

February 6, 2015

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 Revise the Regulation Movement Multiplier

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 revise the uniform Regulation Movement Multiplier ("RMM").² These proposed tariff amendments were approved by the NYISO's Management Committee with a show of hands on November 20, 2014.

I. Documents Submitted

1. This filing letter;
2. A clean version of the proposed revisions to the NYISO's Services Tariff ("Attachment I");
3. A redline version of the proposed revisions to the NYISO's Services Tariff ("Attachment II");
4. Affidavit of Mr. Rana Mukerji, Senior Vice President of Market Structures, NYISO (Attachment III).

¹ 16 U.S.C. §824d (2010).

² Capitalized terms not otherwise defined herein shall have the meaning specified in Section 1 of the NYISO's Open Access Transmission Tariff and Section 2 of the Services Tariff.

II. Background

The NYISO schedules Regulation Service suppliers by using their MW capacity offer for Regulation Service and a single, composite price offer made up of the sum of i) the price offered for Regulation Capacity and ii) the product of the price offered for Regulation Movement and the uniform RMM. The Commission has approved the use of a uniform RMM to support the NYISO's calculation of a single Regulation Service bid.³ Translating a Regulation Supplier's two bids into a single bid equips the scheduling and dispatch software with a better representation of the likely cost of each Supplier in providing both the Capacity and Movement components of Regulation Service and allows a least cost comparison among individual offers.⁴ The RMM is set at the average ratio of Regulation Movement instructed in an interval to the Regulation Capacity required for the same interval.

In the Commission's November 6, 2012 Order⁵ in this docket, it requested an informational report providing, among other things, the NYISO's experience on the degree to which the RMM accurately reflected the dispatched movement of Regulation Service providers.⁶ The NYISO replied in its August 26, 2014 compliance filing that the data on the ratio between the amount of Regulation Movement provided by Regulation Suppliers when compared to the Regulation Capacity offered showed that the uniform RMM may need to be adjusted to more accurately reflect the current dispatched movement of Regulation Service providers. The NYISO added that the data was not then sufficient, however, to reasonably establish a new ratio because, in part, evidence as to the long term trend in the ratio of Regulation Movement to Regulation Capacity was unavailable and the NYISO could not yet determine whether, over time, the ratio was rising, declining, or had stabilized.⁷ The NYISO indicated it would continue to gather data in order to conclude whether a change was necessary and, if so, what it should be.

Further analysis has demonstrated that a revised RMM of 13 would more accurately reflect the current dispatched movement of Regulation Service providers. As the affidavit from Mr. Rana Mukerji indicates, the NYISO developed the revised RMM by analyzing historic data for the time period October 25, 2012 through October 20, 2014.⁸ The NYISO used the same methodology in analyzing the data that it had used to develop the initial RMM of 10. That is, for each Regulation provider scheduled for Regulation Service during a given hour of this historic period, the NYISO calculated a Movement MW value for each 6-second interval during the hour,

³ *New York Independent System Operator, Inc.* 143 FERC ¶ 61,194.

⁴ Affidavit from Rana Mukerji, Attachment I, ("Mukerji Affidavit") ¶4.

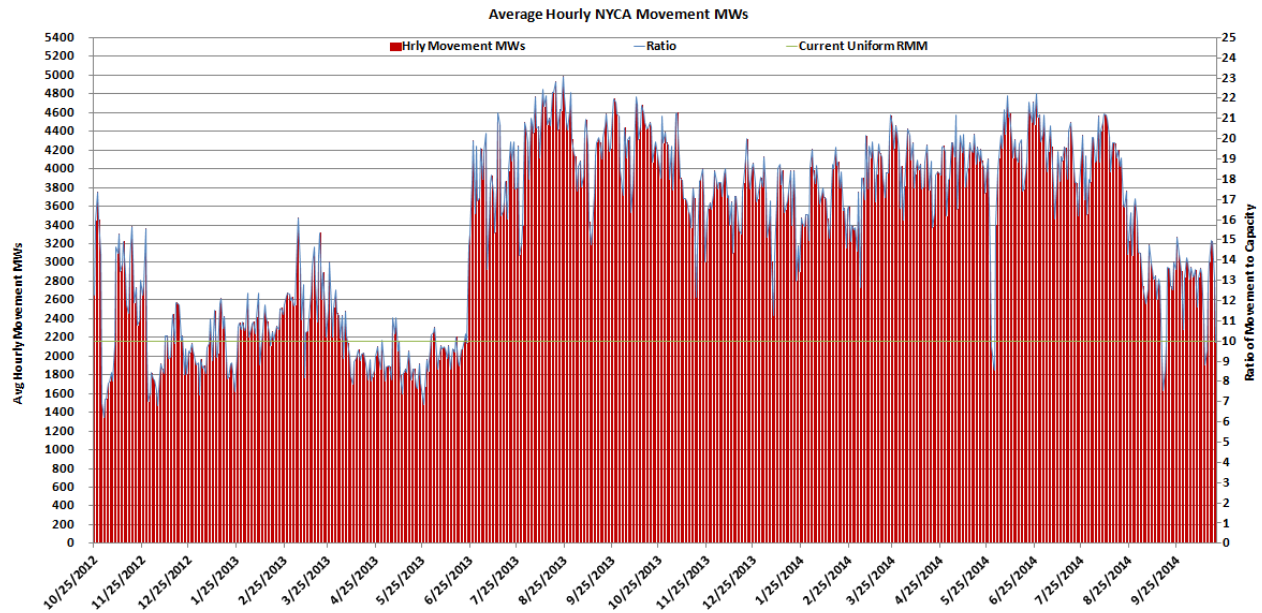
⁵ *New York Independent System Operator, Inc.* 141 FERC ¶ 61,105 (2012) ("November Order").

