

December 21, 2010

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., Docket No.ER10-____ -____*
 Proposed Tariff Clarifications Regarding the Bidding for and Scheduling of
 Energy in New York’s LBMP Market and the scheduling of Transmission
 Service in the New York Control Area**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,¹ the New York Independent System Operator, Inc. (“NYISO”) hereby submits proposed amendments to its Open Access Transmission Tariff (“OATT”) and Market Administration and Control Area Services Tariff (“Services Tariff”) to revise provisions concerning the bidding and scheduling of Energy, Ancillary Services and Transmission Service in the New York Control Area.² This filing seeks to reorganize and clarify tariff provisions that set forth the rules that govern these processes and to eliminate redundancy between the Services Tariff and the OATT. No substantive changes to current practice concerning these processes are being proposed.

The Services Tariff sets forth the bidding requirements and scheduling processes for sellers of Energy and Ancillary Services in the Day-Ahead and Real-Time LBMP Markets and for purchasers of Energy in the same markets. Similarly, the OATT sets forth the scheduling requirements and processes for Transmission Service requests both Day-Ahead and in real-time. Since the NYISO uses the same scheduling and optimization software to establish schedules for the purchase and sale of Energy and the sale of Ancillary Services as it does for the scheduling of Transmission Service, the bidding and scheduling requirements for each should be substantially similar. This set of amendments introduces streamlined and symmetrical descriptions of these requirements and processes into the Services Tariff and OATT while avoiding redundancy.

¹ 16 U.S.C. §824d (2000).

² 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.

The tariff amendments proposed here also clarify existing provisions and add necessary detail to often vague and over-generalized provisions. The NYISO proposes a significant overhaul to some sections of the OATT to replace provisions that are largely original to the NYISO's initial tariffs with those that more accurately describe the NYISO's current commitment, dispatch and scheduling software.

The NYISO recently conducted an internal review of these provisions in its tariffs and identified opportunities to improve and clarify certain provisions.³ The NYISO proposes to revise the tariff sections detailed in Section II.

These Tariff amendments have been approved by the NYISO's Management Committee and the NYISO Board of Directors.

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");
3. A blacklined version of the proposed revisions to the NYISO's OATT and Services Tariff ("Attachment II")

II. Description and Justification of Proposed Tariff Revisions

A. Revisions to Services Tariff Definitions

Bid: The NYISO proposes minor revisions to the definition of the term *Bid* to clarify that the term refers to offers to purchase and bids to buy named products. Also, to clarify existing practice, the NYISO proposes to add a sentence indicating the term includes, where appropriate, a mitigated Bid. The process of replacing a Bid with a mitigated Bid is described in Attachments H and O of the Services Tariff.

Bilateral Transaction: The NYISO proposes to add a sentence to the definition of *Bilateral Transaction* to indicate that a request to schedule a Bilateral Transaction is considered a request to schedule Point-to-Point Transmission Service. Although Attachment J of the OATT describes the scheduling of Point-to-Point Transmission Service, and the Services Tariff provides

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

some of the information required to be submitted in a request for a Bilateral Transaction, the tariffs have never explicitly indicated that a request for a Bilateral Transaction is, in fact, a request for Transmission Service. The NYISO's practice has always been to consider a request to schedule a Bilateral Transaction as a request to schedule Point-to-Point Transmission Service and no substantive change is being proposed with this clarification.

Compensable Overgeneration: The NYISO proposes several clarifying amendments to the definition of *Compensable Overgeneration*. The amendments incorporate defined terms where appropriate, better separate provisions applying to separate generation types, and increase the readability of the definition. The NYISO proposes to amend the definition of the term *Compensable Overgeneration*, by including within it all Energy injected by Generators operating Out of Merit. Generators may be set Out of Merit at designated output levels and periods of time specified by the ISO for reliability purposes. These levels and periods of time may exceed or be less than the output schedules determined by the NYISO's commitment and dispatch software. These Generators are paid pursuant to the verbal ISO instructions and this amendment clarifies this practice by identifying injections by these Generators above their real-time schedules as *Compensable Overgeneration*.

Minimum Generation Bid: The NYISO's proposed tariff amendment simply clarifies that a Minimum Generation Bid designates the minimum number of megawatts, or minimum amount of Demand Reduction, that a generating facility, or a Demand Side Resource, needs to produce/reduce per hour when committed and also provides the offer price for such megawatts or Demand Reductions. No substantive changes are introduced.

Normal Upper Operating Limit: A Normal Upper Operating Limit should reflect a generating facility's achievable capacity. The NYISO proposes to amend the definition of this term to describe the NYISO practice of 'derating' a facility's capacity at the facility's request or for reliability reasons when the facility is not following its real-time schedule. This practice reduces a facility's Upper Operating Limit and these amendments make that clear.⁴

Out-of-Merit Generation: The NYISO proposes to indicate that this term is broadly applicable to all Resources, not just generation, by dropping the word "Generation" from the term and defining the phrase out-of-merit. This revision will more accurately indicate that any supply Resource, generation or demand reduction, can be directed to operate Out-of-Merit at specified output (reduction) levels for specified periods of time.

⁴ Generator requests to derate their capacity are discussed in the Transmission and Dispatch Manual at p. 80; the NYISO practice of reducing a facility's output for reliability reasons is referenced at p. 71. This Manual is available at:
http://www.nyiso.com/public/webdocs/documents/manuals/operations/trans_disp.pdf

Point(s) of Delivery, Point of Receipt: The NYISO proposes to add these terms, as defined in the OATT, to the Services Tariff as both terms are used in the Services Tariff as well as the OATT.

Point(s) of Injection, Point of Withdrawal: The NYISO is proposing to amend both definitions by striking the clarification in each that the *Point of Injection* (or *Withdrawal*) shall be specified in the Service Agreement. Service Agreements to take service under the NYISO Services Tariff or to take Point-to-Point Transmission Service under the OATT no longer require the customer to designate the Points of Injection or Withdrawal. This information is provided, instead, when the Customer schedules Transmission Service, or Energy purchases or sales in the LBMP Market.

Real-Time Bid: For clarity and conciseness, the NYISO proposes to amend the definition of *Real-Time Bid* to eliminate from it the description of the timing opportunity to submit real-time Bids as this information is included in the defined term, *Real-Time Scheduling Window*.

Transmission Customer: For ease of reference in describing obligations and scheduling requirements, the NYISO proposes to also designate entities requesting Transmission Service as *Transmission Customers*. For instance, see Section 4.1.5 in this Services Tariff.

B. Services Tariff – Body

Section 4.1.2: The NYISO proposes to introduce reciprocal requirements into the Services Tariff and the OATT to indicate that all Customers must sign both Tariffs. Thus, the NYISO is proposing to amend Section 4.1.2, to include a requirement that all customers taking service under the Services Tariff also sign the OATT.

Requiring each customer to sign both tariffs will ensure that all customers are contractually obligated under the provisions of both tariffs. This is of greater importance as the NYISO continues to streamline its tariffs and delete sections in one tariff that merely duplicate the same information carried in the other. The NYISO has informally requested all customers to sign both tariffs for several years and has not had any complaints.

Section 4.1.4 Scheduling Prerequisites: The NYISO proposes to identify those Transactions that are subject to a one (1) megawatt minimum size by explaining that this restriction applies to Transactions in the Energy, Installed Capacity and Ancillary Services market, other than to offers for Regulation Service, and to all purchases in the Transmission Congestion Contract market. The NYISO is also proposing to clarify that Installed Capacity may be offered from Special Case Resources with a 100 kW minimum size. The NYISO further clarifies that only Bilateral Transactions and External Transactions in the LBMP Market must be

scheduled in whole megawatts, all other Transactions, above one megawatt, may be scheduled in tenths of a megawatt.

