

December 8, 2008

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

Re: *Sixteenth Quarterly Report* by New York Independent System Operator, Inc.  
in Docket Nos. ER04-230-000, ER01-3155-006, ER01-1385-015, EL01-45-014  
and Docket ER04-230-034

Dear Secretary Bose:

Pursuant to the Commission's directives in its Order on Rehearing in these dockets,<sup>1</sup> and in its May 23, 2008 Order on Tariff Revisions in Docket ER04-230-034,<sup>2</sup> the NYISO hereby files its *Sixteenth Quarterly Report*.<sup>3</sup>

In previous Quarterly Reports in these dockets, the NYISO has reported on its efforts to improve the efficient utilization of combined cycle units within the NYISO markets. Most recently, the NYISO has begun to also report on its effort to accommodate batch loads and flywheel energy storage technologies in its ancillary services markets. A. Accommodating Energy Storage Technologies and Batch Loads in the in the NYISO-Administered Markets

The NYISO is pleased to report further progress on the two impediments that currently exist with regard to allowing flywheel energy storage technology to participate in the NYISO's markets. First, the NYISO staff has continued to meet with representatives of flywheel energy storage technologies as well as other providers of energy storage technologies such as batteries to ensure that the market enhancements it builds to accommodate flywheel technology are generally applicable to all types of energy storage devices. The NYISO presented proposed market enhancements and new market rules to stakeholders at the November 3, 2008 and December 3, 2008 Market Issues Working Group ("MIWG") meetings.<sup>4</sup> Pending development of specific tariff language, which is currently underway, the NYISO intends to proceed with the

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<sup>1</sup> 111 FERC 61,468 (2005).

<sup>2</sup> 123 FERC 61,203 (2008) ("May Order").

<sup>3</sup> The NYISO respectfully requests the Commission accept this Report six days out of time.

<sup>4</sup> See presentations at ([http://www.nyiso.com/public/webdocs/committees/bic\\_miwg/meeting\\_materials/2008-11-03/Limited\\_Energy\\_Storage\\_Resource.pdf](http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2008-11-03/Limited_Energy_Storage_Resource.pdf)) and [http://www.nyiso.com/public/webdocs/committees/bic\\_miwg/meeting\\_materials/2008-12-04/LESR\\_MIWG\\_Tariff\\_Overview.pdf](http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2008-12-04/LESR_MIWG_Tariff_Overview.pdf)

stakeholder approval process and to file tariff amendments in the first quarter of 2009 with the intention of allowing flywheel technology to offer Regulation Service no later than the end of second quarter, 2009 or the date by which the current reliability rules impediments are lifted, which ever is later.

The Northeast Power Coordinating Council's ("NPCC's") Task Force on Coordination of Operation ("TFCO"), at its August 15, 2008 and September 23, 2008 meetings, reviewed the continued need to apply Section 3.7 of NPCC's A-6, Operating Reserve Criteria, commonly known as the one-hour sustainability rule to both reserves and Regulation Service.<sup>5</sup> As a result of these discussions, TFCO put forward proposed revisions to the A-6 criteria to remove the applicability of Section 3.7, and its one-hour sustainability rule, from Regulation Service.<sup>6</sup> These revisions are proceeding through NPCC's Process for Open Review for stakeholder comment and NPCC membership approval vote, which is likely to occur in the first quarter of 2009. This rule change will allow Regulation Service to be provided by technologies that may be unable to sustain energy production for an hour.

Since the NYISO's *Fifteenth Quarterly Report* was filed, the NYISO and Beacon representatives<sup>7</sup> also updated the New York State Reliability Council – Reliability Rules Subcommittee on the flywheel energy storage technology and market integration efforts at its November 6, 2008 meeting.

The NYISO has not met with Nucor representatives since the *Fifteenth Quarterly Report* was filed but continues to investigate additional market products which Nucor may be better able to provide. As the NYISO mentioned previously, Nucor is currently eligible to provide Installed Capacity or emergency energy assistance as a Demand Response Provider under the NYISO's Special Case Resource and Emergency Demand Response programs.<sup>8</sup> The NYISO also understands that Nucor is not interested in offering Regulation Service at the present time. The NYISO remains committed to working with batch loads such as Nucor to increase their opportunities to participate in the NYISO markets given within the framework of applicable reliability requirements.

#### B. Report On Efforts To Improve The Efficient Utilization Of Combined Cycle Units

In its *Eleventh Quarterly Report*, the NYISO provided a comprehensive review of its work to date on improving the efficient utilization of combined cycle units within the NYISO markets. As it reported in the *Eleventh and Thirteenth Quarterly Reports* the NYISO has

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<sup>5</sup> TFCO is the working group of the NPCC which has responsibility for reviewing NPCC's Operating Reserve criteria. See affidavit of James Castle, attached.

