

UNITED STATES OF AMERICA 107 FERC ¶ 61, 134
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeem G. Kelly.

New York Independent System Operator, Inc. Docket Nos. ER04-230-002
ER04-230-004

ORDER GRANTING REHEARING

(Issued May 7, 2004)

1. On February 11, 2004¹, the Commission accepted revised tariff sheets submitted by the New York Independent System Operator, Inc. (NYISO) to implement new real-time scheduling (RTS) software and a number of complementary new market rules. This order addresses an emergency request for rehearing of the February 11 Order.

Background

2. On November 26, 2003, as amended on December 1, 2003, pursuant to section 205 of the Federal Power Act, the NYISO submitted revisions to its Open Access Transmission Tariff (OATT) and Market Administration and Control Area Services Tariff (Services Tariff) to implement new RTS software and related new market rules. As noted in the Commission's February 11 Order, the new RTS software and the related market rule changes will: (1) permit the adoption of co-optimized two-settlement markets for regulation service and operating reserves; (2) support greater market participation by demand side resources; (3) facilitate the resolution of seams; and (4) serve as the foundation for future improvements. It will also enhance the NYISO's market power mitigation measures and related software and strengthen its ability to prevent market power abuses while not suppressing legitimate competitive bidding behavior.

¹ New York Independent System Operator, Inc., 106 FERC ¶ 61,111 (2004) (February 11 Order).

3. The February 11 Order conditionally accepted the NYISO's proposed default reserves availability bid of zero as a reasonable amount for suppliers that submit energy bids into the Day-Ahead Market, subject to NYISO filing revised tariff sheets indicating that the default reserves availability bid applies only to Installed Capacity (ICAP) suppliers.

Emergency Request for Rehearing and Discussion

4. On March 5, 2004, the NYISO filed an emergency request for rehearing of the February 11 Order with respect to the Commission's ruling denying the application of a default availability bid to non-ICAP suppliers. On March 18, 2004, the Commission issued a data request to the NYISO requesting additional information. The NYISO submitted its responses to the data request on April 1, 2004.² There were no protests or comments on the NYISO's response to the data request.

5. The NYISO contests the Commission's rationale for its rejection of the default bid rule. The Commission found that the rule would impose a "must offer" requirement on non-ICAP suppliers without compensation. The NYISO states that non-ICAP suppliers will only be required to provide reserves to the extent that they voluntarily make themselves available to do so, and will always be compensated at the applicable market-clearing price for services that they are scheduled to provide.

6. The NYISO states that under RTS, suppliers are free to offer capacity into the Day-Ahead Market by choosing to be an "ISO-Committed Flexible," "Self-Committed Flexible³," "ISO-Committed Fixed," or "Self-Committed Fixed" supplier.⁴ If a supplier chooses one of the flexible bidding options, the NYISO will determine, through its co-optimization procedures, whether their flexible capacity would be more efficiently used to provide energy or ancillary services or a combination of the two. The NYISO states that the day-ahead reserves default bid rule would only apply to suppliers that voluntarily make their capacity available on a flexible basis. This is true for ICAP, non-ICAP, and partial ICAP suppliers. If a supplier chooses to bid into the Day-Ahead Market as a fixed supplier, the supplier will not be subject to the NYISO's co-optimized dispatch, the possibility of being called on to provide reserves, or the default bid rule. The NYISO further states that the Commission's ruling on this matter would require extensive software modifications and would necessitate postponing RTS implementation for many months beyond the Fall 2004 target date.

² The NYISO filed a response to the data request in Docket No. ER04-230-004.

³ NYISO's Services Tariff, at §§ 2.167a and 2.167b.

⁴ NYISO's Services Tariff, at §§ 2.81a and 2.81b.

7. In its response to the Staff's data request, the NYISO proposes a solution to this issue that is supported by the parties that originally raised the issue. The NYISO proposes to replace the default bid rule with a rule that would automatically reject flexible day-ahead offers that did not include a reserves availability bid. Sellers would be free to re-submit a valid offer at any time prior to the close of the Day-Ahead Market deadline. The NYISO states that it has discussed this change with its stakeholders and there have been no objections. According to the NYISO, like the original default bid rule, the automatic bid rejection rule would only apply to suppliers that voluntarily choose to offer flexible capacity, eliminating any concern that suppliers will be forced to provide ancillary services without compensation.

8. Our concern with the default availability bid rule was that it would impose on non-ICAP suppliers a must offer requirement for Operating Reserves without compensation. The NYISO has now proposed to replace the zero default bid rule with an automatic bid rejection rule. The automatic bid rejection rule would require flexible suppliers to submit a reserves availability bid in the Day-Ahead Market without which the supplier's bid would be rejected. The proposed automatic bid rejection rule eliminates any possibility that suppliers will not be compensated if they provide Operating Reserves. Because the proposed bid rejection rule satisfies our concern, and is not opposed by stakeholders, we will accept it and order the NYISO to file revised tariff sheets within 30 days of the issuance of this order, implementing the proposed automatic bid rejection provisions for suppliers who offer flexible capacity into the NYISO's Day-Ahead Market.

The Commission orders:

The Commission grants the NYISO's request for emergency rehearing subject to the NYISO making a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.