

146 FERC ¶ 61,097
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;
Philip D. Moeller, John R. Norris,
and Tony Clark.

New York Independent System Operator, Inc. Docket No. ER14-552-000

ORDER CONDITIONALLY ACCEPTING TARIFF REVISIONS

(Issued February 20, 2014)

1. On December 6, 2013, the New York Independent System Operator, Inc. (NYISO) filed proposed tariff amendments to its Open Access Transmission Tariff (OATT) and its Market Administration and Control Area Services Tariff (Services Tariff) to add new real-time External Transaction bidding and scheduling rules.¹ These new real-time market rules, together known as Coordinated Transaction Scheduling (CTS), are proposed for use at specifically designated Proxy Generator Buses (CTS Enabled Proxy Generator Buses) between NYISO and PJM Interconnection, LLC (PJM) (together, the ISOs). For the reasons discussed below, the Commission conditionally accepts the proposed tariff revisions and grants the requested waiver to allow the tariff records to be effective the later of November 2014 or the date that CTS becomes operational, subject to a further compliance filing with the Commission as discussed below.

I. Background

2. NYISO explains that CTS is a set of real-time market rules that allows for the scheduling of imports and exports based on a transmission customer's willingness to purchase energy at a source in the PJM Control Area or NYISO Control Area and sell the energy at a sink in the other region's Control Area if the forecasted price at the sink minus the forecasted price at the corresponding source

¹ The proposed tariff revisions are listed in the appendix. On December 13, 2013, PJM submitted its own separate filing regarding the implementation of CTS, which proposed revisions to Attachment K-Appendix of its OATT and Schedule 1 of its Amended and Restated Operating Agreement in Docket No. ER14-623-000. That filing is addressed in a contemporaneous order in that docket.

is greater than or equal to the dollar value specified in the CTS Interface Bid. NYISO states that PJM and NYISO intend to designate all four of the PJM Proxy Generator Buses as CTS Enabled Proxy Generator Buses by November 2014.²

3. In a series of orders addressing proposed tariff revisions by ISO New England (ISO-NE) and NYISO, the Commission accepted a similar CTS mechanism for implementation at NYISO's primary interface with ISO-NE.³ NYISO states that the proposed tariff revisions discussed herein were developed by building upon the tariff language accepted by the Commission in the April 2012 Order. NYISO notes, however, that the proposed tariff revisions have been developed to both account and allow for the differences between CTS implementation with PJM and CTS implementation with ISO-NE.

4. NYISO states that Potomac Economics, NYISO's external market monitor, has endorsed CTS as a method for improving the efficiency of energy trading across the external interfaces at which it is implemented. Further, NYISO states that joint studies conducted by NYISO and PJM demonstrate that CTS should result in more efficient scheduling at the ISOs' border, closer alignment of the ISOs' clearing prices, and provide a net benefit to customers from PJM and NYISO. NYISO notes that the ISOs have also executed an iterative, supply curve based analysis in order to analyze the production cost savings that both ISOs could have realized in 2012 if CTS had been implemented and effectively utilized by transmission customers. NYISO states that the analysis indicated that the total potential cost reduction ranged from almost \$9 million/year to over \$26 million/year.

II. Notice of Filing and Responsive Pleadings

5. Notice of NYISO's December 6, 2013 filing was published in the *Federal Register*, 78 Fed. Reg. 76,608 (2013), with interventions and protests due on or before December 27, 2013.

² NYISO states that the ISOs propose to implement CTS at the PJM Keystone Proxy Generator Bus, the Neptune Scheduled Line Proxy Generator Bus, the Linden VFT Scheduled Line Proxy Generator Bus and the HTP Scheduled Line Proxy Generator Bus. NYISO December 6, 2013 Filing at 1 n.3.

³ *N.Y. Indep. Sys. Operator, Inc.*, 139 FERC ¶ 61,048 (2012) (April 2012 Order); *ISO New England, Inc. and New England Power Pool*, 139 FERC ¶ 61,047 (2012).

