

130 FERC ¶ 61,017
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer and Philip D. Moeller.

New York Independent System Operator, Inc.

Docket No. ER10-231-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued January 7, 2010)

1. On November 6, 2009, the New York Independent System Operator, Inc. (NYISO) filed proposed revisions to its Market Administration and Control Area Services Tariff (Services Tariff) to allow NYISO to commit generators for statewide (i.e., the New York Control Area (NYCA)) reliability purposes prior to the close of the Day-Ahead Market. The Services Tariff currently allows NYISO to commit generators only for local reliability requirements prior to the close of the Day-Ahead Market. As discussed herein, the Commission accepts the revisions, effective January 13, 2010, subject to a compliance filing as discussed in the body of this order.

I. Background

2. NYISO states that, on September 18, 2008, the Commission granted NYISO's request to modify its Day-Ahead Market commitment software, also known as the Security Constrained Unit Commitment (SCUC) software, and to amend NYISO's Open Access Transmission Tariff (OATT) and Services Tariff to allow Transmission Owners to request that specific units needed for local reliability requirements be committed prior to the close of the Day-Ahead Market.¹ NYISO states that these Day-Ahead Reliability Unit commitments are made in order to ensure that resources which are necessary to meet local reliability needs are scheduled to meet the bid-in load of the Day-Ahead Market.

3. However, NYISO states that it currently is only able to address statewide reliability issues after the close of the Day-Ahead Market through its Supplemental Resource Evaluation (SRE) process.

¹ *New York Independent System Operator, Inc.*, Docket No. ER08-1422-000 (Sept. 18, 2008) (unpublished letter order).

II. NYISO's Day-Ahead Reliability Unit Proposal

4. NYISO states that expanding NYISO's authority by permitting it to commit Day-Ahead Reliability Units for statewide reliability is expected to increase market efficiency and reduce uplift. Accordingly, NYISO proposes to revise sections 2.37a and 4.2.4.1 of the Services Tariff² in order to expand the Day-Ahead Reliability Unit program to authorize NYISO to commit specific resources that address statewide reliability needs.³ In its transmittal letter, NYISO describes its proposal as follows:

Section 2.37a: The NYISO proposes to amend the definition of "Day-Ahead Reliability Unit" to indicate that, in addition to units committed pursuant to requests submitted by a Transmission Owner for local reliability needs, a [Day-Ahead Reliability Unit] may include units which would not otherwise be committed in the [Day-Ahead Market] but for a determination by the NYISO that the units are needed to address NYCA reliability requirements.

Section 4.2.4.1: The NYISO proposes to modify the language of this section to provide it authority to commit one or more generator(s) in the [Day-Ahead Market] to meet NYCA reliability requirements and to require that, pursuant to NYISO procedures, the NYISO post all [Day-Ahead Reliability Unit] commitments on its website at the time it receives the [Day-Ahead Reliability Unit] request or following the close of the [Day-Ahead Market].⁴

5. According to NYISO, settlements for Day-Ahead Reliability Unit commitments made for statewide reliability purposes will work similarly to other commitments

² Second Revised Sheet No. 33B; Sixth Revised Sheet No. 91A, and First Revised Sheet No. 91B of its FERC Electric Tariff, Original Volume No. 2.

³ NYISO states that, because NYISO does not have mitigation rules currently defined for generators located in a Constrained Area (New York City) that are committed for statewide reliability through this proposed expanded Day-Ahead Reliability Unit process, these generators will be ineligible for selection by NYISO to address statewide reliability concerns. NYISO clarifies that, if NYISO determines that a Constrained Area Generator is required to address a New York Control Area (NYCA) reliability issue, NYISO will continue to use the same process it currently uses, i.e., it will commit the Generator through the established Supplemental Resource Evaluation process, at least until such time as the necessary mitigation rules are developed and in effect.

⁴ NYISO November 6, 2009 Filing, Transmittal Letter at 3.

currently being made to address such reliability requirements. Furthermore, consistent with section 2(A) of Rate Schedule 1 to NYISO's OATT and NYISO's current practice, Bid Production Cost Guarantee (BPCG) payments associated with Day-Ahead Reliability Unit commitments made for statewide reliability purposes will be allocated statewide on a load ratio share basis.

