



FEDERAL ENERGY REGULATORY COMMISSION

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New York Independent System Operator
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FERC Accepts Interim Tariffs to Ease NY Loop Flows And Discloses Investigation

The Federal Energy Regulatory Commission today accepted interim New York Independent System Operator (NYISO) tariff revisions that will help to stem the use of circuitous transmission paths and contribute to the relief of congestion-related costs for New York ratepayers. The revised tariffs preclude the scheduling of power flows over eight different transmission paths where there are more direct routes. FERC also announced that in May 2008, FERC's Office of Enforcement initiated a non-public investigation into power flows in NYISO.

Background

In its tariff filing, NYISO said that beginning in January 2008, an increasing number of transactions were placed by a small number of market participants around Lake Erie under a schedule that exits NYISO, goes through the Independent Electricity System Operator of Ontario (IESO) and the Midwest Independent System Transmission System (MISO), and ends in PJM Interconnection (PJM). In reality, approximately 80 percent of the power flowed over the common border between NYISO and PJM. The circuitous routes took advantage of pricing differences between regional transmission organizations (RTOs). NYISO states that because RTOs have not implemented technologies to control flows, the power actually flows over the path of least resistance, rather than the scheduled path, causing market distortions, increased congestion and uplift costs, a type of additional payment.

The Order

Expedient action is required, FERC said, and NYISO's use of exigent circumstances under the ISO's agreement is appropriate. NYISO stated that the temporary action will reduce unscheduled power flows until adequate operational controls are in place. The tariff revisions are effective July 22, 2008 through November 18, 2008. NYISO has also committed to manually screen real-time market bids for transactions over the eight paths until permanent improvements are made.

FERC, recognizing the long-term nature of the loop-flow problem, encouraged parties to continue efforts to resolve the problem. In addition, FERC directed the NYISO to continue to work with market participants, neighboring RTOs, and the North American Electric Reliability Corporation (NERC) to develop potential solutions.

In response to various requests that it investigate allegations of possible market manipulation or gaming, the Commission disclosed that it initiated a non-public investigation in May 2008 and will take no further action until the ongoing investigation by the Commission's Office of Enforcement into these issues has been completed.