6. The New York State Public Service Commission, Exelon Corporation, and NRG Companies filed timely motions to intervene. Indicated New York Transmission Owners (Indicated NYTOs)⁴ filed a timely motion to intervene and comments. Great Bay Energy, LLC and the Financial Marketers Coalition (Great Bay Energy and the Coalition) filed a timely motion to intervene and protest.

7. On December 30, 2013, the PSEG Companies (PSEG)⁵ filed an out-of-time motion to intervene. On January 10, 2014, Con Edison Energy filed an out-of-time motion to intervene. On January 10, 2014, NYISO filed an answer to Great Bay Energy and the Coalition's protest. On February 3, 2014, NYISO filed an answer to a request to consolidate Docket Nos. ER14-552-000 and ER14-864-000, which Great Bay Energy and the Coalition filed in Docket No. ER14-864-000.⁶ On February 12, 2014, Great Bay Energy and the Coalition filed a motion to strike, or in the alternative, to answer NYISO's February 3, 2014 answer.

III. Discussion

A. Procedural Issues

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2013), the notice of intervention and timely unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and

⁴ Indicated NYTOs collectively consist of Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., 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 & Electric Corporation.

⁵ The PSEG Companies consist of PSEG Energy Resources & Trade LLC and PSEG Power New York LLC.

⁶ On January 17, 2014, Great Bay Energy and the Coalition filed a protest in Docket No. ER14-864-000 requesting, *inter alia*, that the Commission consolidate Docket Nos. ER14-552-000 and ER14-864-000. In Docket No. ER14-864-000, NYISO proposes tariff amendments to simplify and improve the real-time market pricing rules that apply at NYISO's external proxy generator buses and to eliminate the real-time bid production cost guarantee for imports (real-time import guarantee) at all of the New York Control Authority's (NYCA) proxy generator buses.

Procedure, 18 C.F.R. § 385.214(d) (2013), the Commission will grant PSEG's and Con Edison Energy's late-filed motions to intervene given their interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

9. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2013), prohibits an answer to a protest or to an answer unless otherwise ordered by the decisional authority. We will accept the answers filed in this proceeding because they have provided information that assisted us in our decision-making process.

B. Coordination Transaction Scheduling

1. Proposal

a. Interface Pricing

10. NYISO states that, under its proposal, once a Proxy Generator Bus at the NYISO/PJM border is CTS enabled, importing and exporting transmission customers will gain the option to submit CTS interface bids at that bus.⁷ NYISO explains that transmission customers would submit a single CTS interface bid to indicate their desire to simultaneously buy in one control area and sell into the other based on the forecasted price difference between the NYISO and PJM markets at the relevant locations. NYISO states that every 15 minutes it would use its Real-Time Commitment (RTC) optimization, incorporating PJM's

⁷ NYISO explains CTS interface bids can be used to schedule both transactions to buy and sell energy from the ISOs' locational based marginal price markets and bilateral transactions to schedule transmission service for a private energy sale. Wheel-through transactions at CTS Enabled Proxy Generator Buses would use decremental bids, as they do currently. NYISO December 6, 2013 Filing at 3 n.11.

forecasted prices and submitted CTS interface bids, decremental bids⁸ and sink price cap bids⁹ to determine cross border transaction schedules.¹⁰

11. NYISO explains that, under its proposal, NYISO's economic evaluation in its RTC will schedule CTS interface bids that would be profitable given the projected PJM and NYISO prices at each CTS Enabled Proxy Generator Bus. NYISO states that its RTC will use the most recently available information on prices from PJM's IT SCED to schedule imports and exports, and to produce forward-looking advisory schedules. NYISO notes that it will provide PJM with the advisory schedules produced by each RTC evaluation so that PJM can utilize these schedules in subsequent IT SCED runs. NYISO contends that, as a result, RTC and IT SCED will be more closely aligned and will iterate to produce an efficient scheduling solution at the ISOs' borders.