<sup>6</sup> See: [http://www.npcc.org/viewDoc.aspx?name=A-6\\_111308.pdf&cat=opGeneral](http://www.npcc.org/viewDoc.aspx?name=A-6_111308.pdf&cat=opGeneral).

<sup>7</sup> Beacon is building a flywheel storage device in New York.

<sup>8</sup> Cite to Article 5 SCR section and the EDRP Attachment

decided that it can better pursue improved utilization of combined cycle facilities in its markets by enhancing its existing market rules rather than by embarking on a significant and potentially very expensive overhaul of its market software. The NYISO's comprehensive examination of its market rules to identify such potential enhancements began in 2006 and most recently resulted in Commission approval of enhancements to the special market rules available to combined cycle and other grouped units during Start-up and Shut down periods.<sup>9</sup> This review is being done in conjunction with its Market Participants during regularly scheduled MIWG meetings.<sup>10</sup>

Two issues appear to be of particular interest to combined cycle unit owners, reducing the 75-minute window within which real-time energy offers must be submitted and an opportunity to increase real-time offers for energy scheduled in the Day-Ahead Market. The NYISO is pursuing both.

The NYISO's 75-minute window before the dispatch hour for submitting real-time offers to sell energy allows the NYISO sufficient time to evaluate internally and with neighboring Control Areas transactions that are scheduled at its borders. As discussed with market participants in the November Market Issues Working Group, revisions to the NYISO's scheduling protocols for transactions across its borders is being investigated as one of several potential long-term efforts to better manage Lake Erie loop flow.<sup>11</sup> These investigation efforts have begun internally and will continue with stakeholder reviews through the first three quarters of 2009. Should transaction scheduling protocols at its borders change, the NYISO will re-examine the time required for real-time offers to be made and recommend changes to the current time window as appropriate.

The NYISO is also looking at opportunities for market participants to increase real-time offers for energy they scheduled in the Day-Ahead Market.<sup>12</sup> The NYISO made a presentation on this issue in July, 2008. However, it is apparent that any change to real-time offer rules will require improvements in the NYISO's real-time market power mitigation procedures, including the opportunity for the NYISO to, in real-time, reflect revisions to real-time reference prices, when appropriate, as generators provide the NYISO with verification of their exposure to real-time production cost increases. This functionality is being evaluated in the NYISO's market power mitigation process automation project which is scheduled to start in 2009.

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<sup>9</sup> Letter Order Pursuant to § 375.307 New York Independent System Operator, Inc. Docket No. ER08-818-000, Issued: 5/30/08

<sup>10</sup> See scheduled meetings and agendas at: [http://www.nyiso.com/public/committees/documents.jsp?com=bic\\_miwg](http://www.nyiso.com/public/committees/documents.jsp?com=bic_miwg)  
The NYISO has also concluded its review of the existing penalty structure and has determined that the relative effectiveness of penalties indicates no reason to modify them at this time. The NYISO will however continue to evaluate penalty application methodology for improvement. See MIWG presentation at: [http://www.nyiso.com/public/webdocs/committees/bic\\_miwg/meeting\\_materials/2008-04-07/Real\\_Time\\_Rules\\_Assessment\\_MIWG.pdf](http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2008-04-07/Real_Time_Rules_Assessment_MIWG.pdf)

<sup>11</sup> [http://www.nyiso.com/public/webdocs/committees/bic\\_miwg/meeting\\_materials/2008-11-03/long\\_term\\_solutions\\_loop\\_flow.pdf](http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2008-11-03/long_term_solutions_loop_flow.pdf)

<sup>12</sup> See MIWG presentation at: [http://www.nyiso.com/public/webdocs/committees/bic\\_miwg/meeting\\_materials/2008-07-01/Fuel\\_Related\\_Offer\\_Increases.pdf](http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2008-07-01/Fuel_Related_Offer_Increases.pdf)

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As these or other enhancements to its market rules that would improve combined cycle utilization become apparent, the NYISO will pursue with its stakeholders the efforts necessary to both amend its tariffs and enhance its market design software to include those improvements within its market design.

The NYISO respectfully requests that the Commission accept this *Sixteenth Quarterly Report*. The NYISO has electronically provided all parties in this docket with a link to the NYISO website where the filing can be viewed.

Respectfully submitted,

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### **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all parties listed on the official service list maintained by the Secretary of the Commission in Docket Numbers ER04-230-006, ER01-3155-006, ER01-1385-015 and EL01-45-014 in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure 18 C.F.R. § 385.2010 (2003).

Dated at Rensselaer, New York this 8th day of December, 2008.

*s/John C. Cutting*  
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