

July 30, 2001

By Hand

The Honorable David P. Boergers, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

New York Independent System Operator, Inc.
Implementation Schedule for Consolidate Edison Co. of New York
Localized Market Power Mitigation Measures
Docket Nos. EL01-45-001 and ER01-1385-001

Dear Mr. Boergers:

On July 20, 2001, the Commission issued an Order on Rehearing Accepting Revised Market Power Mitigation Measures, as Modified, for Filing (“LMM Order”), in the above dockets.¹

The LMM Order addressed certain Localized Market Power Mitigation Measures proposed by the Consolidated Edison Co. of New York (“ConEd”). In the LLM Order, the Commission granted “rehearing of [its] May 16, 2001 order (May 16 Order)² rejecting without prejudice the revised market power mitigation measures proposed by Consolidated Edison Company of New York, Inc. (ConEd), and [found] that as modified herein, those revised measures are reasonable for an interim period. We accept them to become effective as of the date of this order, to terminate on October 31, 2001.”³ In ordering paragraph C of the LMM Order, the Commission stated that: “NYISO is directed to file, within 10 days of the date of this Order, a timetable for implementing the proposed revised market power mitigation measures, as discussed in the body

¹ *Consolidated Edison Company of New York, Inc.*, Docket Nos. EL01-45-001 and ER01-1385-001 (2001).

² 95 FERC ¶ 61,216 (2001).

³ LMM Order, *slip op.* at 1.

of this order.”⁴ The New York Independent System Operator, Inc. (“NYISO”) hereby submits the required timetable, as set forth below.

List of Documents Submitted

The NYISO submits the following documents:

1. this filing letter; and
2. a form of *Federal Register* Notice (Attachment I).

Copies of Correspondence

Copies of correspondence concerning this filing should be served on:

Robert Fernandez
General Counsel and Secretary
John P. Buechler
Director of Regulatory Affairs
New York Independent System Operator, Inc
3890 Carman Road
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William F. Young
Ted J. Murphy
Hunton & Williams
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Washington, DC 20006

Service

The NYISO has mailed a copy of this filing to all parties on the official service lists maintained by the Commission in Docket Nos. EL01-45-001 and ER01-1385-001.

Timetable for Implementation of ConEd LMM

The LMM Order states that:

⁴ *Id.* at 8.

ConEd's proposed revisions would expand the application of the LMM to: (1) bids for sales of energy in the real-time market during constrained periods; (2) bids for minimum generation and start-up in all instances where generation must be operated out-of-merit due to local reliability requirements; (3) bids for start-up and minimum generation during constrained periods (i.e., whenever mitigation would apply to a unit's incremental energy bid); and (4) all generators located electrically within New York City, not just those divested by ConEd.⁵

Set forth below is a timetable for the implementation of revisions (2), (3) and (4) in the NYISO Day-Ahead Market ("DAM"). As discussed further below, after careful analysis the NYISO has concluded that, consistent with its statements in its prior filing in these dockets, implementation of the LMM in the Real-Time Market would require automated procedures that are not feasible prior to the October 31, 2001 expiration date for the LMM revisions.

DAM Timetable:

- July 30: Requests for the information (heat rates, *etc.*) necessary to apply the LMM to units in New York City not divested by ConEd ("Non-Divested Unit Data") distributed to such units by the NYISO.⁶
- Aug. 6: Requested return date for Non-Divested Unit Data.
- Aug. 13: Target date for completion of review of Non-Divested Unit Data for completeness and accuracy.
- Aug: 27: Target date for incorporation of Non-Divested Unit Data in SCUC and implementation of LMM for units not divested by ConEd, for bids (including energy, start-up and minimum generation) in the DAMs starting August 28.
Target date for mitigation under LMM standards of start-up and minimum-generation payments to divested units for any DAM in which the energy bids of the divested units are mitigated, for payments in the DAMs starting August 28.

⁵ *Id.* at 2.

⁶ See Request of Consolidated Edison Company of New York, Inc. to Revise Localized Market Power Mitigation Measures, *Consolidated Edison Company of New York, Inc.*, Docket Nos. EL01-45-001 and ER01-1385-001 (March 1, 2001) ("ConEd LMM Request"), Attachment A: Inputs for Determining Default Energy Reference Prices and Unit Commitment Reference Prices.

For all in-City generation, effective date for LMM mitigation of payments resulting from a Supplemental Resource Evaluation, or “SRE,” commitment, including SRE commitments of out-of-merit units, including minimum generation, start-up and energy payments. In accordance with standard NYISO procedures, final determinations of minimum generation and start-up payments will be made in connection with each unit’s billing determinations at the end of each month.