12. NYISO explains that CTS coordinated optimization for both regions improves scheduling efficiency by: (i) introducing a new scheduling option for

⁸ Section 2.4 of the Services Tariff defines "decremental bid" as: "A monotonically increasing Bid curve provided by an entity engaged in a Bilateral Import or Internal Transaction to indicate the LBMP below which that entity is willing to reduce its Generator's output, and purchase Energy in the LBMP Markets, or by an entity engaged in a Bilateral Wheel Through Transaction to indicate the Congestion Component cost below which that entity is willing to accept Transmission Service."

⁹ Section 2.19 of the Services Tariff defines "sink price cap bid" as: "A monotonically increasing Bid curve provided by an entity engaged in an Export, other than an entity submitting a CTS Interface Bid, to indicate the relevant Proxy Generator Bus LBMP at or below which that entity is willing to either purchase Energy in the LBMP Markets or, in the case of Bilateral Transactions, to accept Transmission Service, where the MW amounts on the Bid curve represent the desired increments of Energy that the entity is willing to purchase at various price points."

¹⁰ Every 15 minutes, NYISO runs a multi-period optimization covering the next 2.5 hours (or 150 minutes) in 15 minute intervals. To implement CTS, PJM will provide NYISO the forecasted locational marginal prices from its Intermediate Term Security Constrained Economic Dispatch (IT SCED) application prior to each RTC run, as an input into the NYISO optimization. NYISO December 6, 2013 Filing at 3 n.12.

transmission customers that transact across the NYISO/PJM border; (ii) allowing transmission customers to bid different MW quantities at different prices for each 15 minute interval within an hour; (iii) reducing counter-intuitive regional schedules by explicitly incorporating projected price differences between the NYISO and PJM markets into scheduling decisions; and (iv) establishing intra-hour schedules 15 minutes closer to actual, real-time operations.¹¹

b. Intra-hour Scheduling

13. NYISO states that when economic transactions are proposed to move power from the low-cost to the high-cost region, the CTS-enabled interfaces will more fully utilize the available capacity. NYISO also asserts that establishing intra-hour schedules 15 minutes closer to real-time operations will improve the accuracy of cross-border scheduling decisions because those decisions will reflect updated system conditions.¹² Further, NYISO states that moving the evaluation of bids 15 minutes closer to real-time operation will increase the likelihood that projected NYISO and PJM prices used to schedule external transactions will closely align with actual real-time prices and will also improve the accuracy of NYISO's economic evaluation of decremental and sink price cap import offers and export bids. In addition, NYISO maintains that CTS interface bids will also avoid the financial risk of inconsistent transmission schedules in NYISO and PJM because CTS interface bids are jointly scheduled and coordinated between the ISOs.

14. NYISO states that its proposed tariff amendments will also allow transmission customers at any Variably Scheduled Proxy Generator Bus¹³ to

¹¹ Currently, NYISO begins its economic evaluation 45 minutes prior to each quarter hour and establishes the binding schedules 30 minutes prior to real-time operations. Under CTS, NYISO proposes to begin its evaluation of import offers and export bids 30 minutes before each quarter-hour and to establish the binding schedules 15 minutes prior to real-time operations.

¹² NYISO notes that transmission customers will continue to submit their import offers and export bids at least 75 minutes before each real-time market operating hour in order to ensure that NYCA resources and external resources are evaluated on an equivalent basis. NYISO December 6, 2013 Filing at 6 n.17.

¹³ Section 2.22 of the Services Tariff defines "Variably Scheduled Proxy Generator Bus" as: "A Proxy Generator Bus for which the ISO may schedule

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submit up to an 11-point bid curve (up to eleven different prices and eleven different MW quantities), for each 15-minute interval of an upcoming hour. NYISO states that this additional scheduling flexibility will be available to CTS interface bids, decremental bids, and sink price cap bids¹⁴ and will provide transmission customers with a more precise method of arbitraging price differences between the NYISO and PJM markets.

