

November 25, 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.*, Docket No. ER15-____-000;
Proposed Tariff Amendments to Clarify Eligibility for Certain Market Settlements

Dear Secretary Bose:

In accordance with Section 205 of the Federal Power Act¹ and Part 35 of the Commission's regulations, the New York Independent System Operator, Inc. ("NYISO") respectfully submits proposed amendments to its Market Administration and Control Area Services Tariff ("Services Tariff") to clarify provisions regarding eligibility for Day Ahead Margin Assurance Payments ("DAMAP") and Real-Time Bid Production Cost Guarantees ("BPCG") for units that increase their minimum operating levels in real-time.

These proposed tariff amendments were approved by the NYISO's Management Committee unanimously on September 30, 2014. The NYISO is requesting an effective date sixty days from the date of this filing.

I. Documents Submitted

1. This filing letter;
2. A clean version of the proposed revisions to the NYISO's Market Administration and Control Area Services Tariff ("Attachment I");
3. A blacklined version of the proposed revisions to the NYISO's Market Administration and Control Area Services Tariff ("Attachment II");

¹ 16 U.S.C. §824d (2010).

II. Background and Tariff Justification

A. Day Ahead Margin Assurance Payments

Market Participants include minimum operating levels for their Generators' Day-Ahead and real-time bids, informing the NYISO of the MW levels below which they do not want these facilities to be dispatched. These minimums are typically established for physical reasons such as air permit issues. Units bidding to be committed economically in the Day-Ahead market use an ISO-Committed Flexible bid type and provide their minimum operating level in their Minimum Generation Bid. Day-Ahead committed units will be dispatched in real-time to their minimum operating level and, if their energy is economic, to a point on their incremental energy bid curve.

Units bidding in the Day-Ahead market to be committed regardless of whether they are economic use a Self-Committed bid type and provide their minimum operating level in their self commitment bid.² Self committed units that want to be committed regardless of whether they are economic but also want to be dispatched to supply energy and ancillary services if their incremental energy bids are economic will use a Self-Committed Flexible bid type, providing their minimum operating level as the first or lowest step in their incremental energy bid curve.³ In real-time, these units will be dispatched no lower than the lowest point on their incremental energy curve and will be dispatched above that point only if they are economic.⁴

The NYISO may request any on-line Generator to increase its minimum operating level for reliability reasons when, for instance, a sudden change in the topology of the transmission system requires a steady energy injection rather than one based on the economics of the unit's energy bid. An increase in a minimum operating level may expose a unit to balancing obligations if the increase converts flexible MW that had supported a Day-Ahead Operating Reserve or Regulation Service schedule to fixed MW that cannot support such a schedule. If the NYISO-requested increase causes a balancing obligation for the hour that is greater than the unit's Day-Ahead bid costs for that product for that hour, the unit becomes eligible for a DAMAP for the hour.

On the other hand, when the NYISO increases a unit's minimum operating levels at a generator's request, the Services Tariff excludes DAMAP eligibility⁵ because generators should

² Although such units also provide a minimum operating level in their Minimum Generation Bid, it is not used in any commitment or scheduling decision and if their self-commitment schedule is higher, they are dispatched to their self-commitment MW.

³ The lowest point on their incremental bid curve can be no lower than the minimum operating level provided in their Minimum Generation Bid but can be higher.

⁴ Units bidding only in the real-time market are committed and dispatched similarly although they need to be able to start within one hour.

⁵ See Services Tariff Section 25.2.2 Exceptions; "25.2.2.1 a Resource otherwise eligible for a Day-Ahead Margin Assurance Payment in hours in which the NYISO has increased the Resource's

be at risk for settlement losses when changing their minimum operating levels in real-time. Until earlier this year, the settlement software applied this DAMAP exclusion only when the generator requested an increase in its minimum operating level through a communication directly with NYISO operations staff. In January 2014 it became apparent that a generator could also effectuate a real-time increase in its minimum operating level through a change to or an increase in its self-commitment bid in the Hour-Ahead Market. The software was revised to also exclude DAMAP eligibility for hours in which a generator increased its minimum operating level through a real-time adjustment to its self-commitment schedule.

The tariff amendment to Services Tariff Section 25.2.2 included in this filing is intended to clarify that DAMAP exclusions apply to instances when the NYISO increases a unit's minimum operating level at its request, whether that request is made directly or through a change in its self-commitment schedule.

B. Bid Production Cost Guarantee

The NYISO protects units that are committed or dispatched economically from supplying energy over the course of a day at revenues that do not cover their as-bid costs. Should that be the case, the NYISO will make a Bid Production Cost Guarantee ("BPCG") payment for the difference between as-bid costs and the day's market revenues. Because commitments by units using the Self-Committed bid types are not economic commitments, no BPCG is available for the Self-Committed portion of such a unit's output, unless the unit has been committed through an Supplemental Resource Evaluation ("SRE"), an exception described below.⁶

Should an otherwise BPCG-eligible unit request an increase in its minimum operating level, however, the Services Tariff excludes from BPCG eligibility the energy being injected as a result of such an increase because those injections are no longer instructed by the NYISO as economic injections.⁷

As mentioned, generators that are otherwise BPCG-ineligible because they use an ISO-Committed or Self-Committed bid type may be eligible for a real-time BPCG if they were not

minimum operating level either: (i) at the Resource's request; or (ii) in order to reconcile the ISO's dispatch with the Resource's actual output or to address reliability concerns that arise because the Resource is not following Base Point Signals; or (iii) an Intermittent Power Resource that depends on wind as its fuel."

