

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

New York Independent System Operator, Inc.)

Docket No. ER14-552-000

**MOTION FOR LEAVE TO RESPOND, AND RESPONSE OF THE
NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**

Pursuant to Rules 212 and 213 of the Federal Energy Regulatory Commission’s (the “Commission’s”) Rules of Practice and Procedure,¹ the New York Independent System Operator, Inc. (“NYISO”) respectfully requests leave to submit the following response (“Response”) to the protest filed in this docket on December 27, 2013 by Great Bay Energy, LLC and Financial Marketers Coalition (“Protest”).² The Protest was submitted in response to the NYISO’s December 6, 2013 Federal Power Act Section 205 filing of *Proposed Tariff Amendments to Implement External Coordinated Transaction Scheduling with PJM Interconnection, LLC*.

I. Motion for Leave to Respond

The NYISO recognizes that the Commission generally discourages responses to protests. However, the NYISO respectfully requests leave to submit this Response. The Commission has allowed responses to protests when they help to clarify complex issues, provide additional information that will assist the Commission, correct inaccurate statements, or are otherwise helpful in developing the record in a proceeding.³ The NYISO’s Response meets this standard.

¹ 18 C.F.R. §§ 385.212 and 385.213.

² See *Motion to Intervene and Protest of Great Bay Energy, LLC and Financial Marketers Coalition*. The entities that signed-on to the Protest are referred to as the “Protesters” in this Response.

³ See, e.g., *Morgan Stanley Capital Group, Inc. v. New York Independent System Operator, Inc.*, 93 FERC ¶ 61,017 at 61,036 (2000) (accepting an answer that was “helpful in the development of the record”); *New York Independent System Operator, Inc.*, 91 FERC ¶ 61,218 at 61,797 (2000) (allowing “the NYISO’s Answer of April 27, 2000, [because it was deemed] useful in addressing the issues arising in these proceedings”); *Central*

The NYISO's response does not introduce new arguments, but instead is submitted for the limited purpose of clarifying certain factual matters and correcting inaccurate statements in the Protest, thereby assisting the Commission in its review and consideration of the issues presented in this proceeding. The NYISO therefore respectfully requests that the Commission exercise its discretion and accept this Response.

II. Response to Protest

A. Summary of Concerns Raised in Protest and Brief Responses to Concerns Raised

The Protest asks the Commission to reject NYISO's proposals to: (1) eliminate the Real-Time Import Bid Production Cost Guarantee ("RT Import BPCG") in advance of the NYISO's implementation of CTS with PJM Interconnection, LLC ("PJM"); and (2) eliminate the Import Curtailment Guarantee at CTS Enabled Proxy Generator Buses at the New York Control Area ("NYCA")/PJM border.⁴ Both of the concerns raised in the Protest should be rejected for the reasons explained in this Response.

The first concern raised in the Protest does not address a Tariff revision that the NYISO proposes in this Docket. The NYISO has requested a November 2014 effective date for the Tariff revisions that the NYISO submitted in this Docket No. ER14-552-000, and for the Tariff revisions that the Commission accepted for filing in Docket No. ER12-701-000⁵ that are necessary to implement CTS with PJM. Hence, the effective date for *all* of the Tariff revisions at issue in this Docket will be the date in November 2014 on which NYISO and PJM implement CTS at their common border (following Commission review and acceptance).

Hudson Gas & Electric Corp., 88 FERC ¶ 61,138 at 61,381 (1999) (accepting prohibited pleadings because they helped to clarify the issues and because of the complex nature of the proceeding).

⁴ See Protest at 7 (the page with the signature bar).

⁵ See *New York Independent System Operator, Inc.*, 139 FERC ¶ 61,048 (2012).