4.1.5 Communication Requirements for Market Services: The NYISO proposes to ensure that the requirements for service under the Services Tariff, as explained in this section, also apply to Transmission Service customers of the OATT by specifically referencing Transmission Customers as being subject to this section. The NYISO is also updating the section by eliminating outdated communication services and directing all customers to use of the internet for access to the NYISO's OASIS and bid/post system.

4.2.1.1 General Customer Forecasting and Bidding Requirements: The NYISO proposes to number individual paragraphs of Section 4.2.1 to increase readability and to amend the section's provisions so that they apply to Transmission Customers as well. The NYISO also proposes to clarify that Customers provide Load forecasts only for the Dispatch Day and the day after.

4.2.1.2 Load Forecasts: The NYISO proposes to clarify that Customers provide Load forecasts for the time periods mentioned in Section 4.2.1.1 by deleting the requirement in the definition of this term that they provide forecasts for the seven days following the Dispatch Day.

4.2.1.3 Bids by Suppliers Using the ISO Committed Flexible, Self-Committed Flexible or ISO-Committed Fixed Bid Modes to Supply Energy and/or Ancillary Services,

4.2.1.3.1 General Rules: The NYISO proposes to clarify this section by replacing the term Dispatchable Suppliers in the title with the bid modes which, when they are used by Suppliers, bring them within the purview of this section. Suppliers using the ISO-Committed Flexible, Self-Committed Flexible and ISO-Committed Fixed bid modes provide the NYISO with economic offers for scheduling purposes and can be considered to be dispatchable.

With one exception described below, the balance of the revisions to this section simply clarify descriptions and add requirements currently found in Attachment D. Adding Attachment D information to this section, and others in Section 4, will support the NYISO's proposal to eliminate Attachment D to the Services Tariff. The majority of Attachment D's provisions explain the information a Market Participant must provide to schedule Energy, Ancillary Services and Demand Response. This explanation can be more clearly and comprehensively provided in a NYISO Manual. See further description of this proposal at p. 10.

Finally, the NYISO is proposing to clarify the opportunity to enter Bids for nine days at a time (beyond the initial Bid for the next Dispatch Day) and to indicate that these nine future-day Bids are not binding at the time they are entered. The NYISO's proposed revisions will also clarify that the NYISO may use these future-day Bids for the appropriate, future, Dispatch Day, as the Bids for that day become due, if such Bid was not otherwise withdrawn or modified. If the nine-day period for which such nine future-day Bids are provided all fall within a single

month for which a Supplier has sold Installed Capacity, the NYISO may also use the eighth-day bid as the ninth-day bid, when no other ninth day offer has been provided.

4.2.1.3.2 Bid Parameters: The NYISO clarifies the applicability of the first sentence by replacing the term Dispatchable Supplier with an identification of the bid modes which, when they are used by Suppliers, bring them within the purview of this section. The NYISO also proposes to conform the discussion of the Minimum Generation Bid from Intermittent Power Resources that depend on wind as their fuel to the amended definition of Minimum Generation Bid which includes a megawatt and a cost component. The NYISO also includes a conforming change regarding Intermittent Power Resources that depend on wind as their fuel which do not provide non-zero Day-Ahead Minimum Generation or Start-up Bids.

4.2.1.3.3 Upper Operating Limits and Response Rates: The NYISO proposes to add a requirement, previously found in Attachment D that allows Generators to provide up to three normal response rates as long as the minimum response rate provides no less than one percent (1%) of the Generator's Operating Capacity per minute. In addition, the emergency response rate from Generators offering to participate in the Energy or Ancillary Services Markets must be greater than or equal to the Generator's maximum normal response rate. The NYISO also proposes to apply the minimum response rate required of Generators to Demand Side Resources and indicate that their minimum response rate is at least one percent of the quantity of Demand Reduction the Demand Side Resource would produce per minute.

4.2.1.7 Bilateral Transactions: The NYISO is proposing clarifications to this section to indicate that Transmission Customers request Bilateral Transactions and the information they provide is pursuant to ISO Procedures.

4.2.1.8 Bids to Purchase LBMP Energy in the Day-Ahead Market: The only significant change proposed to this section is to indicate that Bids from purchasers indicate the price at which they would buy Energy, not the price at which they would stop buying it.

4.2.2 ISO Responsibility to Establish a Statewide Load Forecast: The NYISO proposes to replace the hard deadline for providing a statewide load forecast (as of 8 a.m.) with one that indicates the NYISO will provide this information by 8 a.m. or as soon thereafter as reasonable possible. The statewide load forecast is informational only and does not provide data necessary to any Market Participant's activity in the NYISO markets.

4.2.3 Security Constrained Unit Commitment ("SCUC"): As part of the NYISO's revisions to the OATT Attachment J's description of Transmission Service scheduling, the NYISO proposes to move the Attachment J discussion of SCUC's modeling of Interface Transfer Capabilities to this section which discusses how SCUC works. The NYISO proposes to delete the reference to Ancillary Services supporting Bilateral Transactions as the NYISO

procures all Ancillary Services without regard to Bilateral Transaction requests and this language is obsolete.

As well, the NYISO is proposing to remove references to a twenty-four hour day as some Day-Ahead schedules are for a twenty-three or twenty-five hour day as the NYISO moves into or out of Daylight Savings Time.

4.2.4 Reliability Forecast for the Six Days Following the Dispatch Day: The NYISO proposes to remove references to Attachment D from this section in support of its proposal to delete Attachment D from the Services Tariff. See also the discussion of Section 4.2.1.3, *supra*.

4.2.6 Day-Ahead LBMP Market Settlements: The NYISO proposes to clarify this Section by adding a description of the Day-Ahead settlement for External Transactions to sell Energy into the LBMP Market or to buy Energy out of the LBMP Market. These settlements have been processed using these rules since start-up.

4.4.1.2 Bids and Other Requests: In this Section, the NYISO proposes to replace the lengthy description of bidder's opportunity to submit Bids and offers in the Real-Time Market with the term *Real-Time Scheduling Window*. The NYISO also proposes a clarification that bidders must provide all information necessary to permit a real-time evaluation of their bid, pursuant to ISO Procedures.

4.4.1.2.1 Real-Time Bids to Supply Energy and Ancillary Services: The NYISO proposes to clarify that Intermittent Power Resources that depend on wind as their fuel must provide zero cost and zero MW Minimum Generation Bids and zero cost Start-up Bids. These changes parallel changes made to Section 4.2.1.3.2 describing the Day-Ahead Bids from these Resources. In addition, the NYISO also proposes to clarify that Demand Side Resources and Generators may offer in real-time for hours in which they did not receive a Day-Ahead schedule rather than for hours they did not bid in the Day-Ahead Market. This clarification eliminates the need for the sentence at the end of the second paragraph and it is proposed for deletion. The remaining changes proposed for this section are editorial clarifications only.

4.4.1.2.2 Real-Time Bids Associated with Internal and External Bilateral Transactions: The NYISO proposes to add language to clarify that this section describes Real-Time Bids. The NYISO also proposes to delete language concerning the scheduling of External Transactions seventy-five minutes before the hour as this information is conveyed in the definition of Real-Time Bid and is also contained in ISO Procedures. The NYISO also proposes to alert the reader to additional Tariff requirements for External Transactions in Attachment J to the OATT.

4.4.1.2.4 ISO-Committed Fixed: The NYISO proposes to broaden the tariff description of eligibility for Generators to bid as ISO-Committed Fixed in real-time to include those that

have used the Self-Committed Fixed or ISO-Committed Fixed bid mode in the Day-Ahead market exclusively. The ISO-Committed Fixed bid mode in real-time offers the NYISO the opportunity to economically schedule the Resource every 15 minutes rather than simply every hour. The Resource's output for each 15-minute period would be fixed.