⁶ Units using the Self-Committed Flexible bid mode are entitled to a BPCG for the incremental energy portion of their settlement, but units using the Self-Committed Fixed bid mode are not entitled to a BPCG at all, with the above mentioned exception.

⁷ See the definition of 'Bid cost' in Services Tariff Section 18.4.2 wherein the NYISO inserts into the BPCG formula the "Bid cost submitted by Generator g, . . . in the RTD for the hour that includes RTD interval i expressed in terms of \$/MWh, . . . except in hours in which the NYISO has increased Generator g's minimum operating level, either (i) at the Generator's request or (ii) in order to reconcile the ISO's dispatch with the Generator's actual output or to address reliability concerns that arise because the Generator is not following Base Point Signals, in which case CgiRT shall be deemed to be zero."

committed in the Day-Ahead Market but the NYISO or a Transmission Owner needs them to resolve a reliability issue. In such cases, the unit will be committed through a SRE and, if the unit's energy revenues over its SRE schedule do not recover its as-bid costs over its SRE schedule, the NYISO will protect such a unit with a BPCG, regardless of bid type.

Earlier this year, the NYISO discovered that units that were being committed via a SRE with a Self-Committed bid type which then increased their minimum operating level above the level of their SRE were not being excluded from a BPCG for the energy injections made possible by the increase in their minimum operating level. While such an increase is permissible, and a BPCG was still appropriate for the SRE portion of the unit's dispatch, the portion of its output that resulted from its self-requested increase in its minimum operating level should be excluded from a BPCG, for the same reasons an otherwise BPCG-eligible unit is excluded from a BPCG if it has increased its minimum operating level, through a direct communication with the NYISO.⁸

III. Proposed Tariff Modifications

To ensure Market Participants understand that real-time adjustments in self-commitment schedules can cause DAMAP and real-time BPCG exclusions, the NYISO is proposing to clarify its tariff and explicitly recognize this settlement rule.

Services Tariff, Section 25.2.2, which lists the exceptions to Generator DAMAP eligibility⁹, is proposed for revision by adding the language shown below:

25.2.2 Exceptions

Notwithstanding Section 25.2.1 of this Attachment J, no Day-Ahead Margin Assurance Payment shall be paid to:

25.2.2.1 a Resource otherwise eligible for a Day-Ahead Margin Assurance Payment in hours in which the NYISO has increased the Resource's minimum operating level either: (i) at the Resource's request including through an adjustment to the Resource's self commitment schedule; or (ii) in order to reconcile the ISO's dispatch with the Resource's actual output or to address reliability concerns that arise because the Resource is not following Base Point Signals; or (iii) an Intermittent Power Resource that depends on wind as its fuel.

Services Tariff, Section 18.4.2 contains the formula which describes the calculation of a real-time BPCG. In it, the NYISO proposes to revise the definition of the factor C_{gi}^{RT} , which describes how a Generator's incremental energy bid is to be included in the BPCG calculation, as shown:

C_{gi}^{RT} = Bid cost submitted by Generator g, or when applicable the mitigated Bid cost for Generator g, in the RTD for the hour that includes RTD interval i expressed in terms of

⁸ *Id.*

⁹ Services Tariff Section 12.2.1 indicates that only Generators bidding as either ISO Committed Flexible or Self-Committed Flexible are eligible for a DAMAP.

\$/MWh, except in intervals in which the dispatch of the Generator is constrained by its downward ramp rate for that interval, unless that Generator was scheduled to provide Regulation Service in that interval and its RTD basepoint was less than its AGC basepoint, and except in hours in which the NYISO has increased Generator g's minimum operating level, either (i) at the Generator's request including through an adjustment to the Resource's self commitment schedule, or (ii) in order to reconcile the ISO's dispatch with the Generator's actual output or to address reliability concerns that arise because the Generator is not following Base Point Signals, in which case C_{gi}^{RT} shall be deemed to be zero.

With the ministerial revisions proposed in this filing, the NYISO is eliminating any confusion with regard to DAMAP and BPCG eligibility for units increasing their self-commitment MW.

IV. Effective Date

The NYISO requests an effective date of January 25, 2015, sixty days from the date of this filing.

V. Requisite Stakeholder Approval

These amendments were approved by the NYISO Management Committee, with an abstention and no opposition, on September 30, 2014. They were approved by the NYISO's Board of Directors on October 21, 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 New York Independent System Operator, Inc. respectfully requests that the Commission accept for filing the proposed Tariff revisions that are attached hereto with an effective date of January 25, 2015.

Respectfully submitted,

/s/Mollie Lampi

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