("Conditions"). These Conditions define the obligations of the RIP to report to the NYISO when a SCR experiences either a short- or long-term load reduction. The Conditions provide for situations when the RIP becomes aware of the load reduction that meets the SCR Load Change Reporting Threshold before the onset of the load reduction, after the load reduction period has begun, and when the RIP learns of the load reduction period after it occurred in the Capability Period in which the SCR was enrolled. This clarification is expected to help RIPs better understand the equivalent reporting of an outage of a SCR, which will provide information about SCRs that may not be available to NYISO Grid Operations as well as reduce the likelihood of penalties associated with failure to report a SCR Change of Status.

To clarify a RIP's reporting requirements related to decreases in a SCR's load, the NYISO proposes to revise the Services Tariff as follows:

Qualified Change of Load Condition: The NYISO proposes to add this term to define the criteria under which a RIP is required to report a SCR Change of Load.

Qualified Change of Status Condition: The NYISO proposes to add this term to define the criteria under which a RIP is required to report a SCR Change of Status.

SCR Change of Load: The NYISO proposes to modify the definition of this term to clarify the criteria establishing this type of load reduction by specifying its duration and referencing the terms SCR Load Change Reporting Threshold and Qualified Change of Load Condition being proposed herein.

SCR Change of Status: The NYISO proposes to modify the definition of this term to clarify the criteria establishing this type of load reduction by specifying its duration and referencing the terms SCR Load Change Reporting Threshold and Qualified Change of Status Condition being proposed herein.

Section 5.12.11.1.3.1 SCR Change of Load: This proposed new section to the Services Tariff sets forth the reporting requirements for a SCR Change of Load and clarifies that a RIP is required to report a SCR Change of Load for each SCR when the total load reduction for SCRs that have a SCR Change of Load within the same Load Zone is greater than or equal to 5 MW.

Section 5.12.11.1.3.2 SCR Change of Status: This proposed new section to the Services Tariff clarifies and expands upon the criteria for reporting a SCR Change of Status. This provision also describes the conditions that determine when a SCR enrolled with a SCR Change of Status is required to perform in the second performance test in the Capability Period.

F. Penalties

RIPs become ICAP Suppliers by enrolling eligible SCRs in the ICAP/SCR program, however, when RIPs enroll and sell ineligible, unqualified or unavailable capacity they are subject to ICAP shortfall penalties pursuant to Section 5.14.2 of the Services Tariff. The SCR program rules allow for the imposition of penalties to the RIP based upon the enrollment and sales of individual SCRs enrolled by the RIP. For example, shortfall penalties may be imposed on a RIP that has failed to report a Change of Status condition for an individual SCR when it has resulted in the RIP selling more capacity for that resource than it was qualified to provide in that month. Further, as part of the ACL baseline changes the NYISO made in 2011, the penalty language in 5.14.2 was expanded to clarify two other specific instances of ICAP shortfall penalties that only apply to RIPs as Installed Capacity Suppliers. These additions to the tariff enumerated a RIP deficiency penalty, which is based upon the RIP's single best hour of performance of its zonal portfolios, and shortfalls specifically related to the RIP's use of an overstated Provisional ACL for a SCR that resulted in a sale of ineligible capacity.

The proposed tariff revisions enumerate the specific shortfall penalties applicable to RIPs that are associated with the SCR Change of Status reporting requirements as well as the new Incremental ACL reporting and verification requirements. In addition, this filing includes a proposed revision for the basis of the shortfall penalty for Provisional ACL to align it with shortfall penalties of other suppliers when the capability of a resource is overstated. The proposed amendments also make clear that the NYISO may recover energy payments made to a RIP when it fails to report data and such a failure results in reduced performance for a capacity obligation. If a single SCR subjects a RIP to multiple shortfall penalties during the same time period (*e.g.*, Provisional ACL shortfall and Change of Status shortfall) the proposed tariff language requires that only the single, highest penalty for the time period shall be levied against the RIP.

The NYISO proposes to revise the Services Tariff as follows:

Section 5.12.12.2 Sanctions for Failing to Comply with Scheduling, Bidding, and Notification Requirements: The proposed revisions to this provision in the Services Tariff establish or clarify that when the RIP fails to report verification data as required when a SCR is enrolled with a Provisional ACL, the value of the Verified ACL will be set to zero for the Capability Period or when the RIP fails to report verification data as required when a SCR is enrolled with an Incremental ACL, the value of the Monthly ACL will be set to zero and used in the calculation of the Verified ACL.

