



10 Krey Boulevard Rensselaer, NY 12144

November 6, 2009

2009 NOV -6 P 2:40

FEDERAL ENERGY REGULATORY COMMISSION

ORIGINAL

By Hand Delivery

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: *New York Independent System Operator, Inc., Proposed Tariff Revisions for the Development of Statewide Day-Ahead Reliability Unit Requests, Docket No. ER10-231-000*

Dear Secretary Bose:

In accordance with Section 205 of the Federal Power Act and Part 35 of the Commission's regulations,¹ the New York Independent System Operator, Inc. ("NYISO") respectfully submits proposed revisions to its Market Administration and Control Area Services Tariff ("Services Tariff") to allow the NYISO to commit Generators for New York Control Area ("NYCA") reliability purposes prior to the close of the Day-Ahead Market ("DAM"). The Services Tariff currently provides Transmission Owners the ability to request that a Day-Ahead Reliability Unit ("DARU") be committed prior to the close of the DAM in order to meet the local reliability requirements of the transmission system. The proposed amendments to the Services Tariff will allow the NYISO to make similar DARU commitment determinations for statewide reliability purposes.

I. Documents Submitted

1. This filing letter;
2. A clean version of the proposed revisions to the NYISO's Services Tariff ("Attachment I"); and
3. A blacklined version of the proposed revisions to the NYISO's Services Tariff ("Attachment II").

¹ 18 C.F.R § 35 et seq. (2009).

Honorable Kimberly D. Bose, Secretary
November 6, 2009
Page 2

II. Background

On September 18, 2008 the Commission approved² the NYISO's request to modify its DAM commitment software, also known as the Security Constrained Unit Commitment ("SCUC") software, and amendments to the NYISO's Open Access Transmission Tariff ("OATT") and Services Tariff that allowed Transmission Owners to request specific units needed for local reliability requirements to be committed in the DAM. These DARU commitments are made in the SCUC 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. The DARU functionality has reduced the need to commit units for local reliability purposes through the post-DAM Supplemental Resource Evaluation ("SRE") process. Scheduling reliability units in the SCUC (1) facilitates more efficient market solutions by committing the units that will most likely run in the real-time markets to address reliability needs, (2) avoids scheduling excess capacity in the DAM that will likely not be needed in real time, (3) provides a needed Generator the opportunity to be scheduled based on an economic evaluation of its DAM Bids before an outside economic merit order commitment is determined, and (4) permits gas-fired generators to procure gas at next-day prices. The current DARU process, as utilized to address local reliability needs, has reduced the potential for inefficient and uneconomic commitments resulting from the SRE process and has reduced the corresponding uplift costs paid by loads.

After implementing the approved DARU process, the NYISO received feedback from its Market Participants that the NYISO should obtain the authority to utilize the DARU functionality for statewide reliability needs. The NYISO agrees with its Market Participants and has attached proposed changes to its Services Tariff, which are described below. Settlements for DARU commitments made for NYCA reliability purposes will work similarly to other commitments currently being made to address NYCA reliability requirements. Consistent with Section 2(A) of Rate Schedule 1 to the NYISO's OATT and the NYISO's current practice, Bid Production Cost Guarantee ("BPCG") payments associated with DARU commitments made for NYCA reliability purposes will be allocated across the NYCA on a load ratio share basis.³

The NYISO currently has authority to address statewide reliability issues for the Dispatch Day only after the close of the DAM through the SRE process. Expanding the NYISO's authority by permitting it to use the DARU process is expected to increase market efficiency and reduce the uplift associated with commitments by the NYISO to address NYCA reliability. Because the NYISO does not have mitigation rules currently defined for Generators located in a Constrained Area (New York City) that are

² Letter Order from Larry Gasteiger, Office of Energy Market Regulation, FERC, to Robert E. Fernandez, NYISO, dated September 18, 2008 (Docket No. ER08-1422-000).

³ A generator committed through the NYISO's DARU feature currently in place that addresses local reliability needs will continue to receive BPCG payments that are recovered through load ratio share allocations to Load Serving Entities (LSEs) located in the subzone where the generator is located.

Honorable Kimberly D. Bose, Secretary
November 6, 2009
Page 3

committed for NYCA reliability through this proposed expanded DARU process, these Generators will be ineligible for selection by the NYISO to address NYCA reliability concerns. If the NYISO determines that a Constrained Area Generator is required to address a NYCA reliability issue the NYISO will continue to use the same process it currently uses; it will commit the Generator through the established SRE process, at least until such time as the necessary additional mitigation rules are developed and in effect.

III. Description of Proposed Tariff Revisions

The NYISO proposes to revise Sections 2.37a and 4.2.4.1 of the Services Tariff in order to expand the DARU program to authorize the NYISO to commit specific resources that address NYCA reliability needs.