The NYISO has been concerned that generating facilities able to respond to five-minute dispatch signals would jump to 15-minute scheduling. This concern caused the NYISO to strictly limit 15-minute scheduling eligibility to those units that did not have the communications or operational control systems that would allow five-minute scheduling. Resources that have used the Self-Committed Fixed or ISO-Committed Fixed bid mode in the Day-Ahead market exclusively have demonstrated through their bid modes that they are unable to be dispatched on a five-minute basis and the NYISO has amended its procedures to include this eligibility. The NYISO proposes to recognize this eligibility in the tariff.

The NYISO proposes to delete the sentence requiring Minimum Generation and Start-Up Bids from units using the ISO-Committed Fixed bid mode as redundant of material added earlier in this section.

4.4.1.4 Posting Commitment/De-Commitment and External Transaction Scheduling Decisions: The NYISO proposes to replace the "minimum" with "scheduled" when describing the level of operations a unit is expected to reach based on the commitment actions RTC_{15} takes when committing ten-minute and 30-minute Resources. RTC_{15} 's commitment of these units allows them to be synchronized and running at their scheduled output by the time the next RTC run is posted (for ten-minute units) or when the RTC after that is posted (30-minute units).

4.4.1.5 External Transaction Settlements: The NYISO proposes to delete the explanation of the LBMP calculation from this section as the explanation of the use of RTC_{15} 's LBMPs as the real-time price under certain conditions is covered more comprehensively in Section 17 Attachment B to the Services Tariff. Moreover, the description of LBMP calculations at External interfaces is only part of the explanation of External Transaction settlements. The NYISO proposes, instead, to provide a cross-reference to the appropriate Sections of the Services Tariff and the OATT for the external interface settlement rules and for Real-Time LBMP calculations.

4.4.2.1 Real-Time Dispatch: The NYISO proposes to add a sentence to clarify that advisory schedules, established by each RTD run for time-periods beyond the next five minutes, may become binding if, for some technical reason, the next RTD run does not post.

4.4.2.3 Real-Time Pricing Rules for Scheduling Ten Minute Resources: The NYISO proposes to add a reference to Attachment B of the ISO Services tariff for further detail on this topic.

4.4.2.7 Post the Real-Time Schedule: The NYISO proposes to add a new section, patterned after the explanation at Section 4.2.5 of the Day-Ahead posted schedule, describing the process of posting real-time schedules, real-time zonal Load and real-time LBMPs, and indicating real-time settlements will use these results in settling market activity.

4.4.3.2 Calculating Real-Time LBMPs: The NYISO proposes a series of clarifications for this section to indicate that it is the RTD software that calculates LBMPs, even when RTD has activated RTD-CAM and to reference Section 17 Attachment B of the Services Tariff for LBMP calculation methodology. At Section 17.1.1.1.3, Attachment B describes the ten-minute LBMP calculation interval when RTD-CAM is activated and the duplicate reference to that information is proposed for deletion from this paragraph. Similarly, the reference to special Bid Production Cost guarantees during certain RTD-CAM intervals is proposed for deletion as it is redundant of information available in Section 4.6.6.

4.4.4.3 Posting Commitment Decisions: This section is proposed for deletion as redundant of information provided in the new Section 4.4.2.7 proposed in this filing.

4.5 Real-Time Market Settlements: The NYISO proposes several modifications to this section to clarify its application to settlements for Transmission Customers scheduling purchases and sales from or to the LBMP Market. The reference to Limited Energy Storage Resource settlements, as governed by Rate Schedule 15.3, is more appropriately included in the sentence, found later in this section, describing settlements generally for units selling Regulation Service and the NYISO proposes to delete the earlier reference.

As it has in other sections of the Services Tariff to describe the bid activity that renders certain units ineligible for special market rules, the NYISO proposes here to replace the phrase “bid in a manner that indicates it is available to provide Regulation Service or Operating Reserves” with “used the ISO-Committed Flexible or Self-Committed Flexible mode.” These are the bid modes a unit would use to bid Regulation Service or Operating Reserves and no substantive change is intended.

4.5.6 Settlement When Actual Energy Injections Exceed Scheduled Energy Injections: The NYISO proposes to delete the statement that Generators will not be compensated for Energy produced during their start-up sequence. Generators are eligible for Compensable Overgeneration during start-up if they follow the NYISO procedures for bidding their start-up sequence as referenced in the definition of this term.

C. Services Tariff – Attachments

Section 17.3 Bilateral Transaction Bidding, Scheduling and Curtailment: The NYISO proposes to cross-reference Section 17.3 to Section 16.3 of the NYISO OATT. Material contained in Section 17.3 of Attachment B that duplicates material in Section 16.3 of the OATT

is proposed for deletion as unnecessary. Material describing the scheduling process, which is not currently duplicated in Section 16.3 of the OATT, will be moved to the appropriate subsection of Section 16.3 of the OATT in order to keep all material describing the scheduling of Transmission Service in one location. With the relevant material moved and the redundant material in Section 17.3 deleted, a cross reference to OATT Section 16.3 is proposed to be added.

Section 19 Attachment D - Data Requirements for LBMP Bidders: The NYISO proposes to delete the entirety of Section 19 Attachment D, as the substantive information it provides is redundant of other sections of the Services Tariff and is otherwise simply administrative in nature. Through a series of charts, this Section provides detail on the data elements required when bidding as a Generator or a Demand Side Resource in the Energy and Ancillary Services markets, or when bidding in the Virtual Trading Markets. Substantively, the charts duplicate the information provided in Section 4 of the Services Tariff which sets forth the detailed bidding requirements for the Day-Ahead and Real-Time Energy and Ancillary Service markets. Additional bidding detail is also provided in the Rate Schedules for each Ancillary Service.

The administrative details on bidding in these markets can be offered with more explanation and detail in NYISO Manuals and Technical Bulletins, particularly the Market Participant Users Guide.

Section 21: Attachment F Bid Restrictions: The NYISO proposes a series of clarifications to Section 21 Attachment F. Initially, the NYISO proposes to remove the word Temporary from the title as the Bid Caps, or Bid Restrictions as the NYISO is proposing to rename them, described in this section are now permanent. Section 21.4 indicates these Bid Restrictions would remain in effect until a Northeastern RTO is in place. Since the NYISO is not involved in any Northeast RTO initiatives, potential expiration is no longer meaningful and the section should be identified as a permanent tariff section.

In the title and in the Section 21.1 defined term, the NYISO also proposes to rename Bid Caps as Bid Restrictions. Section 21 describes maximum and minimum Bids and the term *Restriction* better reflects this bid limitation.

As mentioned, Section 21.4's expiration date is an unnecessary anachronism reflecting an earlier situation that is no longer relevant. Thus, the NYISO proposes to delete Section 21.4.

The NYISO proposes to renumber and clarify Section 21.5 to replace *Cap* with *Restriction* and, by adding the symbol “±” before \$1000, to clarify that the \$1000 Bid limit is both a Bid cap and Bid floor. The NYISO proposes to clarify the second sentence in this section by inserting a reference to the fact that the \$1000 limit is also a minimum Bid. The NYISO also proposes to delete the out-of-date reference to Bids submitted before the software logic regarding

the Bid restrictions was in place. The software now automatically rejects Bids submitted outside these restrictions and there is no need for the sentence to remain in the tariff.

In Section 21.5.1, the NYISO proposes to clarify that the Bid Restriction applies to Sink Price Cap Bids and Decremental Bids submitted for External transactions and Wheels Through.

In addition to renumbering Section 21.5.2, the NYISO proposes to delete an out-of-date reference to the expiration of Sections 23.3.1.4.4 and 23.5.3 which continue in existence.