In addition, the NYISO shall have the right to recover from the RIP any energy payment made to the RIP for performance of the SCR in a period for which the RIP fails to report verification data and that failure results in reduced performance of the capacity obligation of the SCR.

Section 5.12.11.1 of the Services Tariff already provides for assigning zero performance for capacity and energy when a RIP fails to report the event performance data for a SCR:

> "... Failure by a Responsible Interface Party to submit performance data for any Special Case Resources required to respond to the event or test within the 75-day limit will result in zero performance attributed to those Special Case Resources for purposes of satisfying the Special Case Resource's capacity obligation as well as for determining energy payments. All performance data are subject to audit by the NYISO and its market monitoring unit. If the ISO determines that it has made an erroneous payment to a Responsible Interface Party, the ISO shall have the right to recover it either by reducing other payments to that Responsible Interface Parties or by resolving the issue pursuant to other provisions of this Services Tariff or other lawful means."

When the RIP fails to report verification data, and the provisions associated with that failure to report result in a modification to the ACL, such that the result is failure of the SCR to satisfy its capacity obligation, the SCR should not be eligible for the energy payments it received from performance in an event or test. Verification data can only be reported after the SCR Load Zone Peak Hours for the Capability Period have been determined, which occurs after the reporting of event performance data. Based on the NYISO Settlements rules, it is not possible to withhold energy payments until after verification data has been reported. Because the language in Section 5.12.11.1 is specific to failure to report event response data, the NYISO is proposing similar treatment for failure to report verification data.

The NYISO also proposes to impose a financial sanction for failure to report required performance of the SCR in the second performance test in the Capability Period when enrolled with an Incremental ACL or a reported SCR Change of Status. An additional sanction is proposed for failure to report a SCR Change of Status by the end of the Capability Period in which the SCR was enrolled by the RIP.

Section 5.14.2 Installed Capacity Supplier Shortfalls and Deficiency Payments: The proposed revisions to this section of the Services Tariff align the Provisional ACL shortfall with shortfall calculations of other suppliers, establish the methodology for calculating a shortfall when using an Incremental ACL, and clarify that a shortfall penalty will be assessed when a RIP has oversold the capacity of a SCR as a result of a SCR Change of Status. The NYISO also proposes that only a single penalty with the highest value shall be assessed to the RIP when an individual SCR is subject to multiple shortfall penalties for the same Capability Period.

IV. REQUESTED EFFECTIVE DATE

The NYISO requests that the Commission accept the proposed tariff revisions effective March 15, 2014, and respectfully requests a waiver of the Commission's maximum 120 day notice requirement.[10] The NYISO submits that good cause exists to waive this notice requirement to ensure that these proposed tariff revisions are all accepted and in place for the 2014 Summer Capability Period. While the 2014 Summer Capability Period formally begins on May 1, 2014, significant preliminary work, including SCR enrollment and data submission and collection, must be completed by the NYISO and Market Participants prior to this date, and in accordance with these rules, in order to apply these rules to the installed capacity auction for May 2014.

The NYISO expects to implement the functionality to allow for these proposed changes through a software deployment currently scheduled for March 2014. Prior to deployment, the NYISO needs to know the specific tariff revisions that have been accepted by the Commission to allow the NYISO to develop and test the related software changes. Accordingly, the NYISO also requests that the Commission issue an order by December 3, 2013, accepting this filing within the 60 day period normally applicable to filings under Section 205 of the Federal Power Act.[11]

V. REQUISITE STAKEHOLDER APPROVAL

The tariff revisions proposed in this filing were discussed with stakeholders and approved unanimously, with abstentions, by the Business Issues Committee at its August 14, 2013 meeting and the Management Committee at its August 28, 2013 meeting. On September 17, 2013, the NYISO Board of Directors approved the proposed tariff revisions for filing with the Commission.

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[10] 18 C.F.R. § 35.3.

[11] 16 U.S.C. § 824d(d) .

VI. COMMUNICATIONS AND CORRESPONDENCE

Copies of all filings and correspondence concerning this proceeding should be served on:

Robert E. Fernandez, General Counsel
Raymond Stalter, Director of Regulatory Affairs *
David Allen, Senior Attorney
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144
Tel: (518) 356-6000
Fax: (518) 356-4702
rfernandez@nyiso.com
rstalter@nyiso.com
dallen@nyiso.com

* -- Persons designated for 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 New Jersey Board of Public Utilities. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com.