Completion of the foregoing schedule will require receipt of the Non-Divested Unit Data from all such units by the requested date, so that the data can be incorporated into the Security Constrained Unit Commitment software (“SCUC”) at one time. Incorporating the data into the SCUC piecemeal would be inefficient and would unnecessarily divert NYISO personnel and resources from important market administration functions during the critical summer period. By the same token, if the data are received earlier and are determined to be complete and accurate, it may be possible to complete implementation earlier. Having carefully considered the requirements for implementing the LMM order, however, the NYISO cannot commit to implementing the LMM prior to the schedule set forth above without significant risk to its on-going obligations and other priorities.⁷

Real-Time Timetable

Under the ConEd LMM, units are subject to mitigation if the “unmitigated market-clearing price at a generator’s location exceeds 105 percent of the price at the Indian Point 2 generator bus.”⁸
This determination can only be made by running a complete dispatch algorithm, determining

⁷ In the LMM Order, the Commission recognized that “it may be difficult for NYISO to implement ConEd’s proposal for this summer, given its other priorities.” *Slip op.* at 6

⁸ ConEd LMM Request, at 5.

market clearing prices, and then if mitigation is warranted re-running the dispatch with Energy Reference Prices determined as specified in the LMM substituted for the bids of units that trip the Indian Point 2 screen. As explained in the NYISO's prior filing in this docket, implementation of automated market power mitigation measures for this summer season is not feasible.⁹ In the DAM, bids are due by 5:00 a.m., every effort is made to post prices by 11:00 a.m., and the market does not commence until the following midnight. In the Real-Time Market, however, prices are determined every five minutes, using the Security Constrained Dispatch ("SCD") program, rather than the SCUC. Thus, the time limits on performing automated mitigation calculations for the Real-Time Market are vastly more constraining than for the DAM. In addition, the fact that different software is used for the two markets means that changes to the SCUC to implement the LMM in the DAM cannot simply be ported to the Real-Time Market. In short, the design, implementation and testing of software for automation of Real-Time market power mitigation is very much more difficult than for the DAM--as shown by the NYISO's development of Automated Mitigation Procedures only for the DAM. Since implementation of the LMM in the Real-Time Market would require significant new automated procedures, and development of such procedures is not feasible prior to the October 31, 2001 expiration date for the LMM, the LMM cannot be implemented in Real-Time, including mitigation of LBMPs or out-of-merit payments, on either an automated or manual basis prior to that date.

⁹ Motion of New York Independent System Operator, Inc., to Intervene and Protest Request of Consolidated Edison

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As stated in its prior filing in these dockets, however, the NYISO is “actively and effectively monitoring the Real-Time markets. NYISO Market Monitoring Unit personnel continuously monitor the Real-Time markets for bids that exceed applicable Reference Price levels by the threshold amounts specified in the Market Mitigation Measures, with particular focus on hours exhibiting substantial movements in prices or bids.”¹⁰ Moreover, the NYISO continues to have strong concerns that “the cost-based mitigated price levels in the [LMM] may not reflect the full marginal cost, including accurate fuel and environmental costs, of running a unit needed in the real-time market that was not scheduled in the Day-Ahead Market unit commitment.”¹¹ Thus, the NYISO believes that units participating the New York Real-Time Markets, including all generation in New York City, will be subject to appropriate and effective market power mitigation during the remainder of this current summer.

Company of New York, Inc. to Revise Localized Market Power Mitigation Measures, *Consolidated Edison Company of New York, Inc.*, Docket Nos. EL01-45-001 and ER01-1385-001 (April 4, 2001) (“NYISO Motion to Intervene”), at 4-6.

¹⁰ NYISO Motion to Intervene, at 4.

¹¹ NYISO Motion to Intervene, at 6.

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Federal Register Notice

A form of *Federal Register* Notice is provided as Attachment I hereto. A diskette of the Notice is also provided in WordPerfect format.

Respectfully submitted,

William Young
Counsel for
New York Independent System Operator, Inc.

cc: Mr. Daniel L. Larcamp, Director, Office of Markets, Tariffs and Rates, Room 8A-01,
Tel. (202) 208-2088
Ms. Alice M. Fernandez, Director Office of Markets, Tariffs and Rates—East Division,
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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Consolidated Edison Company of New York, Inc.)

Docket Nos. EL01-45-001 and
ER01-1385-001

NOTICE OF FILING

Take notice that on July 30, 2001, the New York Independent System Operator, Inc. ("NYISO") filed a timetable for implementation of the revised Localized Market Power Mitigation Measures proposed by Consolidated Edison Company of New York, Inc., and approved by the Commission's order issued on July 20, 2001 in the above-captioned dockets.

The NYISO has served a copy of this filing upon parties on the official service lists maintained by the Commission for the above-captioned dockets.

Any person desiring to be heard or to protest this filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. §§ 385.211 and 385-214). All such motions or protests should be filed on or before _____. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this application are on file with the Commission and are available for public inspection.

David P. Boergers
Secretary

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in the above-captioned proceedings in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 2010 (2000).

Dated at Washington, D.C. this 30th day of July, 2001.

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