D. OATT Definitions

Application: The NYISO proposes to clarify the definition of this term to indicate that, in addition to the request for Transmission Service, a completed *Application* includes the provision of all required information.

Delivering Party: Since the NYISO provides Transmission Service to *Transmission Customers* and does not use the terms *Delivering Parties* or *Receiving Parties*, the NYISO proposes to delete references to the latter two terms wherever they exist in the OATT. Transmission Customers requesting Transmission Service are expected to provide all information, and related schedules from other Control Areas, that is necessary to effectuate the External Transactions from the New York Control Area (NYCA) to the interface with its neighbors or across the NYCA from one neighbor to another (a Wheel -Through Transaction).

Economic Operating Point: The NYISO proposes to add the definition of this term, currently found in the Services Tariff, to the OATT.

Eligible Customer: The NYISO proposes to expand the definition of Eligible Customer to include those entities that are acceptable Transmission Customers but which do not necessarily fall neatly within the existing categories of eligible entities. Specifically, the NYISO proposes to include as an additional category of Eligible Customers, those entities engaged or proposing to engage in the wholesale or retail electric power business.

Points of Delivery: The NYISO proposes to replace the term *Receiving Party* with the term *Transmission Customer*, as explained above. The NYISO also proposes to clarify this term to delete references to the delivery of Capacity or Ancillary Services as neither product is scheduled for delivery with the NYISO, nor is either product physically delivered to a point on the New York Transmission System. The NYISO also proposes clarifications to indicate that this term is not synonymous with the term, *Point of Withdrawal*, which is a term the NYISO uses in market operations and settlements to designate the withdrawal location for Bilateral Transactions and Transmission Congestion Contracts.

Point of Injection: The NYISO proposes to clarify this definition to recognize the proposed deletion of the term *Delivering Party* by replacing it with the terms *Customers* and *Transmission Customers*. The NYISO also proposes to delete the term *Capacity* from the products that are made available to the NYISO at a Point of Injection as Capacity is not injected into the Transmission System. Suppliers do inject Ancillary Services as they inject Energy while providing Regulation Service and they inject VARs while providing Voltage Service. The NYISO also proposes clarifications to indicate that this term is not synonymous with the term, *Point of Receipt*. The term *Point of Injection* is used in market operations and settlements to designate the injection location for Energy, Bilateral Transactions and Transmission Congestion Contracts.

Point(s) of Receipt: The NYISO proposes to clarify this definition to recognize the proposed deletion of the term *Delivering Party* by replacing it with the term *Transmission Customer*. The NYISO proposes to delete references to the receipt of Capacity or Ancillary Services as neither product is scheduled for delivery with the NYISO or physically received at a point on the New York Transmission System. The NYISO also proposes clarifications to indicate that this term is not synonymous with the term, *Point of Injection*, as the latter is a term the NYISO uses in market operations and settlements to designate the injection location for Energy, Bilateral Transactions and Transmission Congestion Contracts.

Point of Withdrawal: The NYISO proposes to clarify this definition to recognize the proposed deletion of the term *Receiving Party* by replacing it with the terms *Customers* and *Transmission Customers*. The NYISO also proposes a change similar to the change proposed to the term *Point of Injection*, to delete references to the receipt of Capacity or Ancillary Services as neither product is scheduled for delivery with the NYISO, nor is either product physically withdrawn at a point on the New York Transmission System. The NYISO also proposes clarifications to indicate that this term is not synonymous with the term, *Point of Delivery*, as *Point of Withdrawal* is a term the NYISO uses in market operations and settlements to designate the withdrawal location for Energy, Bilateral Transactions and Transmission Congestion Contracts.

Real-Time Scheduling Window: The NYISO proposes to add this term, currently in the Services Tariff, to the OATT.

Receiving Party: The NYISO proposes to delete the term *Receiving Party* as the provision of Transmission Service to Transmission Customers does not use this term. Transmission Customers requesting Transmission Service are expected to provide all information, and related schedules from other Control Areas, that is necessary to effectuate the External Transactions from the New York Control Area (NYCA) to the interface with its neighbors or across the NYCA from one neighbor to another (a Wheel -Through Transaction).

E. OATT Body

Sections 2.7.2.1.4, 2.7.2.2.2, 2.7.2.3.3 and 2.7.2.4.3. The NYISO proposes clarifications in these sections to recognize that *Transmission Customers* schedule Transactions not *Eligible Customers*.

Section 2.7.2.2.4 Payable by Customers Scheduling Direct LBMP Purchases from the LBMP Market: The NYISO proposes clarifications to this section to replace unnecessary references to Eligible Customers and Transmission Owners with references to *Customers*. This section provides information applicable to any entity purchasing from the LBMP Market.

Section 3 Point-To-Point Transmission Service

Preamble: The NYISO proposes clarifications to this section to indicate Transmission Service is provided over the NYS Transmission System, a broader set of facilities than the facilities of the entities which signed the *ISO/TO Agreement*. The NYISO also proposes revisions to recognize that Capacity is not a product that is ‘delivered’ over the NYS Transmission System and to indicate that all Customers signing the OATT to take Transmission Service are also making use of NYISO’s Market Services and must also sign the Services Tariff. Provisions governing the scheduling and settling of Transmission Service are contained in the Services Tariff so it is appropriate for entities scheduling Transmission Service in New York to sign both the OATT and the Services Tariff. As noted in the discussion of proposed changes to Section 4.1.2 of the Services Tariff, *supra*, the NYISO is proposing there to require all customers signing the Services Tariff to also sign the OATT.

Section 3.1.1 Term: Clarifications are proposed to indicate that Transmission Service is scheduled in one-hour increments.

Section 3.1.4 Service Agreements: The NYISO proposes to clarify that Transmission Customers file a general Application for Service and, in addition, file a standard form Agreement for Firm Point-To-Point Transmission Service, if the Transmission Customer intends to schedule Firm Point-To-Point Transmission Service.

Section 3.1.6 Curtailment of Firm Transmission Service: The NYISO proposes to amend an incomplete sentence in the middle of the first paragraph to better indicate the circumstances under which the NYISO may curtail Firm Transmission Service for reliability conditions. The NYISO proposes to include emergencies or unforeseen conditions that threaten to impair or degrade reliability as conditions for which the NYISO may curtail Transmission Service, not just those emergencies or unforeseen conditions that have already resulted in impairment or degradation of the system.

Section 3.1.7.2: The NYISO proposes to delete this misplaced section which describes a

type of firm Point-to-Point Transmission Service involving sales of Energy from multiple generating units at multiple Points of Receipt that is not available. Firm Point to Point Transmission Service is from a single Point of Receipt to a single Point of Delivery. Any service from multiple Points of Receipt or Delivery would be properly classified and described as Network Service, described in the OATT at Section 4 *et seq.*

Section 3.1.7.2. In addition to renumbering the section, the NYISO proposes to include here the clarification it has been making broadly throughout the OATT that Capacity is not a product that gets delivered over the Transmission System.

Section 3.1.8.1 In the Day-Ahead Market: In addition to renumbering this Section, the NYISO proposes modifications to indicate the time by which Day-Ahead Transmission Service across Scheduled Lines must be scheduled. When this instruction was added to the Services Tariff, it was inadvertently omitted from the OATT. This section is also proposed to be amended to add the clarifications being broadly made throughout the OATT that: i) Capacity is not a product that gets scheduled or delivered over the Transmission System; ii) the terms Delivering Party and Receiving Party are replaced with the generic term Transmission Customer; and iii) scheduling Transactions in the Real-Time Market must occur before the close of the Real-Time Scheduling Window. Aggregation of Transmission Service requests at a single Point of Receipt is available regardless of the size of each individual request and the limitation, for inclusion in such aggregations, to individual requests each of which is for fewer than 1,000 kWh is proposed for deletion.