VIII. CONCLUSION

WHEREFORE, for the foregoing reasons, the NYISO respectfully requests that the Commission accept the proposed tariff revisions described in this filing.

Respectfully submitted,

/s/ David Allen

David Allen
Senior Attorney

cc: Michael Bardee
Gregory Berson
Anna Cochrane
Jignasa Gadani

Morris Margolis
Michael McLaughlin
David Morenoff
Daniel Nowak

Addendum 1

Types of ACLs

Types of ACLs

FOR ILLUSTRATIVE PURPOSES ONLY

Types of ACLs for Enrollment						
Initial Enrollment	**Requires interval meter data at enrollment**	**Increase to ACL permitted**	**Verification Data Required**	**Valid Net ACL calculations**	**Verified ACL**	**Basis for Performance and Penalty Calculations**
ACL	Yes	Yes				ACL
Provisional ACL	No	No	Yes, metered loads of Capability Period SCR Load Zone Peak Hours	Net ACL = Provisional ACL - SCR Change of Status	Average of top 20 of 40 applicable Capability Period SCR Load Zone Peak Hours	Verified ACL
Adjustments to ACL						
Incremental ACL	Requires enrollment with an ACL		Yes, metered loads of Monthly SCR Load Zone Peak Hours	Net ACL = ACL + Incremental ACL OR Net ACL = ACL + Incremental ACL - SCR Change of Status	Average of highest two Monthly ACLs, include zero in average for Verified ACL for any months where verification data was required and not received	Verified ACL
SCR Change of Status	May be used with ACL, Incremental ACL, or Provisional ACL			Net ACL = ACL - SCR Change of Status		Net ACL

This table is illustrative of the types of ACLs for Special Case Resources and their application as described in this filing. Its presence in this filing shall not to supersede the application of ISO tariff provisions pertaining to ACLs.