The Tariff revisions and Tariff effective dates proposed in this Docket *will not* result in RT Import BPCG being eliminated before the NYISO implements CTS with PJM in November of 2014. Because the NYISO is *not* proposing to eliminate the RT Import BPCG before the NYISO implements CTS with PJM in this Docket, no relief is necessary, appropriate or available to address the Protest's RT Import BPCG concern in this Docket.⁶

The second concern raised in the Protest asks the Commission to reconsider a Tariff rule that the Commission previously accepted for filing. The Commission accepted Tariff revisions that eliminate Import Curtailment Guarantees for CTS Enabled Proxy Generator Buses in its April 19, 2012 order that accepted the NYISO rules for implementing CTS with ISO-New England ("ISO-NE").⁷ The Protest apparently seeks different treatment of Import Curtailment Guarantees at CTS Enabled Proxy Generator Buses at the NYISO's border with PJM from the rules that the Commission has already accepted for implementation at the NYISO's border with ISO-NE. The Protest does not explain why Imports scheduled at CTS Enabled Proxy Generator Buses that are located at the NYISO's border with PJM should remain eligible to receive Import Curtailment Guarantees that will not be available at CTS Enabled Proxy Generator Buses at the NYISO's border with ISO-NE when CTS is implemented at that border. The NYISO responds in greater detail to the request for differing treatment of Import Curtailment Guarantees at the NYISO's borders with PJM and ISO-NE below.

⁶ The NYISO has submitted a filing in FERC Docket No. ER14-864-000 that proposes to eliminate RT Import BPCG (but not Import Curtailment Guarantees) at *all* of the NYISO's Proxy Generator Buses effective April 8, 2014. To the extent the Protest opposes the removal of RT Import BPCG at one or more of the NYISO's Proxy Generator Buses prior to NYISO's implementation of CTS in November of 2014, Docket No. ER14-864 is the appropriate Docket to raise those concerns in. Comments are due in that Docket on January 17, 2014.

⁷ *New York Independent System Operator, Inc.*, 139 FERC ¶ 61,048 at PP 19-21, 27 (2012).

B. Response to Arguments Opposing Elimination of Import Curtailment Guarantees at NYISO/PJM Border

In Docket No. ER12-701-000 the Commission accepted revisions to Section 25.6.1 of the NYISO's Market Administration and Control Area Services Tariff ("Services Tariff") that provide "[s]uppliers scheduling Imports at CTS Enabled Proxy Generator Buses shall not be eligible for Import Curtailment Guarantee payments for those Transactions." In Docket No. ER14-552-000, the NYISO proposes to apply the previously accepted Tariff rules to Imports at CTS Enabled Proxy Generator Buses that represent the NYISO's border with PJM.

The NYISO discussed the Tariff revisions that it filed in Docket No. ER12-701-000 with its stakeholders and obtained stakeholder approval before those Tariff revisions were submitted for the Commission's consideration. No entity protested the NYISO's proposal to eliminate Import Curtailment Guarantees at CTS Enabled Proxy Generator Buses in Docket No. ER12-701-000.

It is not clear to the NYISO *why* the Protest takes issue with the elimination of Import Curtailment Guarantees at the NYCA/PJM border. In 2012 and 2013 the NYISO paid a total of \$859,370,679 in LBMP settlements to Imports from PJM. The total volume of Imports from PJM over the same period was 19,687,707 MWh. Dividing the LBMP \$ paid by the total MWh volume of Imports from PJM yields an average LBMP of approximately \$43.65/MWh paid to Imports from PJM. Over the same two year period, the NYISO made Import Curtailment Guarantee payments totaling \$292,705.73 to Imports from PJM. Dividing the total Import Curtailment Guarantee \$ paid by the total MWh volume of Imports the NYCA received from PJM yields an average Import Curtailment Guarantee of approximately \$0.015/MWh.⁸

⁸ Import Curtailment Guarantee payments made to each/any of the four NYISO Market Participants that joined the Protest for their Imports to the NYCA from PJM were less than the *de minimis* \$0.015/MWh average Import Curtailment Guarantee payment that the NYISO calculated for all Imports from PJM in 2012 and 2013.

