

August 8, 2014

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.'s Proposed Tariff
Amendments to Eliminate Non-Firm Point-To-Point Transmission Service
for External Transactions; Docket No. ER14-____-000**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,¹ the New York Independent System Operator, Inc. ("NYISO") hereby submits proposed amendments to its Market Administration and Control Area Services Tariff ("Services Tariff") and to the Open Access Transmission Tariff ("OATT") to eliminate the Non-Firm Point-To-Point Transmission Service² scheduling option for External Transactions. The NYISO markets provide other External Transaction scheduling options to Market Participants that are superior to Non-Firm Point-To-Point Transmission Service. In addition, the Non-Firm Point-To-Point Transmission Service scheduling option is rarely used by NYISO's Market Participants. These tariff amendments were approved by the Management Committee unanimously with one abstention.

I. Documents Submitted

1. This filing letter;
2. A clean version of the proposed revisions to the Services Tariff, ("Attachment I");
3. A clean version of the proposed revisions to the OATT, ("Attachment II");
4. A blacklined version of the proposed revisions to the Services Tariff ("Attachment III"); and
5. A blacklined version of the proposed revisions to the OATT ("Attachment IV").

¹ 16 U.S.C. §824d (2012).

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

II. Background and Justification

The NYISO's tariffs have provided for Non-Firm Point-To-Point Transmission Service for External Transactions since the inception of the NYISO in 1999. The service allows Transmission Customers unwilling to pay for Congestion to, nonetheless, schedule External Transactions. Non-Firm Point-To-Point Transmission Service is scheduled only for External Transactions and is scheduled only when there is no Congestion between the Point of Injection and the Point of Withdrawal at the time the schedule is established.³ It is implemented by the NYISO as an hourly only product.

The NYISO has been improving the efficiency of its real-time energy market scheduling since start up by, among other enhancements, implementing 15-minute scheduling at most of its Proxy Generator Buses and designing a Coordinated Transaction Scheduling ("CTS") platform for use at certain Proxy Generator Buses. In conjunction with CTS, the NYISO will also establish intra-hour schedules 15 minutes closer to actual, real-time operations and improve the flexibility of 15-minute transaction scheduling by permitting customers to vary MW quantities and offer prices for each quarter of an hour. Establishing intra-hour schedules closer to the actual 15-minute scheduling interval will improve the accuracy of cross-border scheduling decisions because those decisions will reflect updated system conditions. Non-Firm Point-To-Point Transmission Service for External Transactions is inconsistent with these market enhancements and incompatible with CTS with ISO-New England ("ISO-NE").

Fifteen-minute scheduling for Imports and Exports improves efficiency and market outcomes. It offers customers a settlement that more closely links their actual schedules and settlements with their bids and offers. It also expands the pool of resources available to the NYISO, improves transmission utilization, and reduces uncertainties associated with forward-looking scheduling horizons. In contrast, External Transactions requesting the use of Non-Firm Point-to-Point Transmission Service may not vary MW quantities for each quarter of an hour and assume an offer price that is equivalent to not willing to pay congestion between the source and sink of the External Transaction offer.⁴ The continuation of hourly Non-Firm Point-To-Point Transmission Service for External Transactions could reduce the efficiency gains realized from 15-minute scheduling for Imports and Exports. The additional bidding flexibility for External Transactions that do not elect to use Non-Firm Point-to-Point Transmission Service allows customers to better manage their scheduling needs through the submission of both offer MWs and offer prices that may vary for each quarter of an hour. This bidding flexibility also allows customers to achieve the same bidding functionality as the Non-Firm Point-to-Point

³ The NYISO has not offered Non-Firm Point-To-Point Transmission Service for internal Transactions since March 2011. New York Independent System Operator, Inc., Letter Order, Docket No. ER11-2459-000 (Feb. 10, 2011); see also *NYISO's Proposed Tariff Clarifications Regarding the Bidding for and Scheduling of Energy in New York's LBMP Market and the Scheduling of Transmission Service in the New York Control Area*, Docket No. ER11-2459-000 at p. 15 (December 21, 2010) ("the NYISO proposes to affirmatively indicate that Non-Firm Transmission Service is unavailable for internal Transactions").

⁴ Customers do not have the ability to submit an offer price when submitting a transaction offer that relies on Non-Firm Point-to-Point Transmission Service.

Transmission Service for External Transaction offers, but with the advantage of adjusting the schedule for each quarter of an hour.

