

January 10, 2014

**By Electronic Delivery**

Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street N.E.  
Washington, D.C. 20426

**Re: *New York Independent System Operator, Inc.*, Docket No. ER14-39-000,  
Compliance Filing and Request for Shortened Comment Period and  
Expedited Action**

Dear Ms. Bose:

In compliance with the Commission's December 4, 2013, *Order Conditionally Accepting Proposed Tariff Revisions* ("December 4 Order")<sup>1</sup> and December 24, 2013 *Notice of Extension of Time* in the above-captioned proceeding, the New York Independent System Operator, Inc. ("NYISO") hereby submits this compliance filing and request for shortened comment period and expedited action.

On October 4, 2013, the NYISO submitted proposed revisions to its Market Administration and Control Area Services Tariff ("Services Tariff")<sup>2</sup> to enhance its Special Case Resource ("SCR") installed capacity market demand response program (the "October Filing").<sup>3</sup> The NYISO's capacity market allows a Responsible Interface Party ("RIP") to become an Installed Capacity Supplier by enrolling demand side resources — also known as SCRs — with eligible load reduction capability in its capacity market based on the SCR's Average Coincident Load ("ACL").

The October Filing expanded opportunities for RIPs to enroll a SCR with a Provisional ACL, introduced the Incremental ACL mechanism to allow a RIP to increase the ACL of a resource, extended the range of hours used in determining the ACL for SCRs, and clarified reporting requirements related to decreases in a SCR's load. The October Filing also proposed

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<sup>1</sup> *New York Independent System Operator, Inc.*, 145 FERC ¶ 61,192 (2013) ("December 4 Order").

<sup>2</sup> Capitalized terms used but not otherwise defined in this filing letter shall have the meanings specified in the Services Tariff.

<sup>3</sup> *New York Independent System Operator, Inc.*, Proposed Tariff Revisions Related to Special Case Resources, Docket No. ER14-39-000 (October 4, 2013) ("October Filing").

revisions to clarify circumstances that could result in an individual SCR having a capacity shortfall and the method by which the NYISO would calculate the penalty for such shortfall and assess it to the relevant RIP. In the December 4 Order, the Commission accepted the proposed revisions, effective March 15, 2014, subject to the NYISO submitting a compliance filing to revise Services Tariff Section 5.14.2 to clarify “how shortfall penalties and deficiency charges are to be assessed under that section in light of the proposed revisions.”<sup>4</sup> The proposed compliance revisions are described in Section III below.

The NYISO also respectfully requests that the Commission establish a shortened comment period for this filing and expeditiously issue an order accepting it. Based on the December 4 Order, the NYISO has begun developing the software changes necessary to implement the tariff revisions accepted by the Commission and plans to deploy the enhancements in March 2014. Prior to deployment, the NYISO needs confirmation that the compliance tariff revisions proposed in this filing have been accepted by the Commission.

## **I. LIST OF DOCUMENTS SUBMITTED**

The NYISO submits the following documents:

1. This filing letter;
2. A clean version of the proposed reordering of paragraphs in Section 5.14 of the Services Tariff (Attachment I);
3. A blacklined version of the proposed reordering of paragraphs in Section 5.14 of the Services Tariff (Attachment II);
4. A clean version of the proposed revisions to the Services Tariff (Attachment III); and
5. A blacklined version of the proposed revisions to the Services Tariff (Attachment IV).

## **II. BACKGROUND**

As the NYISO explained in the October Filing, a RIP that enrolls a SCR in the ICAP/SCR program is an Installed Capacity Supplier.<sup>5</sup> When a RIP, or any other Installed Capacity Supplier, is found to have had a shortfall, the NYISO may assess an ICAP deficiency charge pursuant to Section 5.14.2 of the Services Tariff.

In 2011, the NYISO revised Section 5.14.2 to supplement the general shortfall penalty provisions to describe certain RIP specific shortfall situations. For example, a shortfall may be assessed and a deficiency charge imposed on a RIP that has improperly estimated a Provisional

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<sup>4</sup> December 4 Order at P 26.

<sup>5</sup> Services Tariff § 5.12.11.1.

ACL baseline value when enrolling a individual SCR. Another example of when a shortfall may be assessed and a deficiency charge imposed on a RIP is when it has failed to report a SCR Change of Status<sup>6</sup> for an individual SCR when it results in the RIP selling more capacity for that resource than the SCR was qualified to provide in that month. In 2011, the NYISO also added a shortfall evaluation that is based on a RIP's entire SCR portfolio by Load Zone.<sup>7</sup>

In the October Filing, the NYISO proposed, and the Commission conditionally approved, explicit descriptions of additional individual SCR shortfall situations in Section 5.14.2. The revisions were intended to describe how the proposed Incremental ACL, Provisional ACL and other SCR rule enhancements impact the shortfall calculations and deficiency charges that are applicable for RIPs. These revisions align the shortfall calculations for the Provisional ACL with those generally applicable to all ICAP Suppliers, establish the methodology for calculation of a shortfall and deficiency charge for RIPs enrolling a SCR using an Incremental ACL, and clarify that a deficiency charge will be assessed when a RIP has oversold the capacity of a SCR as a result of a SCR Change of Status.<sup>8</sup> The NYISO also proposed to revise Section 5.14.2 to provide that when an individual SCR subjects a RIP to multiple deficiency charges for different shortfalls (e.g., Provisional ACL shortfall and SCR Change of Status shortfall) that only a single deficiency charge with the highest value shall be assessed to the RIP for that SCR and time period.

