

September 28, 2001

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FILE NO: 55430.000044

The Honorable David P. Boergers
Secretary
Federal Energy Regulatory Commission
888 First Street, NE, Room 1A
Washington, D.C. 20426

New York Independent System Operator, Inc.'s Filing of
Tariff Revisions to Implement Multi-Hour Block Transactions

Dear Mr. Boergers,

Pursuant to Section 205 of the Federal Power Act, the New York Independent System Operator, Inc. ("NYISO"), by counsel, hereby submits revisions to its Open Access Transmission Tariff ("OATT") and its Market Administration and Control Area Services Tariff ("Services Tariff") to implement multi-hour block transactions. These tariff and software changes will allow Market Participants to specify blocks of time in excess of one hour for their Import, Export, or Wheels-Through transactions (collectively "External Transactions") when bidding into the Day-Ahead Market.¹

I. Documents Submitted

1. This letter;
2. Clean revised sheets from the OATT and Services Tariff incorporating new tariff provisions proposed by the NYISO ("Attachment I");
3. Redlined revised sheets from the OATT and Services Tariff identifying the new tariff provisions proposed by the NYISO ("Attachment II");

¹ Capitalized terms that are not otherwise defined herein shall have the meaning set forth in Article 2 of the Services Tariff.

The Honorable David P. Boergers
September 28, 2001
Page 2

4. A form of *Federal Register* Notice (“Attachment III”);

II. Copies of Correspondence

Communications regarding this proceeding should be addressed to:

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III. Background

Currently, bids supplied by Market Participants for External Transactions are evaluated on a least-cost basis in each individual hour by the NYISO’s Security Constrained Unit Commitment (“SCUC”) software, which determines unit commitments and clearing prices for the Day-Ahead Market. Bids are accepted in each individual hour by selecting the lowest-priced bids available to meet demand, taking into account physical constraints in the system.

Market Participants have requested that the NYISO change the manner in which External Transactions are evaluated so that Market Participants can bid in multi-hour blocks in the Day-Ahead Market, where each block is evaluated in its entirety and either accepted or rejected accordingly. In response to these requests, the NYISO has worked closely with Market Participants to develop revisions to its tariffs and operating software to allow for multi-hour block transactions.

The proposed revisions would allow Market Participants to bid External Transactions in multi-hour blocks, which are similar to the minimum run times that internal generators may currently specify in their bids. Where the NYISO accepts block bids submitted for External

Transactions, the bidder will be awarded a fixed-output schedule over each of the hours in the block. Multi-hour block transactions will not set LBMP prices in the Day-Ahead Market.

The NYISO's Market Structures Working Group has met on a number of occasions to address multi-hour block transactions. On August 2, 2001, the NYISO Management Committee approved a motion to implement multi-hour block transactions, as presented by NYISO staff. On August 21, 2001, the NYISO Board of Directors approved a motion directing the NYISO to implement multi-hour block transactions. The NYISO is currently finalizing the software changes necessary to implement multi-hour block transactions and will begin final testing of these systems in November. As described in greater detail below, the NYISO asks the Commission to accept its proposal to allow multi-hour block transactions in the NYISO-administered markets for the reasons stated herein.

IV. Implementation of Multi-Hour Block Transactions

The NYISO's multi-hour block transaction proposal will allow Market Participants to specify multi-hour blocks for External Transactions when submitting bids into the Day-Ahead Market.² As modified, the SCUC will evaluate the economics of each multi-hour block transaction, over the entire time period specified for the transaction, rather than evaluating each hour individually as is currently the practice. Transactions will be scheduled only if they are economic when considering the entire block of time specified.

SCUC will evaluate each multi-hour block transaction bid on a total production cost basis over the specified block of time during the "commitment pass" of the SCUC analysis to determine whether to schedule the transaction.³ Multi-hour block transaction bids will either be accepted or rejected in their entirety based on this analysis. If the NYISO still requires additional generation in any hour(s) based on an assessment of the forecast load, SCUC will again analyze multi-hour block transaction bids during the "forecast pass" of the SCUC

² Multi-hour blocks will not be accepted in the Hour-Ahead Market evaluation. Commitments in the Hour-Ahead Market are established for only one hour at a time.

³ The Security Constrained Unit Commitment ("SCUC") software is used to determine unit commitments and prices in the Day-Ahead Market. The SCUC performs three commitment runs and two dispatch runs in sequence. These runs, or passes, sequentially evaluate the generation resources bid into the DAM against demand bids, NYISO load forecasts, ancillary services needs, and reliability requirements. Through its analysis, the SCUC selects the most optimal bids for scheduling generation for the next day.

analysis. However, SCUC will not select multi-hour block transaction bids for any hour in which the effective cost of the bid in those hours, taking into account the costs of the bid in all hours of the multi-hour block, would exceed the energy bid cap then in place.