In addition the NYISO proposes to clarify that only requests for Transmission Service between a Point of Receipt and a Point of Delivery internal to the NYCA and between a Point of Receipt at a Proxy Generator Bus and an internal Point of Delivery are scheduled at the level of Transmission Service requested. The NYISO proposes to additionally clarify that Energy from the LBMP Market will be made available for Transmission Customers scheduling these Transmission Service requests in the event that Energy supporting the Transaction at the Point of Receipt is uneconomic, and thus not scheduled.

Finally, the NYISO proposes to add an explanation that Transmission Service between an internal Point of Receipt and a Point of Delivery at a Proxy Generator Bus will be scheduled equal to the Export Transaction scheduled and that Transmission Service between a Point of Receipt and a Point of Delivery at two Proxy Generator Buses (for Wheel-Through transactions) will be scheduled equal to the Wheel-Through transaction scheduled.

Section 3.1.8.2 In the Real-Time Market: In addition to renumbering the section, the NYISO is proposing to add to this Section the clarifications that: i) to be scheduled in the Real-Time Market, the Transaction must be submitted for evaluation before the close of the Real-Time Scheduling Window; ii) Capacity is not a product that gets scheduled or delivered over the Transmission System and iii) the NYISO is proposing to delete the term *Delivering Party*. The

NYISO also proposes, for clarity and completeness, to add the same language here, for Real-Time Market scheduling, that is proposed for addition to Section 3.1.8.1, for Day-Ahead Market scheduling. The additional language describes the situations under which Transmission Service will be scheduled at the level requested (between internal Points of Receipt and Points of Delivery and Imports) and those under which Transmission Service will be scheduled equal to the Transaction schedule (Exports and Wheel-Throughs). The NYISO proposes to also include the explanation that it will provide Energy from the LBMP Market to Transmission Customers scheduling internal Transmission Service and Imports in the event that Energy supporting the Transaction at the Point of Receipt is uneconomic, and thus not scheduled.

Section 3.2.1 Term: The NYISO proposes to modify this Section to indicate that the maximum term of Transmission Service requests is specified by the Transmission Customer and not in ISO Procedures.

Section 3.2.2 Reservation Priority: The NYISO proposes to clarify that Non-Firm Transmission Service is available, when there is no congestion, only for Imports, Exports and Wheel-Throughs, and not for Transmission Service between internal Points of Receipt and Points of Delivery. The NYISO also proposes to clarify that Real-Time schedules must be submitted before the close of the Real-Time Scheduling Window.

Section 3.2.4 Service Agreements: The NYISO proposes to clarify that Transmission Customers file a general Application for Service and, in addition, file a standard form Agreement for Non-Firm Point-To-Point Transmission Service, as necessary.

Section 3.2.5 Classifications of Non-Firm Point-To-Point Transmission Service: The NYISO proposes a clarification to this section to reflect the fact that Transmission Customers do not make capacity reservations in New York. The clarification is to delete the unnecessary sentence that describes the NYISO's responsibilities in the event that a Customer exceeds its capacity reservation.

Section 3.2.6.1 In the Day-Ahead Market: The NYISO proposes to amend this Section to accommodate the broad clarification that Day-Ahead schedules proposed for Scheduled Lines must be submitted by 4:50 a.m. The NYISO is also deleting the sentence it deleted in Section 3.1.8.1., for Day-Ahead Transactions, that aggregations of Transmission Service requests at a single Point of Receipt is available regardless of the size of each individual request. As it also proposed in Section 3.1.8.1, the NYISO proposes to delete the limitation that individual requests for fewer than 1,000 kWh must be aggregated as unnecessary. Any requests for Transmission Service to a Point of Receipt may be aggregated.

In addition, the NYISO proposes to affirmatively indicate that Non-Firm Transmission Service is unavailable for internal Transactions, that the NYISO will furnish Transmission Service equal to the level requested for Import Transactions to the extent there is no congestion

between the Point of Receipt at the Proxy Generator Bus and the Point of Delivery at the internal Load Bus and that real-time revisions in the Non-Firm Transmission Service request must be submitted before the close of the Real-Time Scheduling Window.

Section 3.2.6.2 In the Real-Time Market: Similarly, the NYISO proposes to clarify in this Section that real-time schedules for Non-Firm Transmission Service, including schedules involving Scheduled Lines, must be submitted before the close of the Real-Time Scheduling Window.

In addition the NYISO proposes to clarify that Non-Firm Transmission Service is not available for internal Bilaterals and that requests for Non-Firm Transmission Service between a Point of Receipt at a Proxy Generator Bus and an internal Point of Delivery will be provided advisory schedules at the level of Transmission Service requested and that Energy will be delivered only if there is no congestion. Finally, the NYISO proposes to clarify that changes to real-time schedules for Non-Firm Transmission Service must be submitted before the close of the Real-Time Scheduling Window and to delete language indicating that the NYISO treats submitted schedule changes any differently than it treats original real-time schedule submissions.

Section 3.3.1 General Conditions: The NYISO proposes to revise the description of the facilities over which Transmission Service is available to include all facilities of the New York State Transmission System rather than just the facilities owned by the parties to the ISO/TO Agreement and to add language to indicate that Non-Firm Transmission Service is not available for internal Bilateral Transactions.

Section 3.4.2 Transmission Customer Responsibility for Third-Party Arrangements: The NYISO proposes amending this section to reflect the clarifications mentioned earlier that the NYISO does not transmit Capacity across the Transmission System and that the term *Transmission Customer* is more appropriate to the New York Transmission system than are the terms *Receiving Party* or *Delivering Party* which have been proposed for deletion.

Section 3.5.2 Completed Application: The NYISO proposes to amend this section to delete information not necessary for a complete application for Firm Point-To-Point Transmission Service. Since the NYISO accepts designations of Points of Receipt and Delivery, including locations of generation facilities and Loads being served, in the Transmission Customers' bids for service rather than their application for service, these items are proposed for deletion in the description of the completed application. Similarly, the NYISO proposes to delete information it does not use in either the application, the Service Agreement or in scheduling Transmission Service from this Section. These terms include: supply characteristics for Energy to be delivered or an estimate of the Energy to be delivered.

Section 3.5.5 Response to a Completed Application: The NYISO proposes to amend this section to delete references to a NYISO determination, upon receipt of a completed

application, as to whether the NY Power System can support the requested service. Transmission Service in the NYCA is financial in nature and the NYISO does not make this determination upon receipt of a completed application. Requests for a System Impact Study pursuant to Section 19 of the OATT, may be submitted at any time by a Transmission Customer.

Section 3.5.6 Execution of Service Agreement: The NYISO proposes to clarify this section to indicate that only the Service Agreement is deemed withdrawn if it is not executed or requested to be filed as unexecuted. The application for service is independent of a Service Agreement and is not deemed withdrawn under these circumstances.

Section 3.6.2 Completed Application: In a manner similar to the amendments proposed to Section 3.5.2, the NYISO proposes to delete information that is unnecessary to an application for Non-Firm Point to Point Transmission Service. Because the following pieces of information are provided when Transmission Service is scheduled, they are not required in the application or in the Service Agreement and are proposed for deletion: Points of Delivery and Points of Receipt, the maximum amount of Energy to be injected or withdrawn, and the hours for which service is being requested.

In addition, the NYISO proposes to delete the potential for a NYISO evaluation of system conditions and the related data elements (the electrical location of the source of power to be transmitted and the ultimate load as the NYISO) as Transmission Service that is financial in nature does not require such a system evaluation.

Section 3.15 Changes in Service Specifications: The NYISO proposes to amend this section to indicate that customers may submit changes in service specifications when submitting their requested transmission schedules.