6. NYISO requests an effective date for these tariff amendments of January 13, 2010, the date the necessary software changes are scheduled to be integrated into NYISO's scheduling system.

III. Notice of Filing and Responsive Pleadings

7. Notice of NYISO's filing was published in the *Federal Register*, 74 Fed. Reg. 61342 (2009), with protests and interventions due on or before November 27, 2009. Timely motions to intervene were filed by the New York Municipal Power Agency and Municipal Electric Utilities Association of New York, the New York Transmission Owners and NRG Companies.⁵ Shell Energy North America (US), L.P. (Shell Energy), and Independent Power Producers of New York, Inc. (IPPNY) filed motions to intervene and comments. On December 14, 2009, NYISO filed an answer to the comments by Shell Energy and IPPNY.

A. Shell Energy Comments and IPPNY Comments

8. Shell Energy and IPPNY state, in their individual comments, that they support NYISO's proposal to have the authority to request Day-Ahead Reliability Unit commitments to address statewide reliability needs. However, both Shell Energy and IPPNY seek clarification of certain issues.

9. Shell Energy asks the Commission to clarify that, if a natural gas-fired generating facility is committed to meet reliability needs under the Day-Ahead Reliability Unit process, NYISO should be required to provide notice to such facility as early as possible to ensure that it has the best opportunity to procure natural gas in the interday market, not the intraday market. Shell Energy notes that this would allow the generator to avoid cost premiums associated with natural gas purchases in the intraday markets. It would also allow the generator to ensure an adequate supply of natural gas, according to Shell Energy. In addition, Shell Energy asserts that approval of the proposed revisions should not be a substitute for necessary corrections to the underlying market design related to ongoing reliability needs.

⁵ NRG Companies are NRG Power Marketing LLC, Arthur Kill Power LLC, Astoria Gas Turbine Power LLC, Dunkirk Power LLC, Huntley Power LLC, and Oswego Harbor Power.

10. IPPNY requests that the Commission clarify that NYISO's Day-Ahead Reliability Unit authority will not be NYISO's first preference to resolve a statewide reliability need. Rather, according to IPPNY, this proposed reliability tool should be used as a last resort and the preferred solution to reliability issues should remain the modeling of constraints to allow for appropriate market responses.

B. NYISO Answer

11. NYISO responds that while both Shell Energy and IPPNY correctly point out that, whenever practicable, NYISO will prefer modeling reliability constraints over committing Day-Ahead Reliability Units for statewide reliability, it is incorrect to characterize the proposed Day-Ahead Reliability Unit provisions as a "last resort." NYISO states that it remains committed to using the most appropriate tool to address a particular reliability concern. While NYISO states that it continues to prefer to address certain reliability concerns in its SCUC model, it recognizes that there are some types of reliability issues that cannot always be accurately modeled in the SCUC (e.g., the commitment of generating units for voltage related reliability requirements). Additionally, NYISO argues that when a reliability issue can be addressed in the SCUC model and solved by only one supplier, that supplier will have the ability to exercise market power unless there are additional mitigation measures that can address the supplier's market power.⁶ According to NYISO, the proposed Day-Ahead Reliability Unit provisions simply provide an additional tool that it may utilize to address reliability. NYISO asserts that it and its market participants agree that expanding the Day-Ahead Reliability Unit program to address statewide reliability will reduce the need to commit units in the post Day-Ahead Market Supplemental Resource Evaluation process. As such, NYISO holds that the Day-Ahead Reliability Unit process will result in more efficient market solutions and reduced uplift costs.

