

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

**New York Independent System Operator, Inc. )**

**Docket No. ER14-\_\_\_\_-000**

**NEW YORK INDEPENDENT SYSTEM OPERATOR, INC. REQUEST  
FOR LIMITED TARIFF WAIVER, SHORTENED COMMENT PERIOD,  
AND EXPEDITED COMMISSION ACTION**

Pursuant to Rule 207(a)(5) of the Federal Energy Regulatory Commission

(“Commission” or “FERC”) Rules of Practice and Procedure,<sup>1</sup> the New York Independent System Operator, Inc. (“NYISO”) respectfully submits this waiver request (“Waiver Request”) requesting that the Commission waive the strict application of Formula N-4 in Section 20.2.3, Attachment N, to its Open Access Transmission Tariff (“OATT”) (Formula N-4) to allow the NYISO to make the appropriate Congestion Payment for the month of January 2014 to the Primary Holder of a Transmission Congestion Contract (“TCC”) identified in the NYISO database as TCC 31835.<sup>2</sup> Because this TCC is identified with a Point of Injection (“POI”) at point identifier (“PTID”) 23800, the Congestion Payment for the month of January 2014 is erroneous and should be corrected. For the reasons explain in Section IV of this Waiver Request, the NYISO respectfully requests that the Commission provide for a shortened comment period of ten days and grant the requested waiver by May 15, 2014, but no later than May 22, 2014, to allow the NYISO to implement the waiver in a timely fashion and minimize the impact on affected Market Participants.

---

<sup>1</sup> 18 C.F.R. § 385.207(a)(5) (2014).

<sup>2</sup> Capitalized terms that are not otherwise defined in this Waiver Request shall have the meanings specified in Section 1 of the OATT or Section 2 of the Market Administration and Control Area Services Tariff (“Services Tariff”).

## **I. BACKGROUND**

TCC 31835 is a 853 MW Grandfathered TCC currently held by Exelon Corporation and identified in Table 1A, Attachment L, Section 18.1.1 as contract 102. It is shown with a POI at the Sithe Independence generating facility (“Sithe Facility”) and a Point of Withdrawal (“POW”) at Pleasant Valley. The NYISO’s TCC inventory lists the POI for this TCC as PTID 23800, the PTID assigned to the Sithe Facility at NYISO start-up in 1999.<sup>3</sup>

Primary Holders of TCCs receive an hourly Congestion Payment calculated pursuant to Formula N-4, reflecting the difference in Day-Ahead Locational Based Marginal Pricing (“LBMP”) congestion between the TCC’s POI and POW.<sup>4</sup> Payments to TCC Holders can act as a hedge against congestion charges imposed on Day-Ahead Market activity occurring at the same POI and POW.

In August 2005, and with the concurrence of the owners of the Sithe Facility, the NYISO replaced the Sithe Facility’s single PTID of 23800 with four new individual PTIDs (24169, 24170, 24171 and 24172) by implementing “pseudo-unit modeling” in the Energy Market for this facility. Pseudo-unit Energy Market modeling was made available to all owners of combined cycle facilities in order to allow them to more accurately reflect actual cost (efficiency) differences among the various plant configurations of their facilities when bidding them in the Day-Ahead and Real-Time Markets.<sup>5</sup> Energy LBMPs are calculated for each of the

---

<sup>3</sup> See NYISO TCC Data & Information webpage at [http://www.nyiso.com/public/markets\\_operations/market\\_data/tcc/index.jsp](http://www.nyiso.com/public/markets_operations/market_data/tcc/index.jsp). The TCC’s POW at Pleasant Valley, shown in the inventory as PTID 2400, is not at issue.

<sup>4</sup> See, Section 20.2.3 in the NYISO OATT.

<sup>5</sup> With pseudo-unit modeling, a combined cycle facility is modeled as a series of units representing the various configurations in which the generating facility can be operated. As a general matter, each gas turbine and a portion of the steam unit is modeled separately and is represented by an individual PTID. For instance, a combined cycle facility with pseudo-unit modeling for four gas turbines would be modeled with four PTIDs and could be offered into the Energy Market using any combination of the four PTIDs. Pseudo-unit modeling was described in a series of

multiple PTIDs created with pseudo-unit modeling for a single generating facility but the LBMPs are identical.

When the NYISO assigned four new PTIDs to the Sithe Facility it did not retire PTID 23800, which continued in the Energy Market as a pricing node. After August 2005, however, no Energy Market activity utilized this PTID and it was no longer a biddable POI or POW for new TCCs in the NYISO TCC auctions.<sup>6</sup>

Nonetheless, the POI for TCC 31835 remains in the NYISO TCC inventory and database as PTID 23800 and it is this PTID that is used in Formula N-4 to calculate the Congestion Payment for TCC 31835. This did not present a problem until the LBMP at PTID 23800 began to differ from the LBMP at each of the four Sithe Facility PTIDs in January 2014.