In the December 4 Order, the Commission directed the NYISO to submit a compliance filing to revise Services Tariff Section 5.14.2 to clarify "how shortfall penalties and deficiency charges are to be assessed under that section in light of the proposed revisions."<sup>9</sup>

### **III. DESCRIPTION OF PROPOSED COMPLIANCE TARIFF REVISIONS**

The proposed compliance tariff revisions rearrange the content of Section 5.14.2 to order the provisions in the most logical sequence and group content by topic. To distinguish between tariff changes to merely indicate relocated text that has already been accepted by the Commission and the compliance tariff revisions proposed in this filing letter, the NYISO has included Attachments I and II to first show the rearranged text and Attachments III and IV to show the compliance tariff revisions that are described below.

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<sup>6</sup> The SCR Change of Status rule was developed by the NYISO, in collaboration with its stakeholders, and implemented into the NYISO procedures and requirements for RIPs via the NYISO ICAP Manual in 2009. In 2011, the Commission issued a compliance obligation for the NYISO to include its SCR Change of Status requirements explicitly in the tariff. *See New York Independent System Operator, Inc.*, 135 FERC ¶ 61,020 (2011) at P 14; *New York Independent System Operator, Inc. Compliance Filing*, Docket No. ER11-2906-000 (May 2, 2011). In its filing initiating this compliance filing, the NYISO has proposed tariff language in 5.14.2 to clarify how the SCR Change of Status condition may result in a shortfall and deficiency charge.

<sup>7</sup> *Id.*

<sup>8</sup> October Filing at pp. 11-13.

<sup>9</sup> December 4 Order at P 26.

In this filing, the NYISO is proposing to add subheadings in MST Section 5.14.2.1 to provide a roadmap of the topics covered by this provision and clarify that there are general shortfall provisions that apply to all ICAP Suppliers in addition to specific shortfall provisions that apply only to External Installed Capacity Suppliers and RIPs, respectively.

In the general shortfall provisions, set forth in new Section 5.14.2.1, the NYISO clarifies that shortfalls may be calculated using either Unforced Capacity data or Installed Capacity data. In the event Installed Capacity data is used, the data shall be converted to the Unforced Capacity equivalent prior to calculating any deficiency charge. In addition, all shortfalls shall be measured in MWs, in increments of 0.1 MW.

The shortfall provisions that are specific to RIPs are set forth in new Section 5.14.2.3. In this section, the NYISO explains that there are three distinct measures of shortfall that are based on evaluations at the individual SCR level. These evaluations relate to the use of a Provisional ACL or Incremental ACL, or a SCR Change of Status. New Section 5.14.2.3 also clarifies that there is one measure of shortfall that is based on an evaluation of the RIP's entire SCR portfolio performance by Load Zone.

The use of the terms "shortfall" and "deficiency" have been conformed throughout Section 5.14.2 to avoid potential ambiguity. Instead of using the terms interchangeably, the term shortfall is used to mean the failure to comply with the tariff requirement or the MW amount, and deficiency to refer to the charge for such failure (i.e., the penalty).<sup>10</sup>

The NYISO is also proposing ministerial revisions to the definition of SCR Load Change Reporting Threshold to account for the change of the definition of "Rest of State" with the introduction of the new G-J Locality and replace the word "and" with the word "or" to reflect that the identified thresholds are alternatives and that the applicable threshold will vary based on the facts.<sup>11</sup>

The NYISO presented an initial draft of the compliance tariff revisions to stakeholders at the January 7, 2014 joint meeting of the Installed Capacity and Price Responsive Load Working Groups. The compliance tariff revisions proposed in this filing incorporate stakeholder feedback.

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<sup>10</sup> In the December 4 Order, the Commission expressed its understanding of the distinction between shortfall penalties and deficiency charges. December 4 Order at P 26. In this filing, the NYISO clarifies that there are many types of SCR-specific shortfalls, three of which are measured on an individual SCR basis and one of which is measured based on the RIP's portfolio performance. The penalty assessed for each of these shortfalls is known as a "deficiency charge."

<sup>11</sup> See *New York Independent System Operator, Inc.*, 144 FERC ¶ 61,126 (2013).

#### **IV. EFFECTIVE DATE AND REQUEST FOR EXPEDITED ACTION**

The NYISO requests that the Commission accept the proposed compliance tariff revisions, effective March 15, 2014, to ensure that all tariff revisions proposed in this proceeding are in place for the 2014 Summer Capability Period. While the 2014 Summer Capability Period formally begins on May 1, 2014, significant preliminary work, including SCR enrollment and data submission and collection, must be completed by the NYISO and Market Participants prior to this date, and in accordance with the enhanced SCR rules, in order to apply these rules to the installed capacity auction for May 2014.

The NYISO also respectfully requests that the Commission establish a shortened comment period for this filing and expeditiously issue an order accepting it. Based on the December 4 Order, the NYISO has begun developing the software changes necessary to implement the tariff revisions accepted by the Commission and plans to deploy the enhancements in March 2014. Prior to deployment, the NYISO needs confirmation that the compliance tariff revisions proposed in this filing have been accepted by the Commission.

#### **V. COMMUNICATIONS AND CORRESPONDENCE**

Copies of all filings and correspondence concerning this proceeding should be served on:

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#### **VI. 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](http://www.nyiso.com).

## **VII. CONCLUSION**

WHEREFORE, for the foregoing reasons, the NYISO respectfully requests that the Commission accept the proposed compliance tariff revisions described in this filing.

Respectfully submitted,

/s/ David Allen

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Senior Attorney  
New York Independent System Operator, Inc.

cc: Michael Bardee  
Gregory Berson  
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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 10<sup>th</sup> day of January, 2014.

/s/ Joy A. Zimmerlin

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