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 DARU may include *units which would not otherwise be committed in the DAM 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 DAM to meet NYCA reliability requirements and to require that, pursuant to NYISO procedures, the NYISO post all DARU commitments on its website at the time it receives the DARU request or following the close of the DAM.

IV. Effective Date

The 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 the NYISO’s scheduling system.

V. Requisite Stakeholder Approval

The NYISO Management Committee unanimously approved this proposal and the corresponding amendments to the Services Tariff with two abstentions on September 30, 2009.

Honorable Kimberly D. Bose, Secretary
November 6, 2009
Page 4

VI. Communications and Correspondence

All communications and services in this proceeding should be directed to:

Robert E. Fernandez, General Counsel
Elaine Robinson, Director of Regulatory Affairs
* David Allen, Attorney
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144
Tel: (518) 356-7530
Fax: (518) 356-7678

* Persons designated for receipt of service.

VII. Service

The NYISO will electronically send a link to this filing to the official representative of each of its customers, to each participant on its stakeholder committees and to the New York Public Service Commission. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com. The NYISO will also make a paper copy available to any interested party that requests one. The NYISO requests a waiver of the requirements of Section 35.2(d) of the Commission's Regulations, to the extent necessary, to permit it to provide service in this manner.

VIII. Conclusion

Wherefore, for the foregoing reasons, the New York Independent System Operator, Inc., respectfully requests that the Commission accept for filing the proposed tariff revisions that are attached hereto with an effective date of January 13, 2010.

Respectfully Submitted,

/s/ David Allen _____

David Allen

Attorney

New York Independent System Operator, Inc.

10 Krey Boulevard

Rensselaer, NY 12144

(518) 356-7530

dallen@nyiso.com

ATTACHMENT I

New York Independent System Operator, Inc.
FERC Electric Tariff
Original Volume No. 2

Second Revised Sheet No. 33B
Superseding First Revised Sheet No. 33B

2.37a Day-Ahead Reliability Unit

A Day-Ahead committed Resource which would not have been committed but for a request by a Transmission Owner that the unit be committed in the Day-Ahead Market in order to meet the reliability needs of the Transmission Owner's local system or as the result of the ISO's analysis indicating the unit was needed in order to meet the reliability requirements of the NYCA.

2.38 Decremental Bid

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

Issued by: Stephen G. Whitley, President
Issued on: November 6, 2009

Effective: January 13, 2010

substitute higher quality Ancillary Services (i.e., shorter response time) for lower quality Ancillary Services when doing so would result in an overall least bid cost solution. For example, 10-Minute Non-Synchronized Reserve may be substituted for 30-Minute Reserve if doing so would reduce the total bid cost of providing Energy and Ancillary Services.

4.2.4.1 Reliability Forecast for the Dispatch Day

At the request of a Transmission Owner to meet the reliability of its local system, the ISO may incorporate into the ISO's Security Constrained Unit Commitment constraints specified by the Transmission Owner.

A Transmission Owner may request commitment of certain Generators for a Dispatch Day if it determines that certain Generators are needed to meet the reliability of its local system. Such request shall be made before the Day-Ahead Market for that Dispatch Day has closed if the Transmission Owner knows of the need to commit certain Generators before the Day-Ahead Market close. The ISO may commit one or more Generator(s) in the Day-Ahead Market for a Dispatch Day if it determines that the Generator(s) are needed to meet NYCA reliability requirements.

A Transmission Owner may request commitment of additional Generators for a Dispatch Day following the close of the Day-Ahead Market to meet changed or local system conditions for the Dispatch Day that may cause the Day-Ahead schedules for the Dispatch Day to be inadequate to ensure the reliability of its local system. The ISO will use SRE to fulfill a Transmission Owner's request for additional units.

New York Independent System Operator, Inc.
FERC Electric Tariff
Original Volume No. 2

First Revised Sheet No. 91B
Superseding Original Sheet No. 91B

All requests by Transmission Owners or decisions by the ISO to commit Generators, pursuant to this Section 4.2.4.1, shall be posted on the ISO website, upon receipt of the request or following the close of the Day-Ahead Market, pursuant to ISO procedures.

After the Day-Ahead schedule is published, the ISO shall evaluate any events, including, but not limited to, the loss of significant Generators or transmission facilities that may cause the Day-Ahead schedules to be inadequate to meet the Load or reliability requirements for the Dispatch Day.