12. In response to Shell Energy's suggestion, NYISO argues that providing advanced notification prior to the close of the Day Ahead Market presents market power issues that were not fully discussed in the stakeholder presentations for this Day-Ahead Reliability Unit expansion, and notes that it has proposed these issues for discussion in current stakeholder proceedings regarding Rest of State Reliability Mitigation.⁷ NYISO asserts that the risks with such notification arise because the competitive market thresholds for upstate units are established based on market principles that resources will offer at their marginal costs of operation. NYISO asserts that, since they are already aware of their guaranteed commitment to run and their certainty of recovering their as-bid costs, these resources have no incentive to provide economic offers. NYISO states that it will post

⁶ NYISO Answer at 3.

⁷ NYISO Answer at 4, n.6.

Day-Ahead Reliability Unit commitments at 5:00 a.m., after the close of the Day-Ahead Market, which NYISO believes is at least seven hours before the close of the natural gas markets and five hours before schedules are provided to economically-committed generators.

13. NYISO further asserts that it is currently engaged in discussions with its stakeholders on potential new conduct thresholds and mitigation measures for Rest of State Reliability Units, which would include Day-Ahead Reliability Units. NYISO states that those issues should be fully vetted through the stakeholder process before determining whether to provide units advance knowledge of their Day-Ahead Reliability Unit commitment.

IV. Discussion

A. Procedural Matters

14. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2009), the timely unopposed motions to intervene serve to make the entities that filed them parties to these proceedings.

15. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2009), prohibits an answer to a protest or to an answer unless otherwise ordered by the decisional authority. We will accept the answer filed in this proceeding because it provided information that assisted us in our decision-making process.

B. Commission Determination

16. The Commission accepts the proposed revisions to NYISO's Services Tariff, allowing NYISO to make Day-Ahead Reliability Unit commitment determinations for statewide reliability purposes.⁸ The Commission notes, as pointed out by all parties in this proceeding, that the revisions were developed through the NYISO stakeholder process with unanimous (with abstentions) support of the stakeholders involved.

17. The Commission, however, finds that part of NYISO's revision to section 4.2.4.1 of the Services Tariff is confusing and not consistent with its answer. Specifically, NYISO proposes the following revision:

All requests by Transmission Owners or decisions by the ISO to commit Generators, pursuant to this section 4.2.4.1, shall be posted ~~upon receipt~~

⁸ If the necessary computer software changes are not implemented by the proposed January 13, 2010 effective date for these tariff sheets, we direct NYISO to file to defer the effective date of the tariff revisions.

on the ISO website, upon receipt of the request or following the close of the Day-Ahead Market, pursuant to ISO procedures.⁹

18. Prior to NYISO's proposed revisions in this docket, section 4.2.4.1 provided that a request for a local reliability commitment will be posted upon receipt. With NYISO's proposed revisions, however, it appears that local reliability commitments and statewide reliability commitments shall be posted upon receipt or after the close of the Day-Ahead Market, without clarification of which commitment will be posted in which manner. We direct NYISO to file, within 30 days of the issuance of this order, to revise this provision to clarify that a request for a local reliability commitment must be posted immediately upon receipt of the request, while a commitment of a generator by the NYISO for statewide reliability must be posted at 5:00 a.m. after the close of the Day-Ahead Market, as NYISO explained in its answer.

19. The Commission denies the clarifications requested by Shell Energy and IPPNY. In response to Shell Energy and IPPNY, NYISO restated its commitment to use the "most appropriate method of addressing a particular reliability concern," and adequately explained why it is not always appropriate to address reliability concerns in its SCUC model. We also deny Shell Energy's request that generators receive advance notice of their Day-Ahead Reliability Unit commitment. We agree with NYISO that providing such advance notice raises potential market power issues that should be addressed prior to providing units advanced knowledge of their Day Ahead Reliability Units commitment. Such knowledge could decrease that generator's incentive to place economic bids since the generator already knows that it will be selected to run.

20. The Commission encourages NYISO to continue working with stakeholders on potential new conduct thresholds and mitigations measures for Rest of State Reliability Units, which would include Day-Ahead Reliability Units, and to address the issues identified in this filing in that process.

⁹ NYISO Services Tariff, Proposed First Revised Sheet No. 91B.

The Commission orders:

The proposed tariff provisions are accepted, subject to the compliance filing requirements set forth above, effective January 13, 2010.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.