Sections 3.15.1 and 3.15.2: The NYISO proposes to delete these sections as unnecessary. The NYISO accepts changes in service specifications from a customer with an accepted application for service and an executed Service Agreement whenever the customer submits a request for Transmission Service.

F. OATT Attachments

Section 7: Attachment A

The NYISO proposes to amend the Service Agreement for Firm Point-to-Point Transmission Service to remove the requirement that the applicant specify transaction details and to remove the list of service charges that may apply. Transmission Customers provide the details necessary to effectuate their request for Transmission Service when they schedule the service with the NYISO and such details are meaningless in the Service Agreement. Similarly, the charges for Firm Point to Point Service that may apply are specific to the Transaction scheduled

and are specified in Rate Schedule 7 of the OATT. A list of potential charges in the Service Agreement is redundant and potentially misleading and the NYISO proposes to delete it.

Section 16.1: Attachment J, Part 1.

The NYISO proposes to delete the substance of Section 16.1: LBMP Calculation Method and cross reference the section to Section 17.1 of the NYISO Services Tariff. Section 16.1 in the OATT is the mirror image of Section 17.1 of the Services Tariff and, as such, is unnecessarily redundant and should be deleted.

Section 16.3: Transmission Service, Schedules and Curtailment

The NYISO proposes extensive revisions to Section 16.3, the description of scheduling requests for Transmission Service or Bilateral Transactions in the Day-Ahead and Real-Time Markets. Some material is moved from Section 17.3 in the Services Tariff

Section 16.3.1 Requests for Bilateral Transaction Schedules: The NYISO proposes to open this Section with a new title and the presentation of several general rules governing Transmission Service. This new material includes the availability of Firm Service only for internal Bilateral Transactions, the availability of Firm and Non-Firm Service for External Bilateral Transactions and Wheels Through, the constant magnitude for External Transactions and Wheels Through and the opportunity for Transaction Customers to modify their Bilateral Transactions between the Day-Ahead and Real-Time Markets. The NYISO proposes to clarify that these Transactions must have a minimum run time of at least one hour.

The NYISO also proposes to include here material moved from Section 17.3 of the Services Tariff describing the information which must be submitted with any request for Transmission Service. Material found in Section 17.3.2.1, describing an option for an External Supplier to be modeled as a specific External LBMP bus, is proposed to be deleted rather than moved as it describes an option never requested and not available in the NYISO Market. The Bids of External Suppliers, instead, are modeled as single point price curves at the External Proxy Generator Buses, as described in Section 17.3.2.1.

Software constraints no longer limit the ability to specify Points of Withdrawal and the parenthetical in Section 17.3 that indicated that possibility is proposed to be deleted. Section 17.3's references to Generator dispatch status and Ancillary Service supply are deleted as that information is not necessary to the Transmission scheduling process.

Section 16.3.2 ISO's General Responsibilities: The NYISO proposes to delete references to Decremental Bids, Incremental Bids and Generator dispatch from this Section as irrelevant to Transmission Service requests. Section 4 of the Services Tariff describes Generator dispatch in its comprehensive discussion of Generator participation in the Energy Market. Rules

described in Section 4 of the Services tariff apply whether the Generator has been scheduled to sell into the LBMP Energy market or participate in an Export Bilateral Transaction.

Section 16.3.2.1 Use of Decremental Bids to Dispatch External Generators: As an initial matter, the NYISO does not dispatch External Generators. It schedules constant magnitude hourly Transactions at Proxy Generator Buses at its borders with its neighbors. The material currently included in this Section is intended to convey an understanding of the NYISO practice to schedule External Transactions with the same software and during the same optimization cycles that it schedules sellers and buyers in its Energy Markets. The NYISO proposes to delete the existing explanation of this concept and replace it with a description that more accurately and comprehensively describes the concept in new Sections 16.3.3.1, as discussed below and in Section 4.4.1.4 of the Services Tariff.

Sections 16.3.3.1 through 16.3.3.7: The NYISO proposes seven new Sections to replace language deleted from the existing Section 16 of the OATT and to discuss the scheduling of Transmission Service to serve internal Bilateral transactions, a process not separately described. Existing Section 16.5 presents the process for scheduling External Transactions in such a summary fashion that it is difficult to understand and important details are omitted. The NYISO's proposed new Sections, as discussed below, present the current process for bidding and scheduling Transmission Service for all Bilateral Transactions available in the NYCA.

Section 16.3.3.1 ISO Responsibilities: The NYISO proposes to introduce Section 16.3.3, Scheduling of Bilateral Transactions in the Day-Ahead Market and Real-Time Market with new material in a new Section, 16.3.3.1. The NYISO proposes to add a new sentence clarifying that Bids for External Bilateral Transactions (Imports or Exports) are modeled at the interfaces as Bids to buy or Bids to sell a block of Energy at a single price. The NYISO proposes to indicate that it computes interface Ramp and NYCA Ramp capabilities as well as Interface Transfer Capabilities prior to scheduling Transmission Service. The NYISO proposes to clarify material deleted from Section 16.3.2.1 to indicate that it evaluates Bids from internal Suppliers and loads to offer or purchase Energy simultaneously with Bids from Transmission Customers to offer or purchase Energy at the NYISO's external interfaces when committing Generators and scheduling External Transactions.

Section 16.3.3.2 Scheduling Internal Bilateral Transactions: The NYISO proposes a new Section to describe the process of scheduling internal Bilateral Transactions. Transmission Service is scheduled equal to the request for the Bilateral Transaction. This schedule is separate from the schedule for the internal Generator supporting the internal Bilateral as the Generator schedule is based on its Energy Bid.

Section 16.3.3.3 Scheduling Export Bilateral Transactions and Firm Point to Point Transmission Service to Support Them: The NYISO proposes a new section to describe the process of scheduling Export Bilateral Transactions. The NYISO economically schedules

Energy to be exported pursuant to a Bid provided by the Transmission Customer seeking to schedule the Export Bilateral. The NYISO schedules Transmission Service from the Point of Receipt at the internal generator bus to the Point of Delivery at the Proxy Generator bus equal to the Energy Export schedule. The NYISO will not schedule Exports that exceed the Interface Capability. The NYISO also proposes to reiterate that the internal Generator serving the Export Bilateral is committed and dispatched based on its Energy Bid.

Section 16.3.3.4 Scheduling Import Bilateral Transactions and Firm Point to Point Transmission Service to Support Them: The NYISO proposes a third new section to describe the process of scheduling Import Bilateral Transactions. The NYISO economically schedules the Energy to be imported pursuant to a Bid provided by the Transmission Customer seeking to schedule the Import Bilateral. The NYISO schedules Transmission Service from the Point of Receipt at the Proxy Generator Bus to the Point of Delivery at the internal Load Bus equal to the amount of Transmission Service requested. The NYISO will not schedule Imports that exceed the interface capability.

Section 16.3.3.5 Scheduling Wheel Through Bilateral Transactions and Firm Point to Point Transmission Service to Support Them: The NYISO proposes a fourth new section to describe the process of scheduling Transmission Service to support a Wheel Through Transaction. The NYISO economically schedules the Energy to be wheeled through the NYCA pursuant to a Bid provided by the Transmission Customer seeking to schedule the requested External Transaction. The NYISO schedules Transmission Service from the Point of Receipt at the Proxy Generator Bus designated for the Import to the Point of Delivery at the Proxy Generator bus designated for the Export equal to the Energy scheduled to be imported and wheeled.