Multi-hour block transactions scheduled by SCUC will not be subject to pro-rata scheduling in the event that multiple identical bids are submitted for a given block of time. Pro-rata scheduling would be contrary to the purpose of multi-hour block bidding insofar as it would result in accepting only a part of a bid intended to be either accepted or rejected in its entirety. Instead, SCUC will choose among identically-priced bids through an automated randomized process and will select only the number of transactions necessary to meet load requirements.

Multi-hour block transactions will only be honored by SCUC within the commitment day, which currently ends at midnight. Portions of a multi-hour block transaction bid that extend beyond midnight will not be recognized. This treatment is consistent with the evaluation of minimum run times for other types of transactions submitted in the Day-Ahead Market.⁴

In addition to improving the options available to bidders in the NYISO-administered Day-Ahead Market, the addition of multi-hour block transactions in New York will benefit Market Participants that are active in more than one market. PJM currently allows participants in its markets to bid multi-hour block transactions similar to those proposed by the NYISO. In addition, the "Standard Market Design," which is being pursued by ISO New England, would allow participants to submit multi-hour block transactions. Therefore, the addition of multi-hour block transactions to the NYISO-administered Day-Ahead Market is consistent with regional practices and represents a step toward a common market design for the Northeast.

V. Description of Proposed Changes

The NYISO has made various revisions to the OATT and the Services Tariff to implement multi-hour block transactions. Attachment J of the OATT is revised to exempt import transactions with minimum run times from certain curtailment protocols and to describe

⁴ At the request of Market Participants, the NYISO is currently examining the issue of extending the commitment day beyond midnight. Any changes made to the length of the operating day will be applied uniformly to all types of transactions in the NYISO Day-Ahead Market, including multi-hour block transactions.

The Honorable David P. Boergers
September 28, 2001
Page 5

the manner in which SCUC will evaluate and schedule transactions to accommodate multi-hour block transactions. Attachment P of the OATT is revised to include minimum run times in the data to be included in bilateral transaction scheduling requests.

Section 4.6 of the Services Tariff is revised to include minimum run times in the information to be identified in bilateral transaction schedules, and Section 4.9 of the Services Tariff is revised to describe the manner in which SCUC will evaluate and schedule transactions to accommodate multi-hour block transactions. Finally, Attachment B of the Services Tariff is revised to include minimum run times in the data to be included in bilateral transaction scheduling requests and to exempt import transactions with minimum run times from certain curtailment protocols.

These changes are included in the clean and redlined versions of the OATT and the Services Tariff as identified in Attachments I and II of this letter.

VI. Proposed Effective Date

The NYISO respectfully requests that the tariff revisions proposed in this filing become effective on December 1, 2001.

VII. Federal Register Notice

A form of *Federal Register* Notice is provided as Attachment III hereto.

VIII. Service List

Copies of this filing are being served on all signatories of the OATT and Services Tariff as well as the New York Public Service Commission and the electric utility regulatory agencies in New York, New Jersey and Pennsylvania.

The Honorable David P. Boergers
September 28, 2001
Page 6

IX. Conclusion

WHEREFORE, for the foregoing reasons, the New York Independent System Operator respectfully requests that the Commission accept the proposed tariff changes identified in this filing.

Respectfully submitted,

New York Independent System Operator, Inc.

By _____
Counsel

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Of Counsel

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ATTACHMENT I
(Clean Revised Sheets)

ATTACHMENT II
(Redline Sheets)

ATTACHMENT III
(Notice)

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

New York Independent System Operator, Inc.) Docket No. _____

NOTICE OF FILING

Take notice that on September 28, 2001, the New York Independent System Operator, Inc. (“NYISO”), filed proposed revisions to the NYISO’s Open Access Transmission Tariff (“OATT”) and Market Administration and Control Area Services Tariff (“Services Tariff”). The proposed filing would implement multi-hour block transactions in the NYISO Day-Ahead Market. The NYISO has requested that the Commission make the filing effective on December 1, 2001.

A copy of this filing was served upon all signatories of the NYISO OATT and Services Tariff as well as the New York Public Service Commission and the electric utility regulatory agencies in New York, New Jersey and Pennsylvania.

Any person desiring to be heard 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 that has executed a Service Agreement under the NYISO's Open Access Transmission Tariff or Market Administration and Control Area Services Tariff, as well as the regulatory commissions of New York, New Jersey and Pennsylvania in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 2010 (2001).

Dated at Washington, D.C. this 28th day of September 2001.

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