During the cold snap in January 2014, the LBMP at PTID 23800 differed from the LBMP at each of the four Sithe PTIDs in the intervals in which the Oswego export constraint became active (or “was binding”) in the Energy Market. The Oswego export constraint was included in the NYISO’s Energy Market models in 2008 to allow LBMPs to reflect the value of this constraint whenever it became active.<sup>7</sup> In January 2014, the four Sithe Facility PTID LBMPs appropriately reflected the value of this active constraint but the LBMP for PTID 23800 did not.

This discrepancy was brought to the NYISO’s attention when the Primary Holder of TCC 31835 notified the NYISO that the Congestion Payment for its TCC in January did not reflect Day-Ahead congestion at the Sithe Facility. Upon investigation, the NYISO discovered that it

---

Quarterly Reports filed by the NYISO in Docket No. ER04-230-000, particularly in the Sixth and Seventh Quarterly Reports submitted on February 8, 2006 and May 9, 2006, respectively.

<sup>6</sup> PTID 23800 is not in the list of eligible Points of Injection and Withdraw published for Centralized TCC Auctions. See Transmission Congestion Contract Manual, Attachment E, Point of Injection and Withdrawal (POI and POW) for the Spring 2014 Centralized TCC Auction and Summer 2014 TCC Reconfiguration Auctions.

<sup>7</sup> The Oswego Export constraint is active when the minimum bid production cost solution for the Day-Ahead Market scheduling evaluation would have awarded energy schedules to certain generators in the Oswego complex such that the sum of these energy awards in an hour exceeds the Oswego export limit.

had failed to map the Oswego export constraint to PTID 23800. Although the Energy Market software does not schedule energy or ancillary products at PTID 23800, it does establish a price at this node. Failure to map this new Oswego export constraint to PTID 23800 produces different LBMPs at PTID 23800, when compared to the four Sithe Facility PTIDs, whenever the Oswego export constraint becomes active.

The NYISO has confirmed that January 2014 was the first month in which the Oswego export constraint was binding in the Day-Ahead Market evaluation and the first month this difference in LBMPs became evident.<sup>8</sup> The NYISO has also confirmed that no other TCC in the NYISO inventory uses PTID 23800 as a POI or a POW and that no Energy Market settlements, other than the calculation of Congestion Payment for TCC 31835, used the LBMP calculated for PTID 23800.<sup>9</sup>

The NYISO considers prices resulting from the failure to map the Oswego export constraint to PTID 23800 as pricing errors and is pursuing the pricing error notification requirements outlined in Section 20.4 of Attachment E of its Market Administration and Control Area Services Tariff (“Services Tariff”). This section requires the NYISO to include in its quarterly report to customers the details of any pricing error it became aware of after the deadline has passed for correcting it. Thus, the NYISO will include Day-Ahead prices at PTID 23800 when the Oswego export constraint was active as pricing errors in the next quarterly price correction report that gets posted to the NYISO’s webpage.<sup>10</sup> The Oswego export constraint has

---

<sup>8</sup> The Oswego export constraint was not active in the Day-Ahead Market prior to the January 2014 cold snaps and it has not been active since January 2014.

<sup>9</sup> In short, no other Market Participant was harmed by this issue as the LBMP at PTID 23800 is not used in any NYISO settlement other than in calculating the Congestion payment for the holder of TCC 31835.

<sup>10</sup> See: Section 20.4 of (Attachment E to) the Services Tariff – Procedures for Reserving and Correcting Erroneous Energy and Ancillary Services Prices. Notwithstanding this pricing error, however, as stated previously, no market settlements were impacted by this error other than the one that is the subject of this Waiver Request.

now been mapped to PTID 23800 through an update to the Energy Market model that was deployed March 26, 2014.

## **II. REQUEST FOR WAIVER**

For the reasons explained in this Waiver Request, the NYISO requests that the Commission waive the strict application of Formula N-4 for all intervals in January 2014 and allow the NYISO to calculate the Congestion Payment for TCC 31835 by using one of the four Sithe PTIDs as the POI in Formula N-4, rather than the PTID in the TCC inventory for this TCC, PTID 23800. Because the NYISO has historically utilized only the POIs and POWs as listed in the NYISO's TCC inventory in Formula N-4, the NYISO believes a waiver is necessary in order to make the appropriate Congestion Payment in this case.<sup>11</sup> Calculating the Congestion Payment for TCC 31835 by substituting one of the four Sithe Facility unit PTIDs for PTID 23800 as the POI in Formula N-4 will align the Congestion Payment for this TCC, which is intended to source at the Sithe Facility, with the Day-Ahead Market congestion at this location.