Section 16.3.3.6 Scheduling Non-Firm Transmission Service: The NYISO proposes a new section to describe the scheduling of Non-Firm Transmission Service. This Section indicates that the NYISO does not economically schedule External Transactions associated with Non-Firm Transmission Service. The NYISO also will not schedule Non-Firm Transmission Service if it appears that Congestion Rents will be positive. Thus an External Transaction associated with Non-Firm Transmission Service will flow in real-time, in the absence of congestion, if there is room on the Interface. No economic evaluation is made. As well, all Non-Firm Transmission schedules are advisory only and may be reduced in the face of positive congestion. The NYISO also proposes to include the settlement rule that Transmission Customers whose Non-Firm Transmission Service is being reduced because of congestion will be required to pay any Real-Time Congestion Rents that may be present while the NYISO is implementing the reduction in their schedule.

Section 16.3.3.7 Scheduling External Transactions at the Proxy Generator Buses Associated with Scheduled Lines: For clarity and ease of reference, the NYISO proposes to add a new section indicating that scheduling Transmission Service across Scheduled Lines is

governed by Attachment N to the Services Tariff.

Section 16.3.3.8 Prohibited Transmission Paths: The NYISO proposes to move to this Section the list of prohibited transmission paths that is currently found in Section 16.3.5.

Section 16.3.4 Bilateral Transaction Adjustments, Curtailments and Settlements: The NYISO proposes to expand the existing Section 16.3.4 to include information regarding adjustments and settlements for Bilateral Transactions. In this new material, the NYISO indicates that the DNI between the NYCA and a neighboring Control Area will reflect curtailments of Import and Export Transactions. To the extent possible, curtailments of External Transactions over Scheduled Lines will be based on the transmission priority of the Transmission Customer's associated Advance Reservation.

The NYISO proposes adding a sentence to indicate that Transmission Service is reduced when the associated Export or Wheel through Transaction is reduced. This is in contrast to Transmission Service supporting an Import or an internal Bilateral Transaction which is not reduced. If the Import Transaction becomes uneconomic and the amount of import Energy is reduced, the Transmission Customer will buy replacement Energy from the LBMP market to support the requested level of Transmission Service. This is discussed in the following Section.

Section 16.3.4.1 Import Bilateral Transactions: The NYISO proposes to designate, with a new Section number, material currently included in existing Section 16.3.4 that deals with the impact on scheduled Transmission Service of a reduction in an Import Bilateral Transaction and to clarify the material. Material related to the impact on Transmission Service associated with internal Bilaterals and Exports, when Generator schedules are reduced, has been moved to Section 16.3.4.2.

Transmission Customers with scheduled imports that are less than the Transmission Service requested are charged an Energy Imbalance Charge pursuant to Rate Schedule 4 of the OATT. The detailed explanation of the calculation of this charge, for Transmission Customers who have signed the Services Agreement and those that have not, is deleted from Section 16.3.4.1 as redundant of the information contained in Rate Schedule 4. The Energy Imbalance Charge is assessed when Day-Ahead or real-time Imported Energy is less than the associated schedule for Transmission Service. Material describing the charges payable when Energy scheduled to be exported is reduced has been moved to the following Section, 16.3.4.2.

The NYISO proposes to amend the description of the real-time TUC assessed to Transmission Customers when their Transmission Service scheduled in real-time differs from that scheduled Day-Ahead and to delete the description of the charges payable when the real-time Energy Import is less than the Transmission Service schedule as redundant of the OATT Rate Schedule 4 Energy Imbalance Charge which this Section indicates is payable in this situation. The last sentence of this Section is proposed for deletion as the Section now describes

only Imports. Situations in which internal Generators are supplying Energy for the internal Bilateral or the Export Transaction are described in the following Section 16.3.4.2.

Section 16.3.4.2 Export Bilateral Transactions, Internal Bilateral Transactions and Wheel-Through Transactions: The NYISO proposes a new section to describe certain settlements when a Transmission Customer schedules an internal or Export Bilateral Transaction. Internal Generators supporting internal or Export Bilateral Transactions that are dispatched to produce less Energy than the amount of Transmission Service scheduled for those Transactions are assessed an Energy Imbalance Charge under Rate Schedule 4 of the OATT. These charges differ depending on whether the difference occurs with the Day-Ahead or real-time schedules.

The NYISO also proposes to describe the real-time Transmission Usage Charge (“TUC”). If the real-time internal or Export Bilateral Transaction differs from the internal or Export Bilateral Transaction scheduled Day-Ahead, the Transmission Customer is charged (or is paid) a TUC representing the difference between the Transmission Service scheduled real-time and Day-Ahead. Similarly, a Transmission Customer with a real-time Wheel-Through Transaction that differs from the Wheel-Through transaction scheduled Day-Ahead, is charged (or is paid) a TUC representing the difference between the Transmission Service scheduled real-time and Day-Ahead.

The NYISO proposes to retain the existing language describing that Transmission Service scheduled from the PTID of certain Generators is treated differently although the NYISO is clarifying that the special treatment described is limited to Transmission Service supporting internal Bilateral Transactions. For those Generators listed in Sections 16.3.4.2.1 (renumbered), 16.3.4.2.2 and 16.3.4.2.3, the Transmission Service schedule is adjusted to match the actual Energy output of the Generator every five minutes.

The NYISO also proposes to remedy an oversight made in an earlier filing by proposing three conforming changes to the description of intermittent Generators that are qualified pursuant to Section 16.3.4.2.3 to have Transmission Service sourced from their PTID set equal to their actual output. The conforming changes will match the description of the Generators eligible for this treatment to the revisions describing the same set of Generators that were accepted in dockets ER08-850-000, ER09-802-000 and ER09-1027-000.

In ER08-850-000, the NYISO revised the description of “intermittent (*i.e.* non-schedulable) renewable resources” in Services Tariff Rate Schedule 3 by replacing these undefined terms with the defined terms *Intermittent Power Resources*, and *Limited Control Run of River Hydro Resources* and increasing from 1000 to 3300 the number of megawatts of these Resources that would have their Undergeneration Penalties exempted.⁵ This terminology was

⁵ Since the NYISO started operations, intermittent resources such as wind and hydro, units supplying steam to the ConEd Steam system and certain generators under pre NYISO-startup contracts were eligible to have their real-time schedules, and scheduled Transmission Service from their PTID, set equal to the units’ actual output.

further amended in ER09-1027-000, to match the language proposed to be added here, when Intermittent Power Resources were expanded to include units that depend on landfill gas for their fuel. The intention in these filings was to revise the description and megawatts of exempted generators wherever they were mentioned in the NYISO tariffs. These conforming changes do not impose any substantive change to this Section.

The NYISO also proposes to conform the description in Section 16.3.4.2.3 of Intermittent Power Resources using wind as their fuel to the revisions made in ER09-802-000. In that docket, the Commission accepted a new limit on Energy settlement rules for Intermittent Power Resources that depend on wind as their fuel. Energy settlements for wind Resources under a Wind Output Limit now follow non-intermittent Resource settlement rules. The NYISO proposes to include this limit here, as a conforming change. The reasons that required the NYISO to apply non-intermittent Resource settlement rules to Intermittent Power Resources that depend on wind as their fuel while they were under a Wind Output Limit require that the same limit be imposed on Transmission Service scheduled from their PTID. Intermittent Power Resources using wind as their fuel that are under a NYISO-declared Wind Limit will be treated as non-intermittent resources for purposes of scheduling Transmission Service from their PTID.

The NYISO also proposes to delete from this Section, as unnecessary and redundant, language describing the special settlement available to Transmission Customers whose scheduled injections at a Proxy Generator Bus are curtailed at the request of the NYISO. This settlement rule, the Import Curtailment Guarantee, is described comprehensively in Attachment J of the Services Tariff. As such, this incomplete description should be deleted to avoid confusion. The NYISO proposes to add a cross reference to Attachment J in its place.

