

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

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

New York Independent System Operator, Inc.

Docket No. ER09-802-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued May 11, 2009)

1. On March 5, 2009, the New York Independent System Operator, Inc. (NYISO) submitted, pursuant to section 205 of the Federal Power Act (FPA),¹ proposed revisions to its Market Administration and Control Area Services Tariff (Services Tariff) and its Open Access Transmission Tariff (OATT) to enhance NYISO's operational control of New York wind resources in order to increase NYISO's ability to reliably and efficiently operate the New York Transmission System. We accept NYISO's tariff sheets to become effective May 12, 2009, as requested.

I. NYISO's Filing

A. Background

2. NYISO states that approximately 1,200 MWs of intermittent wind resources have interconnected to the NYISO system and while these wind resources provide welcome fuel diversity and clean technology, their intermittency presents challenges to maintaining a reliable and secure transmission system. NYISO states that wind resources tend to cluster in certain areas of New York State, and this can lead to transmission system constraints. NYISO adds that it does not currently have an efficient process for using the intermittent wind resources to resolve these constraints.

3. NYISO states that when faced with more energy than a constrained system can handle, the NYISO Real-Time Dispatch (RTD) market software dispatches down flexible resources with the highest offers that can resolve the constraint. However, according to

¹ 16 U.S.C. § 824d (2006).

NYISO, wind resources are not currently treated as flexible resources, and so NYISO's software does not direct the wind resources to reduce their output even if such reductions could relieve the constraint. NYISO adds that if no dispatchable resources are available to relieve the constraint, NYISO must manually identify the wind resources that best relieve the constraint and notify the local transmission owner, which in turn instructs the wind resources to go off-line. NYISO states that wind resources themselves reduce their output if they notice significant negative prices at their location, but such sudden drops in generation can present reliability challenges. Thus, according to NYISO, both methods of handling wind resource reductions are inefficient wind management methods that can be improved upon. NYISO explains that both approaches take more energy off the system for longer periods of time than may actually be necessary to resolve the constraint.

B. Proposed Tariff Revisions

4. NYISO is proposing to put wind resources on dispatch and include them among those flexible resources for which a dispatch-down instruction could be used in resolving a constraint on the transmission system. NYISO proposes to require that wind resources submit economic offers indicating the price at which they desire to reduce their generation, and in the face of a constrained system, identify them as units that are economically appropriate for output reduction in order to maintain reliability. The dispatch system will identify only as much output reduction and duration as is necessary to resolve the constraint and allow wind resources to continue to generate as much as the system can handle. According to NYISO, this will be a significant improvement over the manually imposed output reduction measures described.

5. To accomplish this, NYISO proposes tariff revisions that will allow its RTD market software to direct wind resources to reduce their output when it is necessary and economically appropriate to do so. NYISO also proposes to redesign its market settlement rules that apply to wind resources to enforce compliance with these directions. Specifically, NYISO proposes to require that wind resources bid as ISO-Committed Flexible generators provide NYISO with an energy offer but no minimum generation or start-up bid. NYISO asserts that since wind resources desire to maximize their energy operation and settlement, they have no economic need to employ Minimum Generation or Start-Up Bids. NYISO proposes to amend the sections of its Services Tariff and OATT that describe the first pass of the real-time scheduling process, in which energy schedules are determined, by dividing it into four subsections.² NYISO states that it

² NYISO proposes dividing section I.A.1.b. into four subsections: i) an untitled introduction; ii) Subsection A, "Upper and Lower Dispatch Limits for Dispatchable Resources Other Than Intermittent Power Resources That Depend on Wind as Their Fuel;" iii) Subsection B, "Upper and Lower Dispatch Limits for Intermittent Power

(continued...)

would set the lower dispatch point for wind resources at zero and the upper dispatch point at the Wind Energy Forecast for each specific facility.³ NYISO adds that although it will be requiring wind resources to bid as flexible resources, a status that would normally allow them to offer Reserves or Regulation Service, NYISO will flag them as physically not available to provide Regulation Service or Operating Reserves and use their flexible bid type only for dispatch purposes based on their energy offer.

6. NYISO proposes to implement the above-mentioned revisions as of May 12, 2009, even though communications equipment for receipt of Real-Time instructions will not yet be available for most wind resources as of that date. NYISO asserts, however, that this implementation date provides significant benefits because it will allow NYISO's RTD market software to identify the units, megawatts, and appropriate time periods for any dispatch-down instructions that may be necessary to resolve constraints in the system. Even though NYISO will have to manually deliver the dispatch-down instructions until the communications equipment is installed, NYISO states that by allowing NYISO operators to reduce output no more than is necessary, and for a period no longer than necessary to manage the system reliably, efficiency of such instructions will be improved.

7. Regarding the revisions of the settlement rules for wind resources, NYISO proposes to make wind resources that have received a dispatch-down instruction subject to the same energy settlement rules that currently apply to non-wind resources generating above their real-time schedules. Specifically, compensation for over-generation for wind resources that have been directed to reduce their output would be limited to their

Resources that Depend on Wind as Their Fuel;" and iv) Subsection C, "Setting Physical Basepoints for Fixed Generators."

