

96 FERC ¶ 61, 080
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Curt Hébert, Jr., Chairman;
William L. Massey, Linda Breathitt,
Pat Wood, III and Nora Mead Brownell.

New York Independent System Operator, Inc. Docket Nos. ER00-3591-007,
ER00-1969-008, and
ER00-3038-004

New York State Electric and Gas Corporation Docket No. EL00-70-005

v.

New York Independent System Operator, Inc.

ORDER ON COMPLIANCE FILING

(Issued July 16, 2001)

In this order, we accept for filing, subject to modifications, revisions to New York Independent System Operator, Inc.'s (NYISO) Open Access Transmission Tariff (OATT) and its Market Administration and Control Area Services Tariff (Services Tariff) to implement the hybrid fixed block generation pricing rule, effective May 1, 2001.

Background

On July 26, 2000, the Commission issued an order (July 26 Order)¹ directing NYISO to revise the method by which it sets the price of energy with respect to the dispatch of fixed block units.² On August 25, 2000, NYISO submitted a request for partial rehearing of the July 26 Order asking the Commission to allow NYISO to implement a hybrid fixed block pricing rule that would combine the best features of the revised pricing

¹ New York Independent System Operator, Inc., et al., 92 FERC ¶ 61,073 (2000).

² Fixed block units are generation resources that can only be dispatched in one of two states, i.e., they must be either turned completely off or turned on and run at their maximum capacity. For example, the majority of individual gas turbine generating units in the New York Control Area are fixed block units.

rule and NYISO's pricing policy. Subsequently, NYISO refined its hybrid fixed block pricing proposal and on March 20, 2000, it filed a motion requesting the Commission's permission to implement the proposed hybrid pricing rule that would apply when operating a fixed block unit requires a less expensive unit to be backed down

By order issued April 26, 2001 (April 26 Order),³ the Commission granted NYISO's motion for permission to implement the hybrid fixed block pricing rule. Under the approved rule, the bid of the backed-down unit will be used to calculate all day-ahead Locational Based Marginal Prices (LBMPs),⁴ and also to determine real-time LBMPs when fixed block units were not actually required to meet load, but were operating due to minimum run-time constraints or under similar inflexible conditions. However, the bid of the fixed block unit will set real-time LBMPs when the operation of fixed block units was required to meet load, avoid the operation of higher cost units or satisfy the requirements of the North Eastern Reliability Council (NERC).

Additionally, the April 26 Order directed NYISO to file revised tariff sheets describing this rule. In particular, the April 26 Order required that NYISO specify how it will treat fixed block units in setting the LBMP.

On May 7, 2001, NYISO submitted the instant compliance filing setting forth revisions to its OATT and Services Tariff to implement the hybrid fixed block pricing rule. NYISO proposes revisions to the description of the LBMP calculation appearing in both OATT and Services Tariff. NYISO also proposes to add to its tariffs a definition of a fixed block unit. This filing is addressed below.

Notice of Filing, Intervention and Protest

Notice of this filing was published in the Federal Register, 66 Fed. Reg. 27,641 (2001), with protests, answers, and motions to intervene required to be filed on or before May 29, 2001. A timely motion to intervene was filed by Member Systems. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2000), the filing of a timely motion to intervene that has not been opposed makes the movant a party to the proceeding.

³ New York Independent System Operator, Inc., et al., 95 FERC ¶ 61,121 (2001).

⁴ LBMP is a pricing methodology under which the price of energy at each location in the New York transmission system is equivalent to the cost to supply the next increment of load at that location.

Member Systems generally support NYISO's hybrid fixed block pricing rule, but believe that NYISO failed to comply with the Commission's directive in the April 26 Order. Member Systems state that the proposed revision to the description of the LBMP calculation method does not provide sufficient detail with respect to the multi-pass software calculation used to determine when a portion of a fixed block generator is necessary to meet load. Member Systems request that the Commission direct NYISO to adopt a description of the multi-pass calculation process contained in the materials presented by NYISO at the March 1, 2001 NYISO Management Committee meeting.

Discussion

In the April 26 Order, the Commission approved NYISO's proposed hybrid fixed block pricing rule, but noted that the issues regarding the fixed block pricing rule arose because NYISO's tariff