Section 16.3.4.3 Non-Firm Transmission: The NYISO proposes amendments to this Section to clarify that the Load will buy LBMP Energy when Energy otherwise scheduled to be delivered to its Load bus as an Import Bilateral with Non-Firm Transmission Service is reduced or curtailed. Similarly, the NYISO proposes to clarify that Generators supplying Energy for an Export Bilateral scheduled with Non-Firm Transmission Service may sell that Energy into the LBMP Market when the Export Bilateral is reduced or curtailed.

They were also exempted from undergeneration penalties pursuant to rate Schedule 3 of the Services Tariff. The two settlement rules had the effect of allowing the NYISO to pay them for all output and forgive them their undergeneration penalties while the Transmission Service scheduling rule had the effect of setting the Bilateral Transaction equal to the Generator's output. In ER08-850-000 and ER09-1027-000, the NYISO incorporated the defined terms, Intermittent Power Resource and Limited Control Run of River Hydro Resource in the description of the intermittent resources exempted from undergeneration penalties in Services Tariff Rate Schedule 3. The revisions proposed in this docket, to the OATT, Section 16.3.4.2.3, will match the earlier Rate Schedule 3 revisions for the same set of Generators.

Section 16.3.5 Scheduling Transmission Service for External Transactions: The NYISO proposes to delete this material as it is covered more comprehensively and accurately in Sections 16.3.1 through 16.3.4. The material included in Section 16.3.5 covered the process for scheduling External Bilateral Transactions. The information to be provided by Market Participants desiring to schedule an External Transaction is provided in Section 16.3.1. The NYISO process of scheduling External Transactions in the Day-Ahead Market is provided in Section 16.3.3 where the use of Firm Point to Point Transmission to schedule Exports is described in Section 16.3.3.3; the use of Firm Point to Point Transmission to schedule Imports is included in Section 16.3.3.4; and the use of Firm Point to Point Transmission to schedule Wheels-Through is included in Section 16.3.3.5.

The use of Non-Firm Transmission Service to schedule External Bilaterals is described in detail in Section 16.3.3.6, the intricacies of scheduling External Transactions across Scheduled Lines are described in Section 16.3.3.7, and the list of paths across which Transmission Service may not be scheduled is provided in Section 16.3.3.8. Thus, all material in Section 16.3.5 is included and more comprehensively described in other revisions proposed to Section 16.3.

Section 22 Attachment P - Data Requirements for Bilateral Transactions

The NYISO proposes to delete the entirety of Section 22, the former Attachment P, as the substantive information it provides is redundant of other sections of the OATT and Services Tariff and is otherwise administrative in nature. In a single page chart, this Section provides detail on the data elements required when requesting Transmission Service. Substantively, the chart duplicates the information provided in Section 16.3 of the OATT which sets forth the detailed scheduling requirements for the Day-Ahead and Real-Time markets.

Administrative details on scheduling Transmission Service are offered with more explanation and detail in NYISO Manuals and Technical Bulletins, particularly the Market Participant Users Guide.

G. OATT Rate Schedule 4

The NYISO is proposing several amendments to Rate Schedule 4 to clarify the charges applicable pursuant to its terms. The NYISO proposes to expand the introductory material to indicate that Energy Imbalance Service is available for Day-Ahead and Real-Time Transactions when a difference occurs between (i) scheduled Transmission Service and scheduled delivery of Energy to a Load located within the NYCA from a POI located within or external to the NYCA; or (ii) a difference occurs between the scheduled Transmission Service and actual scheduled delivery of Energy from a POI within the NYCA to a neighboring control area over the scheduling interval.

The NYISO proposes to further clarify Energy Imbalance Charges by explaining that they do not include charges on account of differences between the Day-Ahead and Real-Time

Transmission Service schedules for a Transaction nor do they include charges on account of differences between the Day-Ahead and real-time Energy delivery schedules. Differences between Day-Ahead and real-time Transmission Service schedules for the same Transaction are settled pursuant to Section 16.3 Attachment J of the OATT. Differences between Day-Ahead and real-time Energy deliveries are settled pursuant to Section 4.5 of the ISO Services Tariff.

Section 6.4.1 provides the calculation details for Energy Imbalance Charges. The NYISO proposes to include in this section the application of the charge to internal Generators when (i) they are serving an Export and their scheduled output is less than the Transmission Service scheduled from their Bus to the Proxy Generator Bus designated for Exports or (ii) they are serving internal Load and the Transmission Service scheduled to the Load bus is greater than their scheduled output.

The NYISO also proposes to move to this Rate Schedule the distinction in charges described in OATT Section 16.3.4.1 when the Transmission Customer, otherwise obligated to pay the Energy Imbalance Charge pursuant to this Rate Schedule because its Energy delivery is less than scheduled Transmission Service, has signed the Services Tariff and when it has not. Transmission Customers not signing the Services Tariff are obligated to pay an Energy Imbalance Charge calculated at 150 percent, rather than 100 percent, of the LBMP.

The NYISO proposes to delete the description of a 1.5% deviation bandwidth to be applied to Energy imbalances and the direction to resolve imbalances within the deviation band as the NYISO has never employed this bandwidth for these charges. At NYISO start-up, the NYISO did pay Generators with output above their real-time schedule if such output fell within a deviation band, and this section, which has existed since NYISO start-up, may have mistakenly attempted to capture a similar device. Energy Imbalance Charges are calculated based on differences in scheduled Energy deliveries and Transmission Service.

Similarly, the NYISO has never charged a Transmission Customer 150% for Energy withdrawals in excess of its scheduled Energy deliveries. Internal Load pays the real-time LBMP for withdrawals in excess of its Bilateral Transaction schedule, unless it previously bought such Energy Day-Ahead, and external Load is not served at all above its External Bilateral Schedule.

The NYISO proposes to clarify that Loads pay for LBMP Energy when actual withdrawals exceed the Energy Deliveries scheduled to it from either an internal Point of Injection or a Proxy Generator Bus. In addition, the NYISO proposes to delete the statement that Transmission Customers with imbalances may be subject to charges under Rate Schedule 3. Rate Schedule 3A imposes undergeneration penalties on Suppliers in certain circumstances and does not apply to Transmission Customers.

The NYISO proposes a clarification in the last paragraph of Section 6.4.1 that Energy imbalances resulting from inadvertent interchanges are managed in accordance with NERC and NPCC requirements. If such requirements result in a cost or payment assigned to the NYISO, the funds will flow through to the NYISO's customers as a residual cost under Rate Schedule 1 of the OATT.

The NYISO proposes to delete as outdated the content of Section 6.4.2 and the insert in Section 6.4.3 of this Rate Schedule that describes the NYISO's response to inadvertent interchange and inadvertent energy accounting. The NYISO has inserted the general statement at the end of Section 6.4.1 to indicate that it follows NERC and NPCC requirements in these matters. Since the NYISO is obligated to follow these reliability rules, which may change from time to time and take precedence over any other resolution of inadvertent interchange, the inclusion of this out-dated material is unnecessary and confusing.

The NYISO also proposes to delete references to meter reading adjustments as misplaced. Meter inconsistencies, which can take many forms beyond those that may arise when settling Energy Imbalances, are managed through the *Revenue Metering Requirements Manual*.

III. Effective Date

The NYISO requests an effective date of 60 days from the date of this filing.

IV. Requisite Stakeholder Approval

The NYISO's Management Committee approved all revisions described herein with the exception of the revision to Rate Schedule 4 of the OATT on October 21, 2010. The NYISO's Management Committee approved the revision to Rate Schedule 4 of the OATT on November 17, 2010. The NYISO Board of Directors approved this filing on November 16, 2010 and December 20, 2010.

V. Communications and Correspondence

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

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VI. 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.

VII. Conclusion

Wherefore, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept this filing to be effective March 12, 2011.

Respectfully submitted,

/s/ Mollie Lampi
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