

April 28, 2017

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. ER17-____-000;
Proposed Tariff Amendments Regarding Submission of Start-Up Bids in the
Real-Time Market**

Dear Secretary Bose:

The New York Independent System Operator, Inc. (“NYISO”) submits this filing pursuant to Section 205 of the Federal Power Act¹ to propose amendments to its Market Administration and Control Area Services Tariff (“Services Tariff”) to revise provisions concerning Start-Up Bids in the Real-Time Market (“RTM”). The proposed revisions will allow Generators scheduled in the Day-Ahead Market (“DAM”) to increase the Start-Up Bids provided in their RTM offers.² While all Generators will be allowed to increase Start-Up Bids in the RTM, only Start-Up Bids from Generators that are re-evaluated by the Real-Time Commitment (“RTC”) software will be considered in the NYISO’s real-time commitment decisions.³ The opportunity to revise Start-Up Bids in real-time, for Energy already scheduled Day-Ahead, will allow certain Generators to reflect cost implications that arose following the DAM commitment, such as fuel cost increases. For Generators that were awarded DAM schedules and whose commitment is re-evaluated by RTC, this functionality provides an opportunity to manage the risk of unexpected fuel cost increases.

¹ 16 U.S.C. §824d.

² Capitalized terms not otherwise defined herein shall have the meaning specified in Section 2 of the Services Tariff and Section 1 of the Open Access Transmission Tariff (“OATT”).

³ See Services Tariff Section 4.4.1.4 (RTC will re-evaluate and may commit Resources with 10-minute and 30-minute start-up times).

I. Documents Submitted

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

Market Participants submit Generator Start-Up Bids in the DAM based on the expected costs to bring the Generator up to its specified minimum operating level from an off-line state. Generators can submit two different types of Start-Up Bids: (1) a single point Start-Up Bid submitted as part of the Generator’s hourly offer, which specifies the cost to start the Generator in that hour; or (2) a multi-point Start-Up Bid curve that applies to all future offers and specifies the cost to start the Generator based on how long the Generator has been off-line and how long it takes to start. If a Generator submits both types of Start-Up Bids into the NYISO’s Market Information System (“MIS”) software, the single point Start-Up Bid takes priority over the multi-point Start-Up Bid curve. In the absence of a single point Start-Up Bid, the NYISO’s MIS software will use the multi-point Start-Up Bid curve to determine the cost to start the Generator.

The costs associated with starting a Generator may increase following the close of the DAM, for example, due to increased fuel costs or the need to switch to an alternate fuel. Currently, the Services Tariff provides that RTM Start-Up Bids may not exceed Start-Up Bids submitted in the DAM for any hour in which the Generator received a Day-Ahead Energy schedule or a Regulation Service schedule. The Services Tariff, however, permits Generators that have only a Day-Ahead Operating Reserves schedule to submit revised Start-Up Bids in real-time.

The NYISO identified two issues related to a Generator’s ability to modify Start-up Bids in the RTM, when that Generator received a DAM schedule.⁴

1. The current tariff rules prohibit Generators with a Day-Ahead Energy and/or Regulation Service schedule to increase their Start-Up Bids in real-time. The NYISO’s RTM software, however, has inappropriately allowed for such increases in certain limited

⁴ Out of an abundance of caution, the NYISO requests a limited waiver of certain tariff provisions below. *See infra* Section IV. The NYISO’s analysis of these issues did not reveal any financial impacts. While there have been instances of Generators revising Start-Up Bids in real-time, these Generators were not compensated based on the revised RTM Start-Up Bids. With respect to Generators that should have been able to revise Start-Up Bids in real-time but were prohibited by the software, the NYISO was not contacted by any Generator attempting to use this functionality. Therefore, the NYISO is not aware of any instances where a Generator was inappropriately prevented from revising a Start-Up Bid.

circumstances. These circumstances only exist when a multi-point Start-Up Bid curve is submitted in the DAM and results in a Day-Ahead Energy and/or Regulation Service schedule. The RTM software allows the Generator to enter a new single point Start-Up Bid or multi-point Start-Up Bid curve for evaluation, scheduling and potentially compensation.

2. Generators with only a Day-Ahead Operating Reserves schedule have not been able to increase their Start-Up Bids in the RTM. Increasing Start-Up Bids in this situation should be permitted pursuant to the current NYISO tariff rules. Under previous tariff rules, Generators were not permitted to increase Start-Up Bids in the RTM in any hour in which the Generator had a DAM schedule. However, this prohibition was effectively lifted for Generators with only a Day-Ahead Operating Reserves schedule on March 12, 2011.⁵

The NYISO made stakeholders aware of these two issues at its January 17, 2017 Market Issues Working Group (“MIWG”) meeting. During this meeting, the NYISO reiterated that Start-Up Bids in the RTM must not exceed the Start-Up Bids submitted in the DAM for any hour that the Generator was scheduled in the DAM for Energy or Regulation Service.⁶ Stakeholders were also informed that the NYISO would implement software logic to permit units to increase RTM Start-Up Bids when scheduled for Operating Reserves in the DAM as part of the proposed revisions described in this filing.

