

December 8, 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. Compliance Filing;
Docket No. ER17-1561-00_

Dear Secretary Bose:

In accordance with Paragraphs 30, 33 and Ordering Paragraph (B) of the November 9, 2017 *Order on Compliance* (“November Order”)¹ issued by the Federal Energy Regulatory Commission (“Commission”), the New York Independent System Operator, Inc. (“NYISO”) hereby submits compliance revisions to add Section 23.7.2.1.1 and to modify Sections 23.7.3.3 and 23.7.4.6 of its Market Administration and Control Area Services Tariff (“Services Tariff”).

The November Order directs the NYISO to: (1) add language to its Tariffs clarifying that when cost-based bids exceed \$1000/MWh and the NYISO permits a resource to include adders above cost in its bid, the adders that NYISO may authorize are limited to no more than \$100/MWh;² and (2) ensure that opportunity cost recovery for bids exceeding \$1,000/MWh is available as after-the-fact uplift, even if the NYISO is not able to verify the asserted opportunity costs before the close of the relevant market.³ The NYISO’s proposed Services Tariff revisions comply with the Commission’s instructions.

¹ *New York Independent System Operator, Inc.*, 161 FERC ¶ 61,151 (2017).

² *Id.* at P 30.

³ *Id.* at P 33.

I. Documents Submitted

The NYISO respectfully submits the following documents with this filing letter:

1. A clean copy of Services Tariff Section 23.7 that incorporates the changes and additions proposed in this filing (“Attachment I”); and
2. A blacklined copy of Services Tariff Section 23.7 that incorporates the changes and additions proposed in this filing (“Attachment II”).

II. Communications and Correspondence

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

Robert E. Fernandez, General Counsel
*Raymond Stalter, Director, Regulatory Affairs
*Alex M. Schnell, Assistant General Counsel/Registered Corporate Counsel
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*Persons designated for receipt of service.

III. Explanation of Proposed Compliance Revisions

Paragraph 30 of the November Order instructs the NYISO to add language to its Tariffs clarifying that when cost-based bids exceed \$1000/MWh and the NYISO permits a resource to include adders above cost in its bid, the adders that NYISO may authorize are limited to no more than \$100/MWh. The NYISO enforces the offer caps required by Order No. 831⁴ by comparing bids that exceed \$1000/MWh to cost-based reference levels. Any bid that exceeds the applicable cost-based reference level is reduced to the allowed reference level. To comply with the Commission’s instruction, the NYISO proposes to add the following new Section 23.7.2.1.1 to its Service Tariff:

The ISO does not ordinarily include adders above cost in cost-based reference levels. See Section 23.3.1.4.1.3 of these Mitigation Measures. If the ISO ever decides to allow adders above cost to be included in the cost-based based reference levels it uses to determine if a Bid Restriction should be applied, then the combined impact of all of the adders above cost included in the reference level(s) shall be limited to no more than \$100/MWh.

⁴ *Offer Caps in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 831, 81 Fed. Reg. 87,770 (Dec. 5, 2016), 157 FERC ¶ 61,115 (2016).

The proposed Tariff revision is designed to ensure that the NYISO will not permit Incremental Energy Bids that exceed \$1000/MWh or Minimum Generation Bids that exceed \$1000/MWh, or any combination of the two types of bids, to include adders above cost that exceed \$100/MWh.

Paragraph 33 of the November Order instructs the NYISO to revise its proposed Tariff rules to allow the recovery of opportunity costs that NYISO is not able to verify prior to the close of the relevant market, but that are verified by the NYISO after-the-fact, through uplift. The NYISO proposes the following deletions to comply with the Commission's instruction:

- 23.7.3.3 A Market Party shall only be eligible to recover ~~opportunity costs and~~ risk adders that were included in the cost-based Incremental Energy or Minimum Generation reference levels that the ISO used to perform the cost comparison described in Section 23.7.2 above for the relevant Day-Ahead or Real-Time Market hour. Other costs that were Bid, but that were not included in the cost-based Incremental Energy or Minimum Generation reference levels that the ISO used to perform the cost comparison described in Section 23.7.2 above, are eligible for recovery through a Bid Production Cost Guarantee payment in accordance with Section 18 of the ISO Services Tariff if the Market Party demonstrates that they were incurred in an after-the-fact review.
- 23.7.4.6 Demand Side Resources participating in the Day-Ahead Demand Response Program that complied with the requirements of Section 23.7.4.3 shall only be eligible to recover ~~opportunity costs and~~ risk adders that were included in the cost-based Incremental Energy or Minimum Generation reference levels that the ISO used to perform the cost comparison described in Section 23.7.2 above for the relevant Day-Ahead Market hour. Other costs that were Bid, but that were not included in the cost-based Incremental Energy or Minimum Generation reference levels that the ISO used to perform the cost comparison described in Section 23.7.2 above, are eligible for recovery through a Bid Production Cost Guarantee payment in accordance with Section 18 of the ISO Services Tariff if the Market Party demonstrates that they were incurred in an after-the-fact review.

The proposed changes will make verified opportunity costs eligible for recovery after-the-fact through a Bid Production Cost Guarantee payment.

IV. Effective Date

The November Order allows the NYISO to implement its Order No. 831 compliance filing on a flexible effective date between October 1, 2018 and December 31, 2018. Consistent with P 12 and in accordance with Ordering Paragraph (C) of the November Order, the NYISO will submit a filing providing no less than two weeks' advance notice of the effective date of NYISO's tariff revisions. This filing does not specify an effective date for any Tariff revisions.

V. Service

The NYISO will send an electronic link to this filing to the official representative of each party to this proceeding, to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, and to the New Jersey Board of Public Utilities. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com.

VI. Conclusion

The NYISO respectfully requests that the Commission accept the compliance revisions proposed in this letter without modification.

Respectfully submitted,

/s/ Alex M. Schnell

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure, 18 C.F.R. §385.2010.

Dated at Rensselaer, NY this 8th day of December 2017.

/s/ Joy A. Zimmerlin

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