Addendum 2

Capability Period Peak Hours Analysis

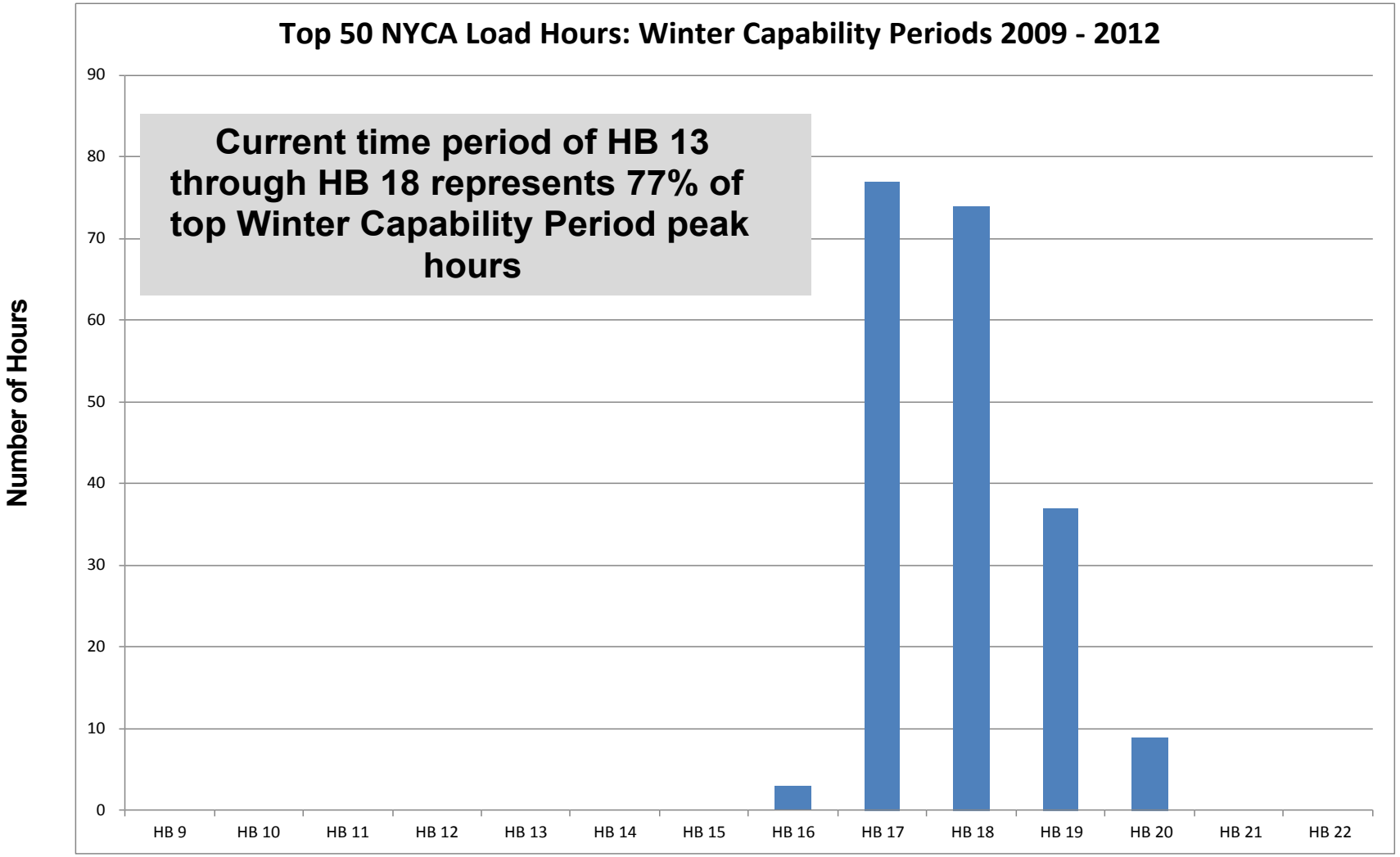

Figure 1. Frequency of Winter Capability Period Peak Hours

Source: "*Proposed Tariff Revisions Related to the Changes for Concepts for ACL,*" p.7, Joint Price Responsive Load and Installed Capacity Working Groups (May 22, 2013), available at: http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2013-05-22/Proposed%20Tariff%20Changes%20for%20Concepts%20for%20Changes%20to%20ACL%20ICAPWG%2005222013.pdf