15. NYISO notes that it will continue to evaluate decremental bids and sink price cap bids for all transactions between NYISO and PJM, and that decremental bids will continue to be required to schedule wheel-through transactions through the NYCA. NYISO explains that CTS will accommodate both purchases and sales of energy and the scheduling of transmission service in real-time at CTS Enabled Proxy Generator Buses. NYISO states that no changes to the scheduling of external transactions in the day-ahead market are necessary. NYISO explains that transmission customers will be able to transfer their day-ahead scheduled imports and exports into the NYISO's real-time market through the use of a CTS interface bid, a decremental bid, or a sink price cap bid.

c. Removal of Import Guarantees

16. NYISO indicates that as part of its overall CTS proposal it intends to remove two import guarantees that otherwise would be available to importers of energy to NYISO from PJM: (1) the real-time Bid Production Cost Guarantee for imports and (2) the Import Curtailment Guarantee. NYISO notes that tariff revisions eliminating both import guarantees at any CTS Enabled Proxy Generator Bus, including the CTS Enabled Proxy Generator Buses at the NYISO/PJM border, have already been approved by the Commission.¹⁵

17. NYISO states that the real-time Bid Production Cost Guarantee for imports

Transactions at 15 minute intervals in real time. Variably Scheduled Proxy Generator Buses are identified in Section 4.4.4 of the Services Tariff.”

¹⁴ NYISO explains that this market improvement will apply at all Variably Scheduled Proxy Generator Buses, at any NYCA border, without regard to whether a Proxy Generator Bus is CTS enabled. NYISO December 6, 2013 Filing at 4 n.15.

¹⁵ See *N.Y. Indep. Sys. Operator, Inc.*, 139 FERC ¶ 61,048, at PP 20 and 21 (2012); see also NYISO, Filing, Docket No. ER12-701-000, at 14-15 (filed Dec. 28, 2011).

is currently paid to a transmission customer when the locational based marginal price revenues it receives for importing energy to the NYCA do not cover the bid cost the transmission customer submitted. NYISO explains that the expected locational based marginal price at the time an import is scheduled by the RTC can differ from the actual locational based marginal price at the time the energy associated with the import is delivered to NYISO. NYISO states that this variation can occur due to system conditions that have not occurred or that are not yet reflected in the RTC at the time an import is scheduled, but that occur before the energy associated with the import is delivered. NYISO describes this deviation as latency risk. NYISO contends that its proposal to move the evaluation of import offers and export bids 15 minutes closer to real-time operations will significantly decrease latency risk by reducing the time between the RTC's scheduling decision and the delivery of energy in half.

18. NYISO states that it intends to eliminate the real-time Bid Production Cost Guarantee payments for all imports that enter NYCA, regardless of whether a CTS interface bid or decremental bid is used to offer the import, in a separate filing.¹⁶ NYISO explains that after CTS implementation with ISO-NE, imports and exports between NYCA and ISO-NE may only be scheduled via a CTS interface bid. However, NYISO states that after CTS implementation with PJM, imports into NYCA may be scheduled through the use of a CTS interface bid or a decremental bid. NYISO asserts that it would not be appropriate to protect some imports but not others from latency risk, i.e., if imports submitted via a decremental bid continued to be eligible to receive a real-time Bid Production Cost Guarantee, but imports submitted via a CTS interface bid were not eligible to also receive a real-time Bid Production Cost Guarantee.

19. NYISO notes that it also intends to eliminate Import Curtailment Guarantee payments at CTS-enabled interfaces at the NYISO/PJM border. NYISO explains that it pays Import Curtailment Guarantees to keep the importer whole to its day-ahead margin if NYISO curtails the real-time scheduled import for reliability reasons and the importer's balancing market obligation erodes the day-ahead margin it would otherwise have earned. NYISO asserts that, similar to latency risk, transmission customers should reflect the costs associated with the risk of curtailment in their import offers, rather than assigning these costs to statewide load. NYISO notes that it did not propose any tariff modifications in the instant

¹⁶ In currently-pending Docket No. ER14-864-000, NYISO proposes to eliminate the real-time import guarantee at all proxy generator buses, separately from its CTS proposal in the instant proceeding.