The *de minimis* nature of the Import Curtailment Guarantees that the NYISO paid to Imports from PJM in 2012 and 2013 makes it very difficult for the NYISO to understand why the Protest claims:

NYISO's suggestion that importers incorporate the risk of curtailments into their import offers is potentially absurd. NYISO is apparently encouraging importers to place import offers at higher than their actual costs to address this potential risk, instead of simply making participants whole if the risk actualizes. As a result, if the Import Curtailment Guarantee is eliminated, prices on the PJM-NYISO border will likely be higher than necessary to account for these risks.⁹

On average, the elimination of Import Curtailment Guarantees may increase the average LBMP paid to Imports from PJM by approximately \$0.015/MWh. Any increased LBMP costs are expected to be offset by the reduction in uplift costs allocations that will no longer accrue from Import Curtailment Guarantees.

The NYISO regularly receives a large volume of offers to import Energy from PJM to the NYCA. Competition to schedule Imports to the NYCA from PJM (and competition from internal NYCA generators and import offers from other markets) is expected to discipline the offering behavior of Transmission Customers that might attempt to inflate their import offers to include "phantom" import curtailment cost risks that they are not likely to actually incur. Import offers that incorporate unrealistically high costs to reflect the risk they may be curtailed in the Real-Time Market will not be scheduled. Other resources, including import offers that include more reasonable expectations, will be scheduled in their place. Given the large volume of offers to import Energy from PJM and the full set of resources available for selection by the NYISO's

⁹ Protest at 7 (the page with the signature bar).

Real-Time Commitment (“RTC”),¹⁰ the NYISO does not expect any increase in LBMPs will be higher than what is necessary to account for curtailment risk.

Traders are uniquely situated to evaluate the risks associated with taking a position in the NYISO’s markets. Traders can manage the nature and scope of the risk they assume by carefully crafting the offers they submit and by setting the margins they will accept for engaging in an Import, or any other External Transaction. Unlike Imports, Exports from the NYCA have *never* been eligible to receive a curtailment guarantee. Traders that schedule Export transactions at the NYISO’s borders already incorporate the risk of a possible curtailment into their bidding strategy.

Incorporating the risk that an Import might be curtailed into LBMP offers will benefit the NYCA because it will move the risk (cost) of having scheduled Imports curtailed in the Real-Time Market into the LBMP component of an import offer, rather than “hiding” a portion of the costs in uplift. By incorporating the costs of curtailment into the import offer price, RTC’s market evaluation can appropriately assess the value of scheduling these import offers. In the rare instances where curtailment risk is high, accurately reflecting the risk that import offers may be curtailed in the LBMP at the PJM Proxy Generator Buses will enable RTC to correctly judge the tradeoff between different resources and select a more efficient mix of resources to serve NYCA load.

Finally, the NYISO notes that PJM does not offer Import Curtailment Guarantees at its border with New York. Eliminating Import Curtailment Guarantees from the NYISO’s markets will bring the settlement rules that apply in the two, neighboring regions into closer convergence.

¹⁰ **Real-Time Commitment (“RTC”)**: A multi-period security constrained unit commitment and dispatch model that co-optimizes to solve simultaneously for Load, Operating Reserves and Regulation Service on a least as-bid production cost basis over a two hour and fifteen minute optimization period. *See* Section 2.18 of the Services Tariff.

III. Conclusion

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission (i) accept this Response to the Protest, and (ii) accept the NYISO's proposed CTS Tariff revisions for filing without modification.

Respectfully submitted,

/s/ Alex M. Schnell

Alex M. Schnell, Registered Corporate Counsel
James H. Sweeney, Attorney
New York Independent System Operator, Inc.

Dated: January 10, 2014

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 10th day of January, 2014.

/s/ Joy A. Zimmerlin

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