

September 21, 2018

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.*, ER18-____-000;
Proposed Revisions to Authorize the Use of Constraint Reliability
Margin Values Less than 20 MW**

Dear Secretary Bose:

In accordance with Section 205 of the Federal Power Act¹ and Part 35 of the regulations of the Federal Energy Regulatory Commission (“Commission”), the New York Independent System Operator, Inc. (“NYISO”) submits proposed revisions to its Market Administration and Control Area Services Tariff (“Services Tariff”) to allow the use of non-zero constraint reliability margin (“CRM”) values less than 20 MW in its market software.²

The NYISO Management Committee approved the proposed revisions, without opposition, on August 29, 2018. The NYISO respectfully requests that the proposed revisions become effective on November 21, 2018 (*i.e.*, the day following the end of the statutory 60-day notice period).

I. Documents Submitted

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

1. A clean version of the proposed revisions to the Services Tariff (“Attachment I”);
and
2. A blacklined version of the proposed revisions to the Services Tariff
 (“Attachment II”).

¹ 16 U.S.C. § 824d.

² Capitalized terms not otherwise defined herein shall have the meaning specified in the Services Tariff.

II. Background

The NYISO operates its Day-Ahead and real-time markets in a manner that seeks to maintain power flows below the applicable physical limit of each transmission facility and Interface secured in the market software. To account for power flow uncertainty due to factors such as Load and generation variability and the impacts of unscheduled loop flows from neighboring control areas, the NYISO applies a pre-defined offset (referred to as a CRM value) to the otherwise applicable physical limit. The NYISO's market software uses the resulting limit after accounting for the CRM as the effective limit when making economic commitment and dispatch determinations.³

Section 17.1.4 of Attachment B of the Services Tariff permits the NYISO to use two types of CRMs: zero value and non-zero values equal to or greater than 20 MW. The most common non-zero CRM value is 20 MW; however, the NYISO currently assigns larger values to certain facilities and Interfaces.⁴ The applicable CRM value assigned to a particular transmission facility or Interface is determined based on the NYISO's operational experience and consideration of various factors across a broad range of potential system conditions, including the magnitude of power flow uncertainty expected and/or occurring for a particular transmission element. The NYISO also generally strives to utilize CRM values that represent a relatively small percentage of a given transmission element's applicable physical limit. This helps to maintain efficient market outcomes and avoid the use of overly conservative assumptions that could result in divergence between pricing outcomes and actual system conditions.

III. Description of the Proposed Tariff Revisions

The NYISO has historically used non-zero CRM values of 20 MW or greater. In recognition of the NYISO's past practice, Section 17.1.4 of Attachment B of the Services Tariff currently authorizes use of only zero value CRMs and non-zero CRM values equal to or greater than 20 MW. This structure was developed in light of the physical limits of the facilities and Interfaces the NYISO has historically secured in the Day-Ahead and real-time markets (*i.e.*, primarily facilities rated at 230 kV and above along with 138 kV facilities in New York City and Long Island).

Recently, however, the NYISO and its stakeholders have been engaged in an initiative to expand the set of transmission facilities secured in the Day-Ahead and real-time markets to include certain lower voltage level facilities (*i.e.*, 115 kV facilities). In fact, the NYISO began

³ For example, if a hypothetical transmission facility had a physical limit of 1,000 MW and was assigned a 20 MW CRM value, the effective limit utilized by the NYISO's market software for economic commitment and dispatch determinations would be 980 MW.

⁴ The NYISO maintains a publically available posting on its website that lists all transmission facilities and Interfaces assigned a CRM value other than 20 MW. This list is available at: http://www.nyiso.com/public/webdocs/markets_operations/market_data/power_grid_info/Constraint_Reliability_Margin_CRM.pdf.

securing four additional 115 kV facilities in its markets in May 2018. Further, the NYISO anticipates it will begin securing additional 115 kV facilities in the markets by the end of 2018.

These 115 kV facilities typically have physical limits that are materially smaller than the limits associated with facilities and Interfaces the NYISO has historically secured in its markets. Use of a 20 MW CRM value, therefore, can represent a significant portion of such a facility's capability. For example, many 115 kV facilities have limits of 150 MW or less. A 20 MW CRM represents approximately 13% of the total capability for such a facility. In contrast, a typical 345 kV facility has a rating of approximately 1,550 MW, with a 20 MW CRM representing only 1% of the facility's total capability. The magnitude of a 20 MW CRM in comparison to the typical physical limits for 115 kV facilities raises concerns about the potential for such a CRM value to be overly conservative for such facilities. Use of an overly conservative CRM value may lead to market inefficiencies and artificially high prices that do not accurately reflect actual system conditions.