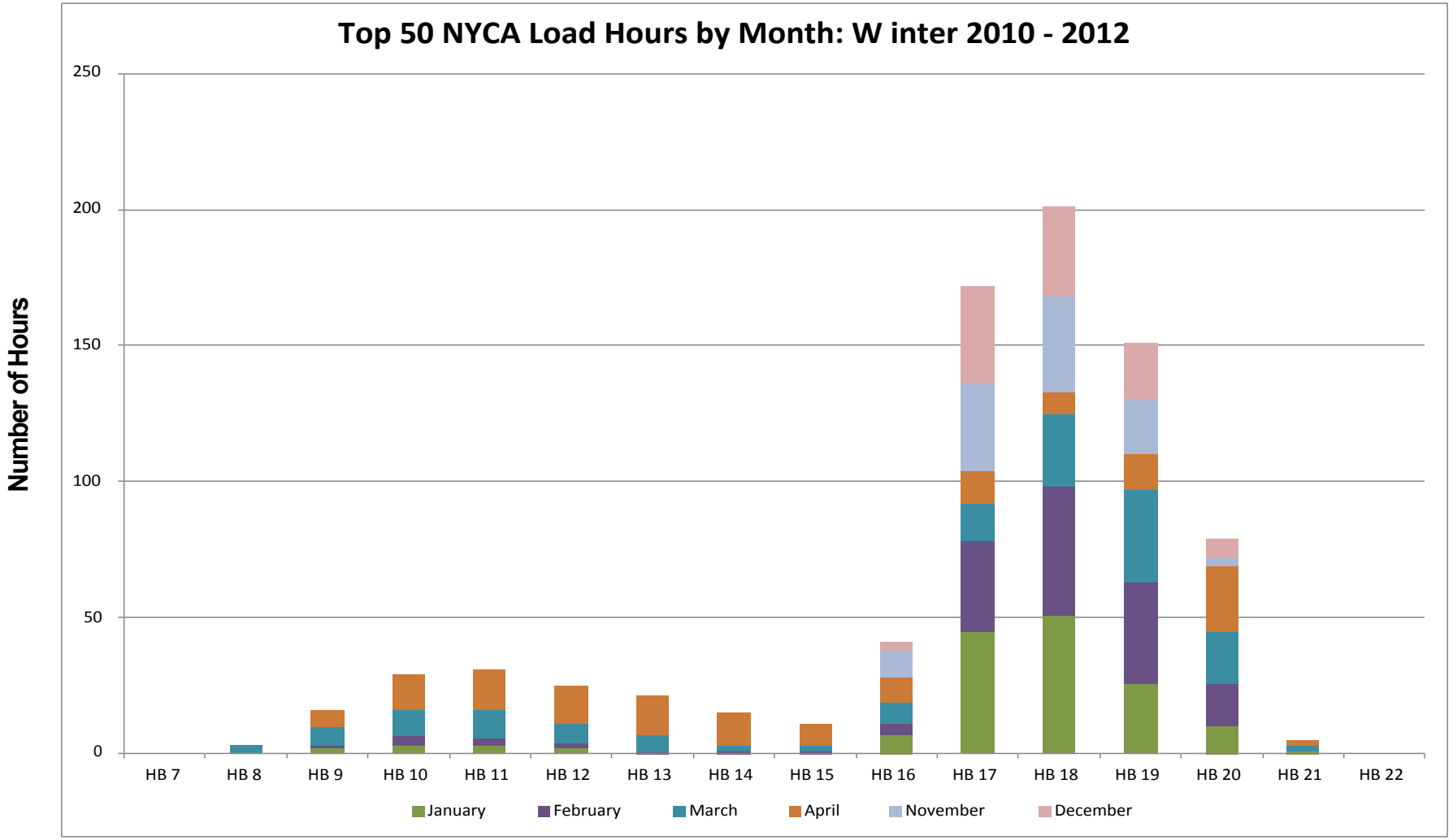

Figure 2. Frequency of Monthly Winter Peak Hours

Source: "*Proposed Tariff Revisions Related to the Changes for Concepts for ACL,*" p.8, Joint Price Responsive Load and Installed Capacity Working Groups (May 22, 2013), available at: http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2013-05-22/Proposed%20Tariff%20Changes%20for%20Concepts%20for%20Changes%20to%20ACL%20ICAPWG%2005222013.pdf