⁶ November Order ¶56 and 60.

⁷ *New York Independent System Operator, Inc.* ER12-1653-005, Informational Filing August 26, 2014, p. 3.

⁸ Mukerji affidavit ¶6.

where Movement MW is defined as the absolute change in Energy or Demand Reduction⁹ over a 6-second interval that a Regulation Service provider is instructed to deliver for the purpose of providing Regulation Service. Directions to a resource to provide Energy were not counted as Movement MWs. The Movement MWs were then summed across all Regulation Service providers for the given hour, and divided by the NYISO Regulation (Capacity) Requirement (in MWs) for that hour. Although the average of the Movement MWs-to-NYISO Regulation Requirement ratio for each hour of the historic period is 15.3, the NYISO is proposing to revise the RMM to 13.¹⁰



The average hourly ratio of Movement MWs-to-NYISO Regulation Requirement (in MWs) for the hour from the introduction of Regulation Movement to the market, June 26, 2013 to October 20, 2014 was 16.1 and for the two month period from August 21, 2014 to October 20, 2014 was 13.3.¹¹

As Mr. Mukerji indicates, the NYISO is recommending a revised RMM of 13.¹² The NYISO expects this value will produce, when multiplied by the Regulation Supplier's Movement offer and added to the Regulation Supplier's Capacity offer, a better estimate of resource cost than one based on an older, though larger historical data set.¹³ The data for this

⁹ The Tariff offers Demand Side Resources the opportunity to participate in the Regulation Service market. However, during this period, the NYISO had no Demand Side Resources providing Regulation Service.

¹⁰ Mukerji Affidavit ¶7

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

two-month period reflects a tuning of the NYISO's Automatic Generation Control system in late August, 2014. The tuning allows the NYISO to procure Regulation Movement more efficiently, thus lowering the average ratio of Regulation Movement to Regulation Capacity.¹⁴ As Mr. Mukerji also notes, the NYISO is proposing to continue use of a single RMM for all hours as the ratio on which the RMM is based either did not vary significantly, or did not have a predictable pattern of variation by any of the following: season, day of week, weekday versus weekend, on-peak versus off-peak, or hour of day.¹⁵ The NYISO will continue to monitor and evaluate this value for potential adjustments.

III. Tariff Modifications

The NYISO proposes to revise Section 2.18 of the Services Tariff to revise the RMM of 10 to an RMM of 13 as shown below:

Regulation Movement Multiplier: A factor with the value of ~~ten~~ thirteen (13), used with the Regulation Movement Bids, to schedule Regulation Service providers in both the Day-Ahead and Real-Time Energy markets. The ISO calculates the Regulation Movement Multiplier based on the historical relationship between the number of MW of Regulation Capacity that the ISO seeks to maintain in each hour and the number of Regulation Movement MW instructed by AGC in each hour.

IV. Effective Date

The NYISO requests an effective date of April 7, 2015, 60 days from the date of this filing.

V. Requisite Stakeholder Approval

These amendments were approved by the NYISO Management Committee on November 20, 2014, with a show of hands, abstentions, and an opposition. It was approved by the NYISO's Board of Directors on January 13, 2015.

VI. Communications and Correspondence

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

Robert E. Fernandez, General Counsel
Raymond Stalter, Director of Regulatory Affairs
*Mollie Lampi, Assistant General Counsel
10 Krey Boulevard

¹⁴ *Id.*

¹⁵ Mukerji Affidavit ¶8.

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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 Services Tariff revisions that are attached hereto within sixty days of the date of this filing to become effective April 7, 2015.

Respectfully submitted,

/s/ Mollie Lampi

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