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Subject: Out-of-Merit Generation

Generators can be run out-of-merit for different reasons. The billing consequences vary according to the reason.

Details:

From time to time, generators must be operated out of economic order or at levels that are inconsistent with the calculated schedules. Any NYISO-authorized deviation from the schedule is considered Out-of-Merit Generation and is not subject to regulation penalties. A unit that is out-of-merit is balanced at actual output and may be eligible for a supplemental payment if its bid production cost is not met.

NYISO Requests for Out-of-Merit Generation

Out-of-Merit Generation, either up or down, can be requested by the NYISO for security of the bulk power system, during communication failures, or because the Balancing Market Evaluation does not successfully run. The energy provided during the out-of-merit condition will be paid at the Real-Time Market Locational Based Marginal Pricing (LBMP) rates, but out-of-merit units may not set LBMP rates. The unit will be provided a supplemental payment, if required to recover its bid cost, consistent with the rules for bid production cost guarantees. Any supplemental payments will be charged to all NYISO Loads through the Schedule 1 Ancillary Service. The generator will be put back in merit by the NYISO when conditions warrant.

Transmission Owner Requests for Out-of-Merit Generation

Transmission Owners in the NYISO system can request that a generator be run out-of-merit, either up or down, for local reliability. The specific generator and reason for the request must be identified by the Transmission Owner at the time of the request. The energy provided by the generator will be paid at the Real-Time Market LBMP rates, but out-of-merit units may not set LBMP rates. The unit will be provided a supplemental payment, if required to recover its bid cost, consistent with the rules for bid production cost guarantees. Any supplemental payments will be charged to the Loads within the Transmission Owner's area. The generator will remain out-of-merit until the Transmission Owner requests that the NYISO put it back in merit.

Generator Operator Requests for Out-of-Merit Generation

A generator operator may request out-of-merit operation to perform a Dependable Maximum Net Capability (DMNC) test. The process for this test is described in Technical Bulletin #29, "Scheduling Generator Dependable Maximum Net Capability Tests". During a DMNC test, energy that is provided by the generator and scheduled in the Day-Ahead Market (DAM) is covered by a bid production cost guarantee. Energy that is not scheduled in the DAM will be paid for at the Real-Time Market LBMP rate but will not receive an in-day bid production cost guarantee. Out-of-Merit Generation will not set LBMP rates.

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Generator operator requests for Out-of-Merit Generation must be made through the Transmission Owner. The specific reason for the request is required at the time the request is relayed by the Transmission Owner to the NYISO. The generator will remain out-of-merit until the generator operator requests, via the Transmission Owner, that the NYISO put it back in merit.¶

The purpose of this "Technical Bulletin" is to facilitate participation in the NYISO by communicating various NYISO concepts, techniques, and processes to Market Participants before they can be formally documented in a NYISO manual. The information contained in this bulletin is subject to change as a result of a revision to the ISO Tariffs or a subsequent filed tariff with the FERC.

Derated generation can also be requested by a generator operator for extenuating circumstances that require reduced operation or shutdown. This includes equipment failure or pollution episodes. In these situations, the process described in Technical Bulletin # 25, "Updating Generator Limits Used in Real Time via Transmission Owners" should be used. The generator remains responsible for balancing energy.