The waiver is limited to the month of January 2014 because the NYISO has confirmed that the Oswego export constraint was not active in Day-Ahead Market evaluations on any date before January 1, 2014 and has not been active between January 31, 2014 and the date of the modeling fix implementation, March 26, 2014.

## **III. THE REQUESTED WAIVER CONFORMS TO THE COMMISSION'S CRITERIA AND IS IN THE PUBLIC INTEREST**

The Commission has previously granted Independent System Operators and Regional Transmission Organizations limited waivers of their own tariff provisions when: (1) the underlying error (if any) was made in good faith; (2) the waiver is of limited scope; (3) a

---

<sup>11</sup> Formula N-4 utilizes the Congestion Component (\$/MWh) of the LBMP at the TCC's Point of Injection (POI) in defining the term "CCPOI".

concrete problem needed to be remedied; and (4) the waiver did not have undesirable consequences, such as harming third parties.<sup>12</sup> All of these are satisfied in this proceeding.

The error was made in good faith. The NYISO acted in good faith in implementing the new constraint in the Energy Market models in 2008 and intended to map the Oswego export constraint model to every active Sithe Facility PTID; the omission of PTID 23800 was not intentional, but rather was an inadvertent oversight.<sup>13</sup>

The requested waiver is of limited scope and duration. This waiver seeks to replace the PTID for TCC 31835's POI, only for one month when calculating the Congestion Payment on this TCC. The modeling error requiring this waiver was corrected on March 26, 2014 and the NYISO has confirmed that a waiver is not necessary to make appropriate Congestion Payments for this TCC for any dates other than those requested and that a waiver is not necessary to make appropriate Congestion Payments for any other TCC.

A concrete problem needs to be remedied. If this Waiver Request is not granted, the NYISO will not be able to compensate the Primary Holder of TCC 31835 with a Congestion Payment that properly reflects congestion in the Day-Ahead Market in January 2014 at the Sithe Facility. Congestion Rents paid into the NYISO Day-Ahead Market for market activity at the Sithe Facility appropriately reflected the congestion caused when the Oswego export constraint

---

<sup>12</sup> *New York Independent System Operator, Inc.*, 146 FERC ¶ 61,061, at P 19 (2014), *New York Independent System Operator, Inc.*, 139 FERC ¶ 61,108, at P 14 (2012). *See also, e.g., PJM Interconnection, LLC*, 137 FERC ¶ 61,184, at P 13 (2011); *PJM Interconnection, LLC*, 137 FERC ¶ 61,109, at P 11 (2011); *PJM Interconnection, LLC*, 135 FERC ¶ 61,069, at P 8 (2011); *ISO-New England, Inc.*, 134 FERC ¶ 61,182, at P 8 (2011); *California Independent System Operator Corp.*, 132 FERC ¶ 61,004, at P 10 (2010); *Hudson Transmission Partners*, 131 FERC ¶ 61,157, at P 10 (2010); *Pittsfield Generating Co., L.P.*, 130 FERC ¶ 61,182, at P 9-10 (2010); *ISO New England Inc. - EnerNOC*, 122 FERC ¶ 61,297 (2008); *Central Vermont Public Service Corp.*, 121 FERC ¶ 61,225 (2007); *Waterbury Generation LLC*, 120 FERC ¶ 61,007 (2007); *Acushnet Co.*, 122 FERC ¶ 61,045 (2008).

<sup>13</sup> The Commission has granted one-time waivers of tariffs to alleviate the effects of inadvertent errors by ISOs or other entities. *See e.g., Wisvest-Connecticut*, 101 FERC ¶ 61,372, at P 24-27 (2002); *ISO New England, Inc.*, 117 FERC ¶ 61,171, at P 21-22 (2006).

was active. Granting this waiver will allow the NYISO to appropriately reflect in the Congestion Payment for TCC 31835 the congestion caused when the Oswego export constraint was active.

Finally, the requested waiver will not harm third parties nor have any other undesirable consequences. The Primary Holder of TCC 31835 and the New York Transmission Owners (“NYTOs”) are the only Market Participants impacted by this error. Because Congestion Rent paid into the Day-Ahead Market appropriately reflected the value of the Oswego export constraint during the month of January, the recalculation of the Congestion Payment to the Primary Holder of TCC 31835 will not cause undue financial hardship to the NYTOs. The financial consequences to the NYTOs that result from correcting the settlement for this TCC are no different than the financial consequences that would have been imposed had the Congestion Payment on this TCC been proper at the outset and the pricing error not occurred.<sup>14</sup>