As mentioned, hourly Non-Firm Point-To-Point Transmission Service is also incompatible with the NYISO's CTS with ISO-NE market design. ISO-NE does not offer Non-Firm Point-To-Point Transmission Service as a scheduling option for its customers.⁵ The conflicting service options between NYISO and ISO-NE, if not addressed, will cause incompatibilities in the software being developed for the CTS project between NYISO and ISO-NE. The software for CTS between NYISO and ISO-NE is being designed to allow both NYISO and ISO-NE customers to submit External Transaction Bids in a single location. Without the elimination of Non-Firm Point-To-Point Transmission Service for External Transactions, NYISO customers would be allowed to submit offers relying on Non-Firm Point-To-Point Transmission Service while ISO-NE customers would have no way to effectuate that type of transaction within their market.

Moreover, the NYISO's Market Participants use this service option only very rarely. In 2013, Market Participants requested only 447 MWh of Non-Firm Point-To-Point Transmission Service for their External Transactions and only 56 MWh were scheduled and flowed. When compared to the total power demand in the New York Control Area of 163,514 GWh for 2013, this is a transmission service option that appears to be of inconsequential interest to the NYISO's customers.⁶ The NYISO surveyed all Market Participants that submitted offers in 2013 and the first quarter of 2014 relying on Non-Firm Point-To-Point Transmission Service for their External Transactions. No Market Participants expressed opposition to the elimination of such transmission service.

Given its rare use, its incompatibility with the design for CTS with ISO-NE and the availability of 15-minute scheduling at nearly all Proxy Generator Buses, where customer willingness to pay congestion is more efficiently reflected in their scheduled transactions and settlements, Non-Firm Point-to-Point Transmission Service is no longer a necessary or useful product in the NYISO and should be discontinued.

The NYISO relies on the "independent entity variation" standard to eliminate the Non-Firm Point-To-Point Transmission Service scheduling option for External Transactions from its OATT. The Commission has granted ISOs and RTOs the flexibility to seek "independent entity variations" from its *pro forma* OATT to demonstrate how existing tariffs or business practices are adequate to satisfy the requirements of the Commission. As the Commission stated in

⁵ See *New England Power Pool*, 102 FERC ¶ 61,112 at PP 3, 19, and 21 (2003).

⁶ In addition, when queried at three Market Issues Working Group meetings, no Market Participant indicated that the loss of Non-Firm Transmission Service would be problematic. See http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_miwg/meeting_materials/2014-03-25/Non-Firm%20Transactions%20-%20MIWG%2020140325.pdf, http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_miwg/meeting_materials/2014-05-06/NFTS%20Follow%20up.pdf, and http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_miwg/meeting_materials/2014-06-03/Non-Firm%20Transmission%20Service%20for%20External%20Transactions%20-%20Tariff%20Revisions.pdf.

connection with the same requirement under Order No. 2003, “this is a balanced approach that recognizes that an RTO or ISO has different operating characteristics depending on its size and location and is less likely to act in an unduly discriminatory manner than a Transmission Provider that is a market participant.”⁷ For the reasons discussed above, the NYISO’s elimination of Non-Firm Point-To-Point Transmission Service for External Transactions is necessary to realize the efficiency gains from the 15-minute scheduling of Imports and Exports and from establishing intra-hour schedules as close to the actual 15-minute scheduling interval as possible. Also, as discussed above, the Non-Firm Point-To-Point Transmission Service scheduling option is rarely used by NYISO’s Market Participants.

III. Description of Proposed Revisions to the Services Tariff and OATT

A. Services Tariff Section 2.3 and OATT Section 1.3

The NYISO proposes to modify the definition of “Curtailed or Curtail” to remove the reference to Firm or Non-Firm Transmission Service and, instead, simply reference Transmission Service.

B. Services Tariff Section 2.14 and OATT Section 1.14

The NYISO proposes to modify the definition of “Non-Firm Point-To-Point Transmission Service” to reflect that such service will no longer be available in the markets that the NYISO administers.

C. Services Tariff Section 2.16 and OATT Section 1.16

The NYISO proposes to modify the definition of “Point-To-Point Transmission Service” to reflect that Non-Firm Point-To-Point Transmission Service will no longer be available in the markets that the NYISO administers.

D. Services Tariff Section 2.18 and OATT Section 1.18

The NYISO proposes to delete the definition of “Reduction or Reduce” because the term will no longer be used in the NYISO’s tariffs after the elimination of Non-Firm Point-To-Point Transmission Service for External Transactions.