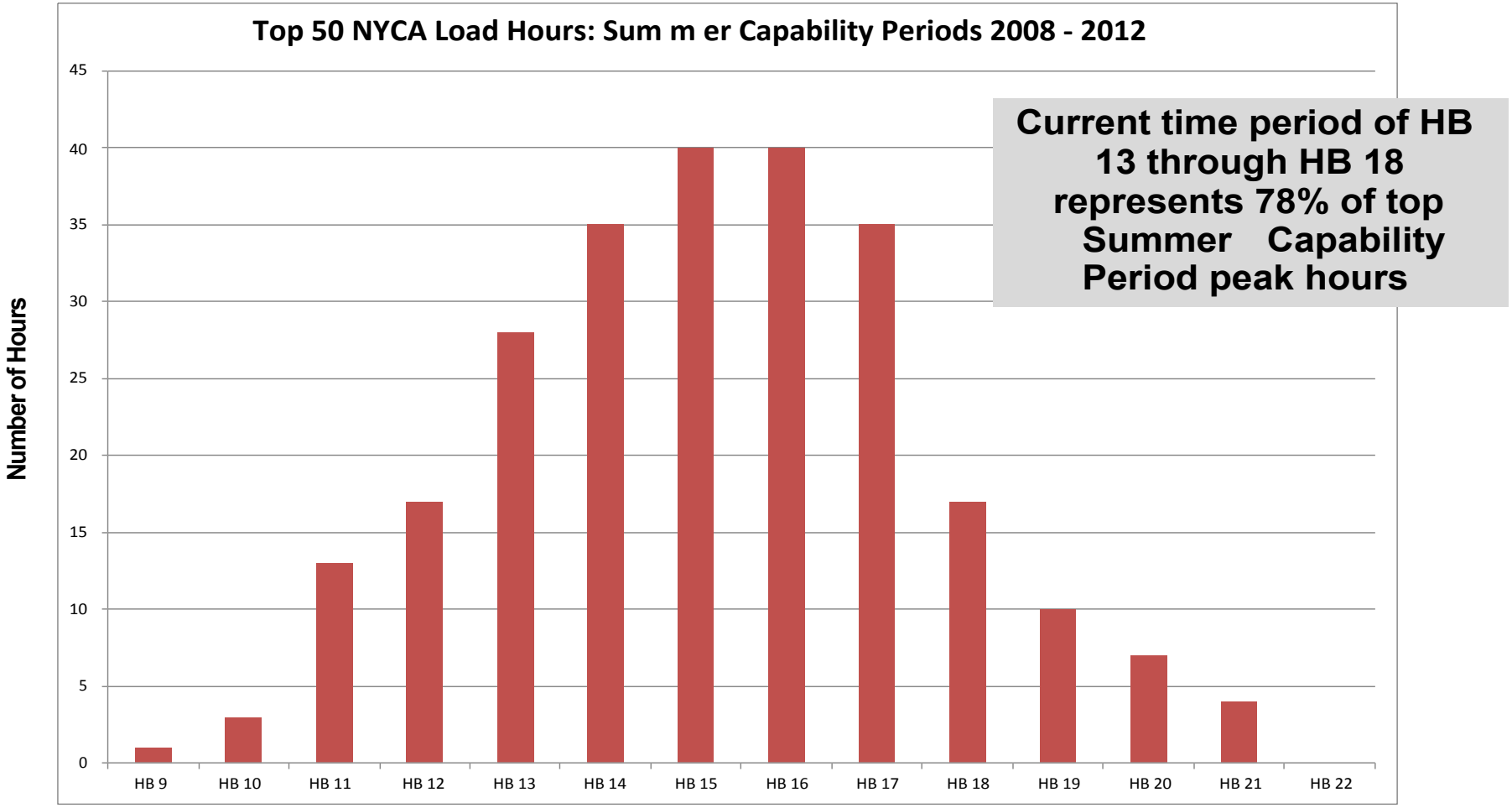

Figure 3. Frequency of Summer Capability Period Peak Hours

Source: "*Proposed Tariff Revisions Related to the Changes for Concepts for ACL,*" p.10, Joint Price Responsive Load and Installed Capacity Working Groups (May 22, 2013), available at: http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2013-05-22/Proposed%20Tariff%20Changes%20for%20Concepts%20for%20Changes%20to%20ACL%20ICAPWG%2005222013.pdf