The NYISO has observed the potential for such outcomes since May 2018 when it began securing certain 115 kV facilities using a 20 MW CRM value. In its recent market report for the second calendar quarter of 2018, the Market Monitoring Unit ("MMU") observed that a "20 MW CRM is overly conservative for lower-voltage constraints, which leads to unnecessarily high congestion costs in these areas."⁵ The MMU further noted that "over-constraining these small facilities has large effects on inter-regional flows" because a 10 MW reduction in flows across certain of these facilities can result in up to a 100 MW reduction in flows between the northern and central portions of New York.⁶

To address these circumstances and help prevent exacerbation of such outcomes with the expected securing of additional 115 kV facilities in the markets in the near future, the NYISO proposes to revise Section 17.1.4 of Attachment B of the Services Tariff to permit the use of non-zero CRM values less than 20 MW. Facilities assigned a non-zero CRM value less than 20 MW would continue to utilize the graduated Transmission Shortage Cost mechanism, as described in Section 17.1.4, that applies to all transmission facilities and Interfaces assigned any non-zero CRM value.⁷

⁵ Potomac Economics, *Quarterly Report on the New York ISO Electricity Markets – Second Quarter of 2018* (August 2018) at 11, available at: http://www.nyiso.com/public/webdocs/markets_operations/documents/Studies_and_Reports/Reports/MMU_Quarterly_Reports/2018/NYISO-Quarterly-Report-2018-Q2.pdf.

⁶ *Id.*

⁷ See Docket No. ER17-1453-000, *New York Independent System Operator, Inc., Proposed Tariff Revisions to Clarify and Enhance Transmission Constraint Pricing* (April 21, 2017) at 5-8. The NYISO and its stakeholders are currently engaged in a separate, ongoing initiative to assess and develop potential enhancements to the NYISO's current transmission constraint pricing logic. The scope of that initiative encompasses all facilities and Interfaces, including facilities that would be assigned non-zero CRM values less than 20 MW pursuant to this proposal.

Since early 2017, the NYISO has maintained on its website a list of transmission facilities and Interfaces assigned a CRM value other than 20 MW (*i.e.*, the typical CRM value assigned by the NYISO).⁸ To ensure ongoing transparency to the marketplace regarding the use of CRM values other than 20 MW, the NYISO also proposes to revise Section 17.1.4 to include the ongoing obligation to maintain this website posting.

IV. Effective Date

The NYISO respectfully requests that the proposed tariff revisions become effective on November 21, 2018 (*i.e.*, the day following the end of the statutory 60-day notice period).

V. Stakeholder Process

The Management Committee approved the proposed revisions to the Services Tariff, without opposition, on August 29, 2018. The NYISO Board of Directors approved the proposed tariff revisions on September 18, 2018.

VI. Communications and Correspondence

Please direct all communications and service in this proceeding to:

Robert E. Fernandez, General Counsel
Raymond Stalter, Director, Regulatory Affairs
*Garrett E. Bissell, Senior Attorney
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, New York 12144
Telephone: 518-356-6107
Email: gbissell@nyiso.com

*Person designated for receipt of service.

VII. Service

The NYISO will send an electronic link to this filing to the official representative of each of its customers, each participant on its stakeholder committees, the New York State Public Service Commission, and the New Jersey Board of Public Utilities. The NYISO will also post the complete filing on its website at www.nyiso.com.

⁸ As noted above, this list, which includes both transmission facilities and Interfaces assigned a CRM value greater than 20 MW as well as those assigned a zero value CRM, is available at: http://www.nyiso.com/public/webdocs/markets_operations/market_data/power_grid_info/Constraint_Reliability_Margin_CRM.pdf. Any facility assigned a non-zero CRM value less than 20 MW pursuant to this proposal would be identified on this list.

VIII. Conclusion

The NYISO respectfully requests that the Commission accept the proposed revisions to the Services Tariff attached hereto with an effective date of November 21, 2018.

Respectfully submitted,

/s/ Garrett E. Bissell

Garrett E. Bissell
Senior Attorney
New York Independent System Operator, Inc.

cc: Nicole Buell
Anna Cochrane
James Danly
Jignasa Gadani
Jette Gebhart
Kurt Longo
David Morenoff
Daniel Nowak
Larry Parkinson
Douglas Roe
Kathleen Schnorf
Gary Will