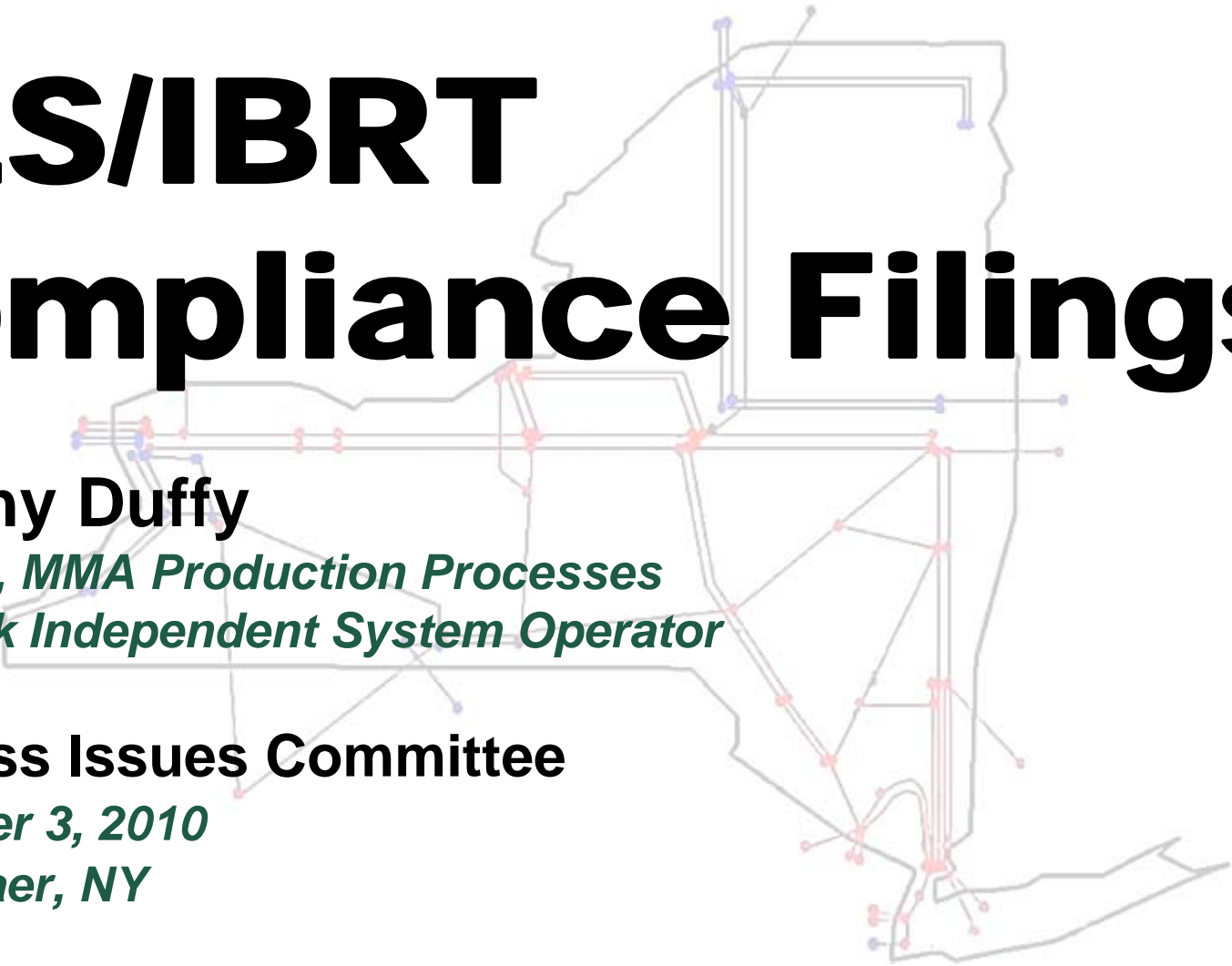


RLS/IBRT Compliance Filings



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Business Issues Committee

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NYISO IBRT and RLS Filings

- ◆ On July 26, 2010, the NYISO filed proposed tariff changes that would permit generators to increase their incremental energy bids in real-time along with a set of mitigation and penalty provisions designed to prevent unjustified interactions between a market party's virtual bidding and the submission of real-time incremental energy bids for capacity that was scheduled day-ahead. (ER10-1997)
- ◆ On July 30, 2010, the NYISO filed proposed tariff changes that would permit the implementation of new reference level software functionality that would enable market parties to submit fuel price and fuel type information for their generators; along with additional tariff provisions to penalize market participants submitting inaccurate fuel price and fuel type data. (ER10-2062)
- ◆ On September 29, 2010, the Commission approved the NYISO's proposed tariff revisions in both dockets subject to a Compliance filing.
- ◆ Compliance filing is due by November 15, 2010.