#### **IV. REQUEST FOR SHORTENED NOTICE PERIOD AND FOR EXPEDITED COMMISSION ACTION**

The NYISO respectfully requests that the Commission grant the requested waiver by May 15, 2014, but no later than May 22, 2014. To meet this expedited schedule, the NYISO respectfully requests that the Commission immediately issue notice of this Waiver Request and provide for a shortened comment period of ten days in accordance with its Rule 210(b).<sup>15</sup> Expedited Commission action will allow the NYISO to reflect the results of Commission action in support of this Waiver Request in the NYISO’s normal invoicing procedures for January. The Congestion Payment for TCC 31835 can be corrected in January’s four month true up which is

---

<sup>14</sup> TCCs in the NYISO are fully funded. When Day-Ahead Congestion Rent is insufficient to fully fund the Congestion Payments for all valid TCCs, the NYTOs are assessed a charge; similarly they are credited with additional revenue when Congestion Rents exceed Congestions Payments. *See, generally*, Section 20.2.2, NYISO OATT.

<sup>15</sup> 18 C.F.R. § 210(b).

scheduled for the invoice to be delivered to Market Participants on or about June 6, 2014.<sup>16</sup> If the NYISO is unable to correct January's Congestion Payment to Exelon in this manner, should the Commission support this request, the NYISO will not be able to apply the correction until January's final-bill closeout which is issued in the September invoice. Adding this correction to the final-bill closeout for January increases the interest charged to the NYTOs for making this correction and is a large correction to be included on the last invoice for January before the invoice is closed to further adjustments of any kind.<sup>17</sup>

In order to correct Exelon's January Congestion Payment on the invoice issued in June, the NYISO will need Commission action by the middle of May to allow the NYISO adequate time to process the June invoice before delivery. Each invoice contains the monthly invoice for the previous month, a four-month true-up and the final-bill invoice for the month that is being closed out. For the June invoice, the NYISO will need to spin the bill for May, 2014 (the initial month), January, 2014 (the four month true-up), and for September, 2013, the close-out month). Each of these bill spins requires a minimum of 35 hours – if there are no software issues. Then the NYISO must apply manual adjustments and verify the results. The NYISO has scheduled the bill spins, to produce the final June invoice, for May 23, 2014, leaving the weekend and the early part of the following week for the bills spins to complete.

Receiving Commission action by May 15<sup>th</sup> would allow the NYISO to include the Exelon correction and complete the processing of the June invoice while leaving an adequate time-window to fix any errors that may arise - errors that could be wholly unrelated to this Waiver Request. A Commission Order on May 22 should also provide sufficient time for these

---

<sup>16</sup> Section 7.2.2.2 of the Services Tariff – Monthly Invoice.

<sup>17</sup> Section 7.4 of the Services Tariff (For purposes of this Section 7.4, "finalized" data and invoices shall not be subject to further correction, including by the ISO, except as ordered by the Commission or a court of competent jurisdiction...).



processing steps, although software issues arising during processing could delay the invoice. A Commission Order received after May 22nd would require the NYISO to apply the correction to Exelon's Congestion Payment to January's close-out invoice, issued in September, 2014. Expedited Commission action on this Waiver Request will limit the interest charges to the NYTOs and provide the holder of TCC 31835 with the proper settlement amount in the most timely manner possible.

## **V. CORRESPONDENCE AND COMMUNICATIONS**

Please send all correspondence regarding this Waiver Request to the following NYISO representatives:

Robert E. Fernandez, General Counsel  
Raymond Stalter, Director of Regulatory Affairs  
Mollie Lampi, Assistant General Counsel  
\*Nathan D. Markey, Attorney  
New York Independent System Operator, Inc.  
10 Krey Boulevard  
Rensselaer, NY 12144  
Tel: (518) 356-6000  
Fax: (518) 356-4702  
[rfernandez@nyiso.com](mailto:rfernandez@nyiso.com)  
[rstalter@nyiso.com](mailto:rstalter@nyiso.com)  
[mlampi@nyiso.com](mailto:mlampi@nyiso.com)  
[nmarkey@nyiso.com](mailto:nmarkey@nyiso.com)

\*Persons designated to receive service

## **VI. SERVICE**

This filing will be posted on the NYISO's website at [www.nyiso.com](http://www.nyiso.com). 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 Public Service Commission, and to the New Jersey Board of Public Utilities.

## **VII. CONCLUSION**

For the reasons stated above, the NYISO requests a limited waiver of the strict application of Formula N-4 for the period of January 1, 2014 through January 31, 2014 and Commission action on this Waiver Request on or before May 15, 2014 but no later than May 22, 2014.

Respectfully submitted,

/s/ Nathan D. Markey

Mollie Lampi, Assistant General Counsel  
Nathan D. Markey, Attorney  
New York Independent System Operator, Inc.

April 11, 2014

cc: Michael A. Bardee  
Gregory Berson  
Anna Cochrane  
Jignasa Gadani  
Morris Margolis  
Michael McLaughlin  
David Morenoff  
Daniel Nowak