III. Description of Proposed Revisions to the Services Tariff

A. Increasing Start-Up Bids in the Real-Time Market

The enhancement proposed herein will allow Generators to increase their RTM Start-Up Bids, using either type of Start-Up Bid, for DAM scheduled Energy and/or Regulation Service. This modification provides the same bidding flexibility for Start-Up Bids that exists today for Incremental Energy Bids.⁷ Allowing Generators that are re-evaluated by RTC to increase Start-Up Bids in real-time, regardless of Day-Ahead schedules, could result in more efficient real-time scheduling decisions and market outcomes.⁸ This functionality improves real-time market

⁵ See Docket No. ER11-2549-000, *New York Independent System Operator, Inc.*, 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 (December 21, 2010); *New York Independent System Operator, Inc.*, Docket No. ER11-2549-000 Letter Order (February 10, 2011).

⁶ See slide 6 of the *Start-Up Bids Treatment* presentation, available at http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_miwg/meeting_materials/2017-01-17/Start-up%20Bid%20Treatment%20MIWG%202017%2001%2017.pdf

⁷ See Docket No. ER10-1977-000 et al., *New York Independent System Operator, Inc.*, Proposed Tariff Clarifications Regarding Real-Time Energy Offers (July 26, 2010); and *New York Independent System Operator, Inc.*, 132 FERC ¶ 61,271 (2010).

⁸ If a Generator that is not re-evaluated by RTC increases its real-time Start-Up Bid, the RTM Start-Up Bid will not be evaluated by RTC; however, the bidding information will provide the NYISO valuable insight into market conditions.

efficiency by making up-to-date cost information available to the RTM software and more accurately reflecting costs in the commitment evaluation for Generators that are re-evaluated by RTC.

A Generator dispatched lower in real-time than its DAM schedule will face RTM balancing obligations for not operating to its DAM schedule; however, these obligations could be less than the cost of operating to its DAM schedule. As such, this feature will improve the ability of Generators to manage the risk of cost increases occurring after submission of their Day-Ahead offers but before the real-time dispatch hour. Generators scheduled in the DAM to start in a given hour will continue to receive Day-Ahead settlements based on their Day-Ahead Start-Up Bids regardless of any increased RTM Start-Up Bids for the same hour.

The proposed revisions to Section 4.4 of the Services Tariff specify that Start-Up Bids may be submitted in the RTM that exceed the Start-Up Bids submitted in the DAM in the same manner that RTM Incremental Energy Bids may be submitted that exceed the Incremental Energy Bids submitted in the DAM.

B. Day-Ahead Margin Assurance Payment Eligibility

The NYISO also proposes to exclude from eligibility for Day-Ahead Margin Assurance Payments (“DAMAP”)⁹ those hours for which Generators have increased their real-time Start-Up Bids compared to the Start-Up Bids submitted in the DAM. This exclusion applies to the hours that the Generator was scheduled for Energy and/or Regulation Service and whose commitment is re-evaluated by RTC. DAMAP is intended to reimburse a Supplier for any lost Day-Ahead Margin that may result from actions taken by the NYISO in real-time that reduce a Resource’s Day-Ahead Margin.¹⁰ This typically happens when the NYISO, in real-time, reduces the otherwise applicable schedule of a Generator, as determined in the DAM, for reliability reasons. However, DAMAP is not warranted when the Supplier’s own actions cause lost, or reduced, Day-Ahead Margin. In this case, the reduced real-time dispatch could be the result of the Generator’s increased real-time Start-Up Bid, not the result of NYISO actions, and a DAMAP is not warranted.

In addition, the NYISO proposes to exclude from DAMAP the two hours before and the two hours following the hour(s) for which the unit has submitted an increased real-time Start-Up Bid on Day-Ahead scheduled Energy and/or Regulation Service, consistent with the current exclusion when a Generator increases its Incremental Energy Bids in real-time. The NYISO’s RTC software considers a two-and-a-half hour look-ahead for its optimization horizon.

⁹ DAMAP is calculated pursuant to Section 25 of (Attachment J to) the Services Tariff.

¹⁰ DAMAP is a “supplemental payment made to an eligible Supplier that buys out of a Day-Ahead Energy, Regulation Service, or Operating Reserves schedule such that an hourly balancing payment obligation offsets its Day-Ahead Margin.” A Supplier’s Day-Ahead Margin, in turn is “[t]hat portion of Day-Ahead LBMP, Operating Reserves settlement or Regulation Service settlement for an hour that represents the difference between the Supplier’s accepted Day-Ahead offer price and the Day-Ahead LBMP, Operating Reserves settlement or Regulation Service settlement for that hour.” See Services Tariff Section 2.4.