proceeding, and is instead relying on the tariff language previously accepted by the Commission in ISO-NE/NYISO CTS proceeding, which does not allow for Import Curtailment Guarantees at any CTS-enabled interfaces.¹⁷

d. Requested Effective Date

20. NYISO requests a flexible effective date between November 1, 2014 and November 30, 2014 for its proposed tariff revisions that are necessary to implement CTS with PJM. NYISO explains that it proposes to submit a compliance filing at least two weeks prior to the proposed effective date specifying the date, or dates, on which its PJM Proxy Generator Buses will be designated as CTS Enabled Proxy Generator Buses.¹⁸

21. NYISO states that although it developed its CTS with PJM tariff revisions by building on the language that NYISO developed, and the Commission approved, to implement CTS with ISO-NE, it does not expect to implement CTS with ISO-NE until the fourth quarter of 2015. As a result, NYISO clarifies that it will specify the effective date for the tariff sections that: (1) are amended in this proceeding and were not modified in the CTS with ISO-NE proceeding (Docket No. ER12-701-000);¹⁹ (2) were first amended in Docket No. ER12-701-000 and are further modified in this proceeding;²⁰ (3) were accepted in Docket No. ER12-701-000, that are not further amended in this proceeding, but that are necessary for CTS implementation with PJM;²¹ and (4) were amended in Docket No. ER12-701-

¹⁷ See *N.Y. Indep. Sys. Operator, Inc.*, 139 FERC ¶ 61,048, at PP 20-21 (2012); see also NYISO, Filing, Docket No. ER12-701-000, at 14-15 (filed Dec. 28, 2011) (referencing NYISO, Market Services Tariff, Attachment C, § 18).

¹⁸ NYISO explains that its compliance filing will include revisions to Section 4.4.4 of its Services Tariff specifying the proposed effective date(s) for enabling CTS at its PJM proxy generator buses.

¹⁹ NYISO states that these tariff sections include Services Tariff Sections 2.9 and 26.4, and OATT Sections 35.2, 35.7 and 35.12.

²⁰ NYISO states that these tariff sections include Services Tariff Sections 2.2, 2.3, 2.16, and 4.4, and OATT Sections 1.2, 1.3, 1.16 and 16.3.

²¹ NYISO states that these tariff sections include Services Tariff Sections 2.4, 2.18, 2.19, 2.20, 17.1, 18.6, 21, and 25, and OATT Sections 1.4, 1.5, 1.18, 1.19, 1.20 and 3.1. Note, Services Tariff Sections 18.6 and 25 describe the

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000, that NYISO proposes to further amend in this proceeding, that should not become effective until NYISO implements CTS with the ISO-NE in the fourth quarter of 2015.²²

2. Comments and Response

22. Great Bay Energy and the Coalition oppose as premature NYISO's proposal to remove the real-time Bid Production Cost Guarantee for imports and the Import Curtailment Guarantee in advance of NYISO's implementation of CTS in November 2014.²³ Great Bay Energy and the Coalition note that NYISO has not included tariff language eliminating the real-time Bid Production Cost Guarantee for imports and Import Curtailment Guarantee in its filing.

23. Great Bay Energy and the Coalition contend that NYISO's removal of the real-time Bid Production Cost Guarantee for imports prior to the implementation of CTS would unduly discriminate against imports compared to the treatment given to NYISO generators participating in internal transactions.²⁴ Further, Great Bay Energy and the Coalition assert that importers cannot avoid latency risk without increasing its bid price in order to account for potential changes in locational based marginal prices due to system conditions. Great Bay Energy and the Coalition maintain that it cannot make a determination, before the implementation of CTS, as to whether the elimination of the real-time Bid Production Cost Guarantee for imports is appropriate once NYISO's real-time pricing rules at all Proxy Generator Buses are in effect.²⁵

removal of the real-time import guarantee and the import curtailment guarantee, respectively.

²² Specifically, NYISO states that the proposed modifications to Services Tariff Section 31 and OATT Sections 6.1, 6.2, and 6.5 do not need to become effective until CTS implementation with ISO-NE and therefore, NYISO's compliance filing will not propose an effective date for the CTS with ISO-NE tariff revisions in these tariff sections.