³ However, NYISO proposes to set the upper and lower dispatch limits for the two existing wind resources that were in commercial operation by January 1, 2002 and that have capacities of 12 MWs or less, equal to their Wind Energy Forecast, which will allow NYISO to treat these two facilities in the dispatch software as it treats them today. NYISO states that these two wind resources are the oldest and smallest facilities interconnected to the New York system and that to add them to the dispatch software and send dispatch-down instructions would require new communications equipment that would be expensive to install and that would require on-site personnel not currently necessary. NYISO believes that creating an exception for these two facilities should not be deemed to be unduly discriminatory. NYISO notes that the Commission has previously approved an exemption from NYISO's forecasting requirements for these two facilities as a reasonable accommodation for early, small wind turbines that were developed at a time when wind as a central-station generating technology was untested in New York State. *Citing New York Indep. Sys. Operator, Inc.*, 123 FERC ¶ 61,267 (2008).

scheduled generation or basepoint plus a tolerance. Further, NYISO is proposing to impose a charge when a wind resource has not followed its dispatch-down instruction equal to the product of the market clearing price for Regulation Service and the difference between its actual generation and its dispatched-down schedule. NYISO contends that declining to pay for energy in excess of a real-time schedule may have little deterrent effect on wind resources since they experience no fuel cost by continuing to operate at their unreduced level. NYISO asserts that without a charge imposed on wind resources that fail to reduce their output, the wind resource may ride through the dispatch-down instruction to avoid having to take mechanical actions at its facilities. According to NYISO, charging wind resources the Regulation Service market clearing price for output in excess of their dispatched-down schedule is a reasonable, market-based charge, and is analogous to under-generation charges currently imposed on traditional generators.

8. NYISO states that it is proposing no changes to settlement rules for energy injected into the system by wind resources during intervals in which they have not been sent a dispatch-down instruction.⁴

9. NYISO proposes to limit the application of the new settlement rules discussed above to the period beginning November 1, 2009, to allow transmission owners and wind resources the time to install the communication systems that will allow them to relay base point signals to the appropriate wind resources. NYISO proposes to delay the implementation of the settlement rules to February 1, 2010, for one small wind resource that has a capacity less than 30 MW and that was installed before 2006 due to the age of this resource, and the need to install more underlying infrastructure before any communication links can be established. NYISO states that market participants did not oppose this delayed implementation for this one resource.

10. Finally, NYISO proposes to amend the section of its Services Tariff that describes eligibility for and the calculation of the Day-Ahead Margin Assurance Payments (DAMAP). NYISO explains that DAMAP is available to a supplier whose Day-Ahead schedule is reduced by NYISO to maintain security and reliability. DAMAP also insures that the supplier's real-time balancing obligation, imposed for those intervals in which NYISO has required a reduced output, does not strip the supplier of margins it may have earned in those intervals Day-Ahead. NYISO states that there is no way to determine whether a wind facility would have produced enough energy to have actually met its Day-Ahead schedule absent an instruction to reduce output. Thus, NYISO proposes not to provide a DAMAP in cases where NYISO reduces the real-time schedule of a wind resource below its Day-Ahead schedule.

⁴ Wind resources that have not been sent a dispatch-down instruction for an interval will be compensated for all overgeneration during such interval.

II. Notice of Filing and Responsive Pleadings

11. Notice of NYISO's filing was published in the *Federal Register*, 74 Fed. Reg. 14,114 (2009), with comments, interventions, and protests due on or before March 26, 2009. AES Eastern Energy, L.P., Independent Power Producers of New York, NRG Power Companies⁵, and New York Transmission Owners⁶ filed timely motions to intervene. The PSEG Companies filed a timely motion to intervene and comments in support of NYISO's filing. There were no protests or adverse comments.

12. The PSEG Companies state that they support NYISO's proposed changes and its efforts to more reliably and efficiently operate the transmission system and believe that the instant filing represents a major step towards accomplishing that goal. The PSEG Companies assert that NYISO's proposed changes effectively address the issues and challenges of integrating wind resources into the transmission system while ensuring a secure, reliable and efficient transmission system. The PSEG Companies request that the Commission approve NYISO's proposed changes, and, furthermore, consider NYISO's solution as a model for dealing with wind resources in other operationally limited or constrained transmission networks.

III. Discussion

A. Procedural Matters

13. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2008), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Commission Determination

14. The Commission finds NYISO's proposed revisions to enhance operational control of wind resources to be just and reasonable and not unduly discriminatory or

⁵ The NRG Power Companies consist of NRG Power Marketing LLC, Arthur Kill Power LLC, Astoria Gas Turbine Power LLC, Huntley Power LLC, and Oswego Harbor Power LLC.

⁶ The New York Transmission Owners consist of Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., Long Island Power Authority, New York Power Authority, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation.

preferential. Accordingly, we will accept NYISO's proposed revisions, to become effective May 12, 2009, as requested.

15. The Commission finds that the proposed revisions will benefit not only wind resources, but also the New York Transmission System as a whole. NYISO's proposal addresses the challenges presented by the integration of wind resources into the NYISO system. When the system is constrained, NYISO proposes to treat wind resources as flexible resources, putting them on dispatch, and when necessary, sending them a dispatch-down instruction to assist in resolving the constraint. Offers from the wind generators will allow NYISO to make an economic decision by issuing dispatch instructions based on these offers. Now NYISO will be able to dispatch down a portion or all of a wind supplier depending on the composition of its offer curve, and only by as much as needed to solve the constraint. This improves the economic efficiency of the real-time market, compared to prior practice. Because the dispatch system will identify only as much output reduction and duration as is necessary to resolve the constraint, it allows wind resources to continue to generate as much energy as the system can handle. The proposal also contains an incentive to follow NYISO's dispatch-down instruction since the generator will not be paid for energy in excess of the instruction and will, in fact, have to pay a penalty for over-generating when output reductions are necessary. We note that no party has protested NYISO's proposal.

16. We appreciate NYISO's efforts to incorporate wind resources into its transmission system while ensuring that it maintains a reliable and secure transmission system. We find that with this filing NYISO has taken an appropriate step to address the operational issues associated with the development of wind resources. For all these reasons, we will accept NYISO's proposed tariff revisions.

The Commission orders:

NYISO's proposed tariff revisions are hereby accepted, to become effective May 12, 2009, as requested.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.