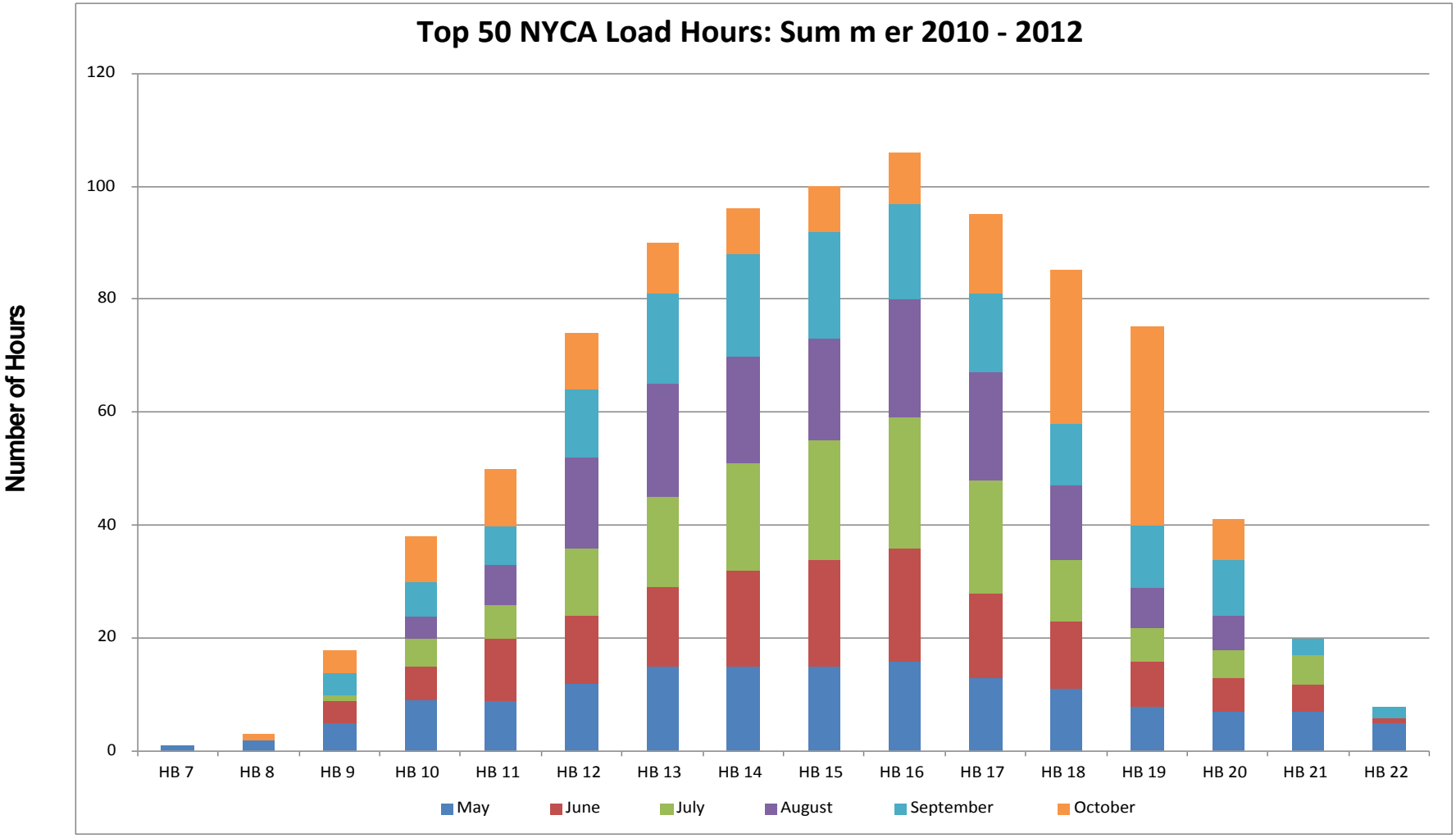

Figure 4. Frequency of Monthly Summer Peak Hours

Source: "*Proposed Tariff Revisions Related to the Changes for Concepts for ACL,*" p.11, Joint Price Responsive Load and Installed Capacity Working Groups (May 22, 2013), available at: http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2013-05-22/Proposed%20Tariff%20Changes%20for%20Concepts%20for%20Changes%20to%20ACL%20ICAPWG%2005222013.pdf

Summer - Current Hrs and Exclusions			
Count of Hours	**2010**	**2011**	**2012**
Excluded for Outside Range	16	15	16
Excluded for Events/Tests	12	11	15
Inc luded	50	40	40
NYCA Rank Highest Hour	78	66	71

Summer - New Hrs and Exclusions			
Count of Hours	**2010**	**2011**	**2012**
Excluded for Outside Range	3	5	0
Excluded for Events/Tests	17	17	18
Inc luded 11am - 8pm	48	38	40
Inc luded 8pm - 9pm	2	2	0
NYCA Rank Highest Hour	70	62	58

Winter - Current Hrs and Exclusions			
Count of Hours	**2010-2011**	**2011-2012**	**2012-2013**
Excluded for Outside Range	11	10	28
Excluded for Events/Tests	0	0	0
Inc luded	40	40	40
NYCA Rank Highest Hour	51	50	68

Winter - New Hrs and Exclusions			
Count of Hours	**2010-2011**	**2011-2012**	**2012-2013**
Excluded for Outside Range	0	0	5
Excluded for Events/Tests	0	0	0
Inc luded 11am - 8pm	37	38	37
Inc luded 8pm - 9pm	3	2	3
NYCA Rank Highest Hour	40	40	45

Under current rules (1 pm -7 pm):

- Includes HB 13 through HB 18
- Number of hours excluded for outside of range pushes included hours farther away from top NYCA peak hours, especially in Summer

Under proposed rules from June 24, 2013 ICAPWG (11 am - 9 pm):

- Includes HB 11 through HB 20
- Excluded hours outside of range are dramatically reduced in both seasons
- Exclusions for tests and events increase slightly
- Top N YC A peak hours are better reflected for both Summer and Winter

Figure 5. Analysis of SCR Load Zone Peak Hours - Based on Zone J

Source: "*Proposed Tariff Revisions Related to the Changes for Concepts for ACL,*" p.5, Joint Price Responsive Load and Installed Capacity Working Groups (July 9, 2013), available at: http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_icapwg/meeting_materials/2013-07-09/Proposed%20Tariff%20Changes%20for%20Concepts%20for%20Changes%20to%20ACL-ICAPWG%20070913.pdf