E. OATT Section 1.9

The NYISO proposes to delete the definition of “Interruption” because the term will no longer be used in the NYISO’s tariffs after the elimination of Non-Firm Point-To-Point Transmission Service for External Transactions.

⁷ *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, 104 FERC ¶ 61,103 (2003) at P 827.

F. OATT Section 2.7 and Services Tariff Section 26.4

The NYISO proposes to remove references to non-firm transactions to conform these tariff sections to all the tariff revisions proposed herein.

G. OATT Sections 3, 3.1, and 3.3

The NYISO proposes to remove references to Non-Firm Point-To-Point Transmission Service from these sections, including language describing how to obtain service on a non-firm basis. The proposed revisions also remove the language specifying that all Firm Point-To-Point Transmission Service will have priority over Non-Firm Point-To-Point Transmission Service.

The NYISO proposes to add tariff language to Section 3.3 specifying that Non-Firm Point-To-Point Transmission Service is not available in the markets that the NYISO administers.

H. OATT Sections 3.2 and 3.6

The NYISO proposes to remove all existing language from OATT Sections 3.2 and 3.6 and to add language specifying that Non-Firm Point-To-Point Transmission Service is not available in the markets that the NYISO administers.

I. OATT Section 3.15

The NYISO proposes to correct the section number intended to cross-reference another NYISO tariff section.

J. OATT Section 3.17

The NYISO proposes to remove references to Non-Firm Point-To-Point Transmission Service from this section and to correct the section number intended to cross-reference another NYISO tariff section.

K. OATT Section 4.2.2

The NYISO proposes ministerial revisions to this section to correct spacing and the capitalization of “interruption.” In this section, the use of “interruption” is not related to the previously defined term and, therefore, should not be capitalized.

L. OATT Section 4.3

The NYISO proposes to remove a reference to Non-Firm Point-To-Point Transmission Service from this section.

M. OATT Sections 6.8 and 8

The NYISO proposes to remove all existing language from this section and to add language specifying that Non-Firm Point-To-Point Transmission Service is not available in the markets that the NYISO administers.

N. OATT Section 9

The NYISO proposes to remove references to Non-Firm Point-To-Point Transmission Service from this section and to revise the methodology for assessing Available Transfer Capability (“ATC”). The ATC calculation method must be revised because the software will no longer have to calculate a Non-Firm ATC or consider External Transactions relying on Non-Firm Point-To-Point Transmission Service.

O. OATT Section 16.3

The NYISO proposes to remove references to Non-Firm Point-To-Point Transmission Service from this section, to replace with language specifying that Non-Firm Point-To-Point Transmission Service is not available in the markets that the NYISO administers, and ministerial corrections to a subheading.

P. Services Tariff Section 18.6.3

The NYISO proposes to remove the entire subsection 18.6.3. The formula for determining Real-Time Bid Production Cost Guarantee (“BPCG”) for Imports should have been removed with the NYISO’s December 27, 2013 filing in Docket No. ER14-864. The NYISO’s December 27, 2013 filing, accepted by the Commission on March 4, 2014,⁸ eliminated Real-Time BPCG for Imports at all New York Control Area (“NYCA”) Proxy Generator Buses. Therefore, the formula that remains in Services Tariff Section 18.6.3 is no longer applicable; it calculates a payment that no Market Participant is eligible to receive.

IV. Requested Effective Date

The NYISO requests an effective date of October 9, 2014 for its proposed Tariff revisions. The requested effective date is more than 60 days from the date of this filing; however, the NYISO respectfully requests Commission action within sixty days of the date of this filing.

V. NYISO Stakeholder Review and Board of Directors Approval

The NYISO’s Management Committee approved, by a show of hands with one abstention, the proposed revisions to the NYISO’s Services Tariff and OATT Sections listed above on June 26, 2014. The NYISO Board of Directors approved these proposed Tariff revisions on July 15, 2014.

⁸ *New York Independent System Operator, Inc.*, 146 FERC ¶ 61,155 (2014).

VI. Communications and Correspondence

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

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VII. Service

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. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com.

VIII. Conclusion

Wherefore, for the foregoing reasons, the NYISO respectfully requests that the Commission accept its proposed Tariff revisions for filing.

Respectfully submitted,

/s/ James H. Sweeney
James H. Sweeney, Attorney
New York Independent System Operator, Inc.

cc: Michael Bardee
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