In order to meet Load or reliability requirements in response to such changed conditions the ISO may: (i) commit additional Resources, beyond those committed Day-Ahead, using a SRE and considering (a) Bids submitted to the ISO that were not previously accepted but were designated by the bidder as continuing to be available; or (b) new Bids from all Suppliers, including neighboring systems; or (ii) take the following actions: (a) after providing notice, require all Resources to run above their UOL_{NS} , up to the level of their UOL_{ES} (pursuant to ISO Procedures) and/or raise the UOL_{NS} of Capacity Limited Resources and Energy Limited Resources to their UOL_E levels, or (b) cancel or reschedule transmission facility maintenance outages when possible. Actions taken by the ISO in performing supplemental commitments will not change any financial commitments that resulted from the Day-Ahead Market

4.2.5 Reliability Forecast for the Six Days Following the Dispatch Day

In the SCUC program, system operation shall be optimized based on Bids over the Dispatch Day. However, to preserve system reliability, the ISO must ensure that there will be

Issued by: Stephen G. Whitley, President
Issued on: November 6, 2009

Effective: January 13, 2010

ATTACHMENT II

New York Independent System Operator, Inc.
 FERC Electric Tariff
 Original Volume No. 2

~~First~~ Second Revised Sheet No. 33B
 Superseding ~~Original~~ First Revised Sheet No. 33B

2.37a Day-Ahead Reliability Unit

A Day-Ahead committed Resource which would not have been committed but for the ~~a~~
~~commitment request by a Transmission Owner~~ that the unit be committed in the Day-Ahead
Market in order to meet the reliability needs of the Transmission Owner's local system or as the
result of the ISO's analysis indicating the unit was needed in order to meet the reliability
requirements of the NYCA ~~which request was made known to the ISO prior to the close of the~~
~~Day-Ahead Market.~~

2.38 Decremental Bid

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

Issued by: Stephen G. Whitley, President
 Issued on: ~~March 11~~ November 6, 2009

Effective: ~~May 12~~ January 13, 2009 10

New York Independent System Operator, Inc.
 FERC Electric Tariff
 Original Volume No. 2

~~Fifth-Sixth~~ Revised Sheet No. 91A
 Superseding ~~Fourth-Fifth~~ Revised Sheet No. 91A

substitute higher quality Ancillary Services (i.e., shorter response time) for lower quality Ancillary Services when doing so would result in an overall least bid cost solution. For example, 10-Minute Non-Synchronized Reserve may be substituted for 30-Minute Reserve if doing so would reduce the total bid cost of providing Energy and Ancillary Services.

4.2.4.1 Reliability Forecast for the Dispatch Day

At the request of a Transmission Owner to meet the reliability of its local system, the ISO may incorporate into the ISO's Security Constrained Unit Commitment constraints specified by the Transmission Owner.

A Transmission Owner may request commitment of certain Generators for a Dispatch Day if it determines that certain Generators are needed to meet the reliability of its local system. Such request shall be made before the Day-Ahead Market for that Dispatch Day has closed if the Transmission Owner knows of the need to commit certain Generators before the Day-Ahead Market close. The ISO may commit one or more Generator(s) in the Day-Ahead Market for a Dispatch Day if it determines that the Generator(s) are needed to meet NYCA reliability requirements.

A Transmission Owner may request commitment of additional Generators for a Dispatch Day following the close of the Day-Ahead Market to meet changed or local system conditions for the Dispatch Day that may cause the Day-Ahead schedules for the Dispatch Day to be inadequate to ensure the reliability of its local system. The ISO will use SRE to fulfill a Transmission Owner's request for additional units.

Issued by: Stephen G. Whitley, President
 Issued on: August 18 ~~November 6~~, 2008~~9~~

Effective: ~~February 12~~ January 13, 2009~~10~~

New York Independent System Operator, Inc.
 FERC Electric Tariff
 Original Volume No. 2

First Revised Sheet No. 91B
Superseding Original Sheet No. 91B

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

After the Day-Ahead schedule is published, the ISO shall evaluate any events, including, but not limited to, the loss of significant Generators or transmission facilities that may cause the Day-Ahead schedules to be inadequate to meet the Load or reliability requirements for the Dispatch Day.

In order to meet Load or reliability requirements in response to such changed conditions the ISO may: (i) commit additional Resources, beyond those committed Day-Ahead, using a SRE and considering (a) Bids submitted to the ISO that were not previously accepted but were designated by the bidder as continuing to be available; or (b) new Bids from all Suppliers, including neighboring systems; or (ii) take the following actions: (a) after providing notice, require all Resources to run above their UOL_{NS}, up to the level of their UOL_{ES} (pursuant to ISO Procedures) and/or raise the UOL_{NS} of Capacity Limited Resources and Energy Limited Resources to their UOL_E levels, or (b) cancel or reschedule transmission facility maintenance outages when possible. Actions taken by the ISO in performing supplemental commitments will not change any financial commitments that resulted from the Day-Ahead Market

4.2.5 Reliability Forecast for the Six Days Following the Dispatch Day

In the SCUC program, system operation shall be optimized based on Bids over the Dispatch Day. However, to preserve system reliability, the ISO must ensure that there will be

Issued by: Stephen G. Whitley, President
 Issued on: ~~August 18~~ November 6, 2008

Effective: ~~February 12~~ January 13, 2009