FERC Orders

- ◆ In the IBRT Order, the Commission ruled that the proposed tariff language,
 - *Indicates that the mitigation measure (i.e., the revocation of the ability of a generator to increase its bids in real-time) would not be imposed should the supplier be able to demonstrate that the submitted real-time Incremental bids were consistent with competitive behavior but does not provide what information or criteria NYISO would rely upon to determine whether a market party's behavior is "consistent with competitive behavior."*
 - *Provides the NYISO with unlimited discretion in that the NYISO may impose the designated penalty without specifying the objective criteria under which NYISO would or would not impose the penalty even though the conditions for imposing a penalty in the first place have been met.*

- ◆ In the RLS Order, the Commission ruled that the proposed tariff language,
 - *States only that NYISO "may" cease using the fuel type and fuel price information in the calculation of its reference level if certain criteria are met, but does not specify the criteria or information to be relied upon by NYISO to make this determination. In addition, the proposed provision does not provide criteria for the determination of the specific length of the mitigation.*
 - *Does not indicate what information or criteria NYISO will rely upon to determine whether a market party's behavior is "consistent with competitive behavior" (and therefore not subject to the penalty) or the criteria NYISO will use in determining whether to apply a penalty under \$10,000.*
 - *Does not identify the "facts and circumstances" that are relevant in determining the multiplier to be applied to the penalty, and therefore, do not specify an objective method to establish penalties.*

NYISO Options

- ◆ **NYISO interprets Commission Orders as providing it with the option to either:**
 - *Develop non-discretionary criteria for applying mitigation/penalties (“traffic ticket” approach), or*
 - *Incorporate objective and transparent criteria for applying a more limited degree of discretion (for some measures) and report all violations to the FERC Office of Enforcement*
- ◆ **NYISO prefers the first option**
- ◆ **NYISO is filing revised tariff sheets with additional specific criteria to address the Commission’s orders**

Proposed RLS Provisions

♦ Mitigation

- ***NYISO will impose the mitigation measure (i.e., suspending generator's capability to submit fuel price and type data with bid) in the event that the fuel type submitted is not accurate and fuel price cannot be substantiated by supplier quotes or invoices***
 - A Generator whose submitted fuel prices exceed actual fuel prices by greater than 10% over a week period shall be mitigated
 - Initial suspension of ability to submit fuel type/price information "with your Bid" for inaccurate reporting will be for 60 days;
 - Any subsequent suspension will be for 180 days;
 - After one year of continuous access to IBRT reference level functionality without incurring mitigation any suspension will be treated as an initial suspension
 - Mitigated MP will still be able to submit fuel type/price info via RLS

♦ Penalty

- ***The NYISO shall impose a penalty in the event that the conditions for assessing the penalty are met, with the exception that no penalties under \$5,000 shall be assessed.***
 - The NYISO shall use a 1.0 Multiplier if the Market Party has not been penalized for inaccurately reporting fuel type or fuel price information in the Day-Ahead Market over the 6 months prior to the market-day for which the penalty is being calculated. In all other cases the ISO shall use a 1.5 Multiplier.
 - The NYISO shall use a 1.0 Multiplier if the Market Party has not been penalized for inaccurately reporting fuel type or fuel price information in the Real-Time Market over the 6 months prior to the market-day for which the penalty is being calculated. In all other cases the ISO shall use a 1.5 Multiplier.

Proposed IBRT Provisions

◆ Mitigation

- *NYISO shall suspend the capability of a generator to increase its real-time Incremental Energy Bid for MWs scheduled Day-Ahead in the event that the tariff conditions for imposing mitigation have been met and the calculated penalty exceeds \$1,000.*
 - Initial suspension of IBRT functionality for inaccurate reporting will be for 90 days; subsequent suspensions will be for 180 days;
 - Any suspension after one year of continuous access to IBRT functionality without incurring mitigation will be treated as an initial suspension

◆ Penalty

- *NYISO shall impose the penalty in the event that the tariff conditions for imposing penalties have been met and the calculated penalty exceeds \$1,000*

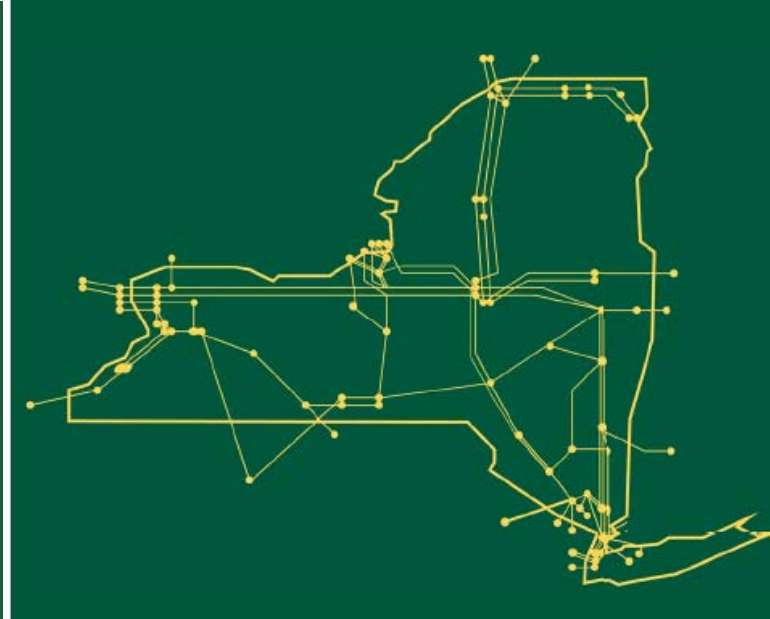
Additional Changes

- ◆ **RLS penalty exemption explicitly granted to information submitted in compliance with the requirements of Section 4.1.9 of the ISO Services Tariff (Incremental Cost Recovery for Units Responding to Local Reliability Rule I-R3 or I-R5).**
- ◆ **Additional conforming changes are required. These include changes to the provisions of the Plan to mirror the proposed changes to the Mitigation Measures.**

Next Steps

- ◆ **Draft tariff language provided for review**
- ◆ **Please provide comments today or send comments to Timothy Duffy by COB on Monday, November 8th.**
- ◆ **Filing date: November 15, 2010**

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.



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