

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

July 19, 2007

In Reply Refer To:
New York Independent System Operator, Inc.
Docket No. ER06-185-008

New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144

Attention: Alex M. Schnell

Reference: Supplemental Compliance Filing

Dear Mr. Schnell:

1. On March 29, 2007, New York Independent System Operator, Inc. (NYISO) filed a supplement to its December 29, 2006 “Request for Privileged Treatment of Real-Time Guarantee Payment Mitigation Details for May 1, 2005 – April 7, 2006” (Compliance Filing) to comply with Ordering Paragraph (B) of the Commission’s April 7, 2006 Order in Docket Nos. ER06-185-000 and -001 (April 2006 Order),¹ and footnote 7 of the Commission’s November 3, 2006 Order in Docket No. ER06-185-002 (November 2006 Order).² NYISO’s filing, as more fully described below, is accepted as complying with the Commission’s April 2006 and November 2006 Orders.

2. On November 8, 2005, NYISO reported to the Commission, in Docket No. ER06-185-000, that it had discovered that it had made errors in computing Bid Production Cost Guarantees (Guarantees)³ going back to June 1, 2002. These errors occurred while

¹ *New York Independent System Operator, Inc.*, 115 FERC ¶ 61,026 (2006).

² *New York Independent System Operator, Inc.*, 117 FERC ¶ 61,164 (2006).

³ Under the Services Tariff, generators submit three-part bids into the Real-Time Market: bids for Energy, Minimum Generation, and Start-Up. All three bids are used to commit units and determine whether they should receive a Guarantee payment for a given operating day. A Guarantee is paid if a unit’s total as-bid costs are greater than its
(continued...)

NYISO was implementing the new mitigation measures provisions in its Market Administration and Control Area Services Tariff (Services Tariff). In brief, certain aspects of mitigation implementation did not conform to the applicable tariff requirements as they were changed from time to time. NYISO proposed settlement corrections to bring it into compliance with its tariff.

3. In the April 2006 Order, the Commission granted a tariff waiver that allowed NYISO to make stated settlement corrections and billing adjustments to Guarantee calculations and compensation for the period from June 1, 2002 through January 31, 2005 using its Real-Time Guarantee Payment (RTGP) impact test. For the period from February 2005 through April 7, 2006, for which NYISO had not yet determined the net settlement charges for generation, the Commission granted NYISO's request to: (1) correct errors in its computation of Guarantees; (2) implement certain mitigation measures in its Services Tariff; and (3) not recompute locational-based marginal prices (LBMPs). In addition, the April 2006 Order included a requirement that NYISO provide the Commission with details for the settlement corrections.

4. The November 2006 Order accepted NYISO's compliance filing to the April 2006 Order, and NYISO's use of the RTGP Test for computing the Guarantees from February 2005 through April 2006.⁴

5. NYISO states that as a result of a question submitted by a market participant regarding the RTGP mitigation of its generators, NYISO has identified a minor flaw in its implementation of the RTGP impact test, which can result in under-mitigation. Specifically, NYISO states that, under an uncommon set of circumstances, the Market

revenues for an operating day. Guarantees are determined on a unit-by-unit basis, and cannot be determined until the results of a full day's operations are available.

⁴ The November 2006 Order accepted NYISO's use of the methodology approved in the April 2006 Order for correcting the Guarantees from February 1, 2005, through April 7, 2006, along with a confidential summary of the bill corrections for each affected generator. Among other things, NYISO clarified that it would use what it styled as its Real-Time Guarantee Payment impact test (RTGP Test) program to evaluate and correct past Guarantee mitigation until its "going-forward RTGP Test" is in place. NYISO explained that it planned to implement its going-forward RTGP Test in two phases: first, an RTGP Test expected to mitigate appropriately so long as conduct tests are available in NYISO's Market Information System (over 98.8 percent of the time), and second, to address the rare instances in which conduct tests are not accessible due to planned maintenance or unplanned outages. The November 2006 Order clarified that the April 2006 Order did not authorize any revisions to Guarantees for transactions after the date of issuance of the April 2006 Order.

Information System start-up bid flag will indicate that real-time Automated Mitigation Procedures mitigated bids for the hour, but the start-up payment the generator receives in the Billing and Accounting System will, in fact, be an unmitigated value because the generator was started before the LBMP impact was determined for the relevant hour. NYISO states that when this occurs, the RTGP impact test is applied in a manner that incorrectly assumes the generator's start-up bid has already been mitigated. NYISO states that in a worst case scenario, the exclusion from the RTGP impact test of the Guarantee dollars associated with the start-up bid could result in an incorrect determination that the generators' collective conduct-failing bids did not result in RTGP impact when in fact they should have, so none of the unit's conduct-failing bids would be RTGP mitigated.

6. NYISO states that its software evaluates bids four times per hour, on the quarter hour. NYISO states that when system conditions change rapidly, it is possible for its Real Time Commitment or Real Time Dispatch programs to commit a 10- or 30-minute start generator based on its original bids and for the generator to start producing energy before the Real Time Commitment Automated Mitigation Procedures determines the impact, and passes instructions to use a mitigated start-up bid. NYISO states that in these cases the generator will be eligible to receive an unmitigated start-up bid for the hour.

7. NYISO states that after identifying the mitigation issue, it immediately began assessing impact for months that have not been closed-out. NYISO states that the issue involves additional mitigation of \$75,508 over the period from May 2005 to April 7, 2006. NYISO states that it has developed software to correct the bills up to April 7, 2006 by applying additional RTGP mitigation when the invoices are re-spun.

8. Public notice of NYISO's filing was issued on April 3, 2007, with interventions and protests due on or before April 19, 2007. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2006), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Niagara Mohawk Power Corporation d/b/a National Grid (National Grid) filed comments.

9. National Grid comments that in another phase of this proceeding it protested NYISO's request for confidential treatment of its RTGP test, including the period covered by this filing, because certain categories of information for which NYISO requested confidential treatment did not deserve such treatment. National Grid cites the Commission's March 15, 2007 Order in Docket Nos. ER06-185-003, -004 and -006⁵ (March 2007 Order), which agreed with the protest and instructed NYISO to follow its

⁵ *New York Independent System Operator, Inc.*, 118 FERC ¶ 61,201 (2007).

tariff and post the information on its website according to its tariff.⁶ National Grid states that, although the Commission has already determined that the data for February 1, 2005 to April 7, 2006 should be made publicly available, NYISO has indicated to one of National Grid's counsel that it will take approximately two more weeks before the RTGP bid data for this period will be posted on NYISO's website.

10. Therefore, National Grid respectfully requests that the Commission order NYISO to make all of the data, from both its original and supplemental filings, publicly available as directed by the Commission in the March 2007 Order.

11. On May 9, 2007, NYISO filed a Notification of Public Posting of Generator Bid Data. NYISO's notice states that, in accordance with Paragraph Nos. 23-25 of the March 2007 Order, NYISO has publicly posted on its web site the energy market bids associated with the Guarantee mitigation data covering the period from February 1, 2005 to April 7, 2006.

Discussion

12. The Commission accepts NYISO's March 2007 Supplemental filing as in compliance with the April and November 2006 Orders because it ensures that the final bills for the transactions described in the body of this order conform to its filed rate schedules. Further, NYISO's notification has satisfied National Grid's stated concerns, and brought this case into compliance with the Commission's March 2007 Order.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

⁶ *Id.* P 23-24.