Therefore, Start-up Bid changes in a particular hour for a Generator whose commitment is re-evaluated by RTC could impact commitment decisions for the following two hours. Depending on a unit's ramp rate, the NYISO may begin to ramp a Generator to its new schedule as many as two hours ahead in the RTM. For the same reasons that no DAMAP should be paid for hours for which the increased real-time Start-Up Bid has been made, no DAMAP should be payable for the two hours preceding and the two hours following the hour(s) for which the increased real-time offer was made.

The NYISO proposes to add a new Section 25.2.2.5 of the Services Tariff specifying that a Generator, otherwise eligible for DAMAP, whose commitment is re-evaluated by RTC will be ineligible for DAMAP in hours when its real-time Start-Up Bid exceeds the DAM Start-Up Bid associated with a Day-Ahead Energy and/or Regulation Service schedule and the two hours immediately preceding and the two hours immediately following the hour(s) in which the Start-Up Bids are increased in real-time.

IV. Request for Waiver

As discussed above, the NYISO's RTM software has: (i) inappropriately allowed for Generators with a Day-Ahead Energy and/or Regulation Service schedule to increase their Start-Up Bids in real-time in certain limited circumstances; and (ii) prevented Generators with only a Day-Ahead Operating Reserves from being able to increase their Start-Up Bids in the real-time.

Out of an abundance of caution, the NYISO requests that the Commission grant it a waiver of the tariff provisions prohibiting Generators with a Day-Ahead Energy and/or Regulation Service schedule from increasing their Start-Up Bids in real-time¹¹ and the tariff provisions in effect between March 12, 2011 and July 1, 2017 allowing Generators with only a Day-Ahead Operating Reserves schedule to increase their Start-Up Bids in the real-time; to the extent it may be necessary. The Commission has previously evaluated a number of factors in determining whether to authorize a tariff waiver. These include whether: (1) the underlying error was made in good faith; (2) the waiver is of limited scope; (3) a concrete problem needs to be remedied; and (4) the waiver will not have undesirable consequences, such as harming third parties. To the extent that the Commission determines that a waiver is necessary to resolve these issues, the NYISO requests that the Commission consider the following:

The RTM software has only inappropriately allowed Generators with a Day-Ahead Energy and/or Regulation Service schedules to increase their Start-Up Bids in real-time when a multi-point Start-Up Bid curve was submitted in the DAM and resulted in a Day-Ahead Energy and/or Regulation Service schedule. The NYISO identified a limited number of instances when a Generator meeting these conditions revised its RTM Start-Up Bid. Notably, however, none of these instances resulted in financial impacts to Market Participants. The relevant Generators were compensated based on Day-Ahead Start-Up Bids as they were not eligible for re-evaluation by RTC. The NYISO advised Market Participants not to attempt to increase RTM Start-Up Bids in these circumstances on January 17, 2017. The term of the waiver would end on July 1, 2017

¹¹ See Services Tariff Section 4.4.1.2.1 (the same section that the NYISO proposes to amend as part of this filing).

when the tariff revisions and software modifications described in this filing are proposed to become effective.

Generators with only a Day-Ahead Operating Reserves schedule should have had the option to increase Start-Up Bids in real-time since the prohibition was removed from the NYISO's tariffs on March 12, 2011. The tariff amendments removing this prohibition included significant reorganization and clarification of bidding and scheduling provisions in the Services Tariff and OATT. The waiver only involves Generators scheduled for Operating Reserves in the DAM that would have increased their Start-Up Bids in the RTM. The NYISO is not aware of, and was not contacted by, any such Generators that attempted to increase their RTM Start-Up Bids but were prevented from doing so by the NYISO's software. The NYISO intends to correct its software to allow Generators with a Day-Ahead Operating Reserves schedules to increase their Start-Up Bids in real-time and to implement the software change on the same date as the tariff revisions proposed herein. Market Participants have been aware of this situation since January 17, 2017.

V. Effective Date

The NYISO respectfully requests that the Commission issue an order accepting the proposed tariff revisions by June 27, 2017 (*i.e.*, sixty days from the date of this filing) with an effective date of July 1, 2017.

VI. Stakeholder Approval

The proposed tariff amendments were approved unanimously by the NYISO Management Committee on March 29, 2017. The NYISO's Board of Directors approved the proposed revisions on April 11, 2017.

VII. Communications and Correspondence

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

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VIII. 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 State 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.

IV. Conclusion

The New York Independent System Operator, Inc. respectfully requests that the Commission accept for filing the proposed tariff revisions that are attached hereto with an effective date of July 1, 2017.

Respectfully submitted,

/s/ James H. Sweeney

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