²³ Great Bay Energy and the Coalition Protest at 3.

²⁴ Great Bay Energy and the Coalition Protest at 4.

²⁵ Great Bay Energy and the Coalition Protest at 5-6.

24. Great Bay Energy and the Coalition also assert that NYISO has failed to justify the elimination of the Import Curtailment Guarantee.²⁶ Great Bay Energy and the Coalition state that NYISO has not presented alternatives describing how NYISO would address revenues lost by importers as a result of reliability-based curtailments following the removal of the Import Curtailment Guarantee. Moreover, Great Bay Energy and the Coalition contend that prices at the PJM-NYISO border will potentially be higher if importers adhere to NYISO's suggestion that importers take curtailment risk into account in their offers.²⁷

25. The NY Transmission Owners support NYISO's proposal to implement CTS and NYISO's request to grant a flexible effective date within November 2014. The NY Transmission Owners request that the Commission encourage expeditious implementation of CTS reasoning that CTS will improve scheduling efficiency at the PJM-NYISO border.

26. In response to Great Bay Energy and the Coalition, NYISO clarifies that the tariff amendments and tariff effective dates proposed in this proceeding will not result in the elimination of the real-time Bid Production Cost Guarantee for imports before CTS implementation with PJM.²⁸ NYISO notes that it requested a November 2014 effective date for the tariff revisions submitted in this proceeding, as well as for certain tariff revisions approved by the Commission in *New York Independent System Operator, Inc.*, 139 FERC ¶ 61,048 (2012) (Docket No. ER12-701-000) regarding CTS implementation with ISO-NE. NYISO explains that the tariff revisions submitted in both proceedings are necessary for CTS implementation with PJM. However, NYISO notes that it has submitted a separate filing in Docket No. ER14-864-000 that proposes to eliminate the real-time Bid Production Cost Guarantee for imports at all of NYISO's Proxy Generator Buses effective April 8, 2014.²⁹ NYISO asserts that Docket ER14-864-000 is the appropriate venue for Great Bay Energy and the Coalition to raise concerns with the removal of the real-time Bid Production Cost Guarantee for imports at one or more of NYISO's Proxy Generator Buses prior to CTS implementation with PJM in November 2014.

²⁶ Great Bay Energy and the Coalition Protest at 6.

²⁷ Great Bay Energy and the Coalition Protest at 7.

²⁸ NYISO January 10, 2014 Answer at 2-3.

²⁹ NYISO January 10, 2014 Answer at 3 n.6.

27. With respect to Import Curtailment Guarantees, NYISO contends that Great Bay Energy and the Coalition do not explain why imports scheduled at CTS Enabled Proxy Generator Buses located at the NYISO/PJM border should remain eligible to receive Import Curtailment Guarantee payments that will not be available at CTS Enabled Proxy Generator buses located at the NYISO/ISO-NE border after CTS implementation with ISO-NE.³⁰ NYISO states that it is simply proposing that the PJM CTS Enabled Proxy Generator Buses be treated the same as the ISO-NE CTS Enabled Proxy Generator Buses for which the Commission has already approved tariff amendments.³¹

28. NYISO notes that, in 2012 and 2013, NYISO paid an average Import Curtailment Guarantee of approximately \$0.015/MWh to imports from PJM, and that is what it expects the increase to be after the removal of Import Curtailment Guarantees.³² Therefore, NYISO alleges that it is hard to understand Great Bay Energy and the Coalition's assertion that NYISO's proposal will result in higher than necessary prices at the NYISO/PJM border. Further, NYISO notes that it expects any potential increase in locational based marginal price costs to be offset by the reduction in uplift cost allocations following the removal of the Import Curtailment Guarantee.³³

29. In addition, NYISO states that competition to schedule imports to NYCA from PJM, internal generators, and other markets is expected to preclude transmission customers from inflating their import offers with unrealistically high costs associated with curtailment risk.³⁴ Therefore, NYISO states that it does not expect higher than necessary increases in locational based marginal prices to account for curtailment risk.

30. Further, NYISO asserts that, since exports from NYCA have never been eligible to receive Import Curtailment Guarantee payments, traders that schedule

³⁰ NYISO January 10, 2014 Answer at 3.

³¹ NYISO January 10, 2014 Answer at 4 (citing *N.Y. Indep. Sys. Operator, Inc.*, 139 FERC ¶ 61,048).

³² NYISO January 10, 2014 Answer at 4.

³³ NYISO January 10, 2014 Answer at 5.

³⁴ NYISO January 10, 2014 Answer at 5-6.

exports from NYCA already incorporate curtailment risk into their bidding strategy. NYISO also contends that incorporating curtailment risk into import offers will benefit NYCA by re-assigning the costs of this risk into the locational based marginal price component of an import offer, rather than incorrectly including the costs in uplift.³⁵ In addition, NYISO states that, taking into account the costs of curtailment risk into the import offer price will allow the RTC economic evaluation to properly assess the value of scheduling these import offers and select a more efficient set of resources to meet NYCA load.

31. NYISO notes that PJM does not offer Import Curtailment Guarantee payments. NYISO asserts that the removal of the Import Curtailment Guarantee will more closely align the settlement rules utilized in the two markets.³⁶

32. NYISO requests that the Commission reject Great Bay Energy and the Coalition's motion to consolidate Docket Nos. ER14-552-000 and ER14-864-000. NYISO states that the tariff amendments proposed in these dockets address different market design improvements that NYISO proposes to implement on different dates.³⁷ Further, NYISO notes that it has requested different effective dates in order to develop software improvements to effectuate each of the proposed tariff amendments.

3. Commission Determination

33. We find that CTS will enhance market efficiency of interregional transactions and provide substantial benefits to consumers in both PJM and NYISO. As previously noted, joint studies performed by PJM and NYISO estimate potential production cost savings ranging from \$9 million/year to \$26 million/year.³⁸ CTS should also minimize counter intuitive flows, such as

³⁵ NYISO January 10, 2014 Answer at 6.

³⁶ NYISO January 10, 2014 Answer at 6.

³⁷ NYISO February 3, 2014 Answer at 2-3.

³⁸ See NYISO December 6, 2013 Filing at 9 n.26 (citing NYISO, Presentation to Stakeholders, at 10 (Sep. 30, 2013), http://www.nyiso.com/public/webdocs/markets_operations/committees/mc/meeting_materials/2013-09-30/CTS%20PJM%20MC%2009302013%20FOR%20PRESENTATION.pdf); see also *id.* at 8 n.24 (citing Potomac Economic Ltd., *2010 State of the Market Report*

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flows going from a high priced control area to a low priced control area, by incorporating projected price differences between the NYISO and PJM markets into scheduling decisions. Further, CTS should improve scheduling efficiency for both regions by introducing a new scheduling option for transmission customers at the NYISO/PJM border that will allow bidding of different MW quantities at different prices for each 15 minute interval within an hour. In addition, CTS should significantly reduce latency risk by establishing intra-hour schedules 15 minutes closer to actual, real-time operations.

34. Accordingly, we accept the proposed tariff revisions to be effective the later of November 2014 or the date that CTS becomes operational, subject to NYISO making a compliance filing with revised tariff records no later than 14 days prior to the date on which CTS will become operational reflecting the effective date of the tariff provisions.

35. Great Bay Energy and the Coalition oppose removing the real-time Bid Production Cost Guarantee for imports before NYISO's implementation of CTS in November 2014. We find the protest is beyond the scope of this proceeding. The protest deals only with the removal of that guarantee for the period *before* the instant CTS proposal would take effect; Great Bay Energy and the Coalition do not protest the removal of that guarantee once CTS is implemented. NYISO does not propose to remove the real-time Bid Production Cost Guarantee for imports at Proxy Generator Buses in its filing in this proceeding. Instead, it relies on the tariff provisions previously accepted in 2012 in the NYISO/ISO-NE proceeding in Docket No. ER12-701 that remove all such guarantees from any CTS-enabled Proxy Generator Bus; here NYISO proposes simply to make those previously accepted tariff provisions effective in November 2014 to coincide with the effectiveness of the instant PJM CTS proposal. In Docket No. ER14-864-000, NYISO proposes to eliminate the real-time Bid Production Cost Guarantee payments for all imports that enter NYCA, regardless of whether a CTS interface bid or decremental bid is used to offer the import and requests that the proposed tariff revisions describing this removal become effective April 8, 2014. The Commission will address the merits of NYISO's proposal to remove the real-time Bid Production Cost Guarantee for imports prior to the implementation CTS with PJM in Docket No. ER14-864-000.

for the New York Market, x (Aug. 31, 2011), available at http://www.nyiso.com/public/markets_operations/documents/studies_reports/index.jsp).

36. With respect to the protest to the removal of Import Curtailment Guarantees, NYISO also does not propose such removal here; rather the removal of such guarantees applicable to CTS-enabled Proxy Generator Buses was previously accepted in Docket No. ER12-701,³⁹ and here is simply proposed to be made effective November 2014. Therefore, this protest of the removal is also beyond the scope of this proceeding. Further, we note that Great Bay Energy and the Coalition do not explain why imports scheduled at CTS Enabled Proxy Generator Buses located at the NYISO/PJM border should remain eligible to receive Import Curtailment Guarantee payments that will not be available at CTS Enabled Proxy Generator Buses located at the NYISO/ISO-NE border after CTS implementation with ISO-NE.

37. When we accepted NYISO's proposal to remove both import and curtailment guarantees in the ISO-NE CTS proceeding, the Commission agreed with NYISO that competition from other importers, internal generators, and other marketers should preclude transmission customers from inflating their import offers with unrealistically high costs associated with import curtailment risk. Taking into account the costs of these risks into the import offer prices will allow for an equal footing among import offers and export bids since exports from NYCA have never been eligible to receive guarantee payments. We continue to find it reasonable to incorporate both import and curtailment risk in the importer's offer rather than assigning these costs to statewide load. We also agree that removing the Import Curtailment Guarantee will more closely align the settlement rules utilized in the ISOs' markets since PJM currently does not offer Import Curtailment Guarantee payments at its border with NYISO.

38. Additionally, we will deny Great Bay Energy and the Coalition's request to consolidate Docket Nos. ER14-552-000 and ER14-864-000. The Commission generally consolidates proceedings when it sets them for trial-type evidentiary hearing and decision, and because we are not doing so here, and we have not yet acted in Docket No. ER14-864-000, consolidation is not warranted.⁴⁰

³⁹ See *N.Y. Indep. Sys. Operator, Inc.*, 134 FERC ¶ 61,186, at P 6 (2011); *N.Y. Indep. Sys. Operator, Inc.*, 139 FERC ¶ 61,048, at PP 20-21 (2012).

⁴⁰ *E.g., Entergy Services, Inc.*, 108 FERC ¶ 61,107, at P 21 (2004).

The Commission orders:

NYISO's December 6, 2013 filing is hereby accepted to be effective as discussed in the body of this order, subject to the filing condition discussed above.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix

New York Independent System Operator, Inc.
FERC FPA Electric Tariff
NYISO Tariffs

[NYISO OATT, 1.2 OATT Definitions - B, 3.0.0](#)

[NYISO OATT, 1.3 OATT Definitions - C, 2.0.0](#)

[NYISO OATT, 1.16 OATT Definitions - P, 4.0.0](#)

[NYISO OATT, 6.1 OATT Schedule 1 - ISO Annual Budget Charge and Other Non, 9.0.0](#)

[NYISO OATT, 6.2 OATT Schedule 2 - Charges For Voltage Support Service, 4.0.0](#)

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[NYISO MST, 31 MST Attachment P - Coordinated Transaction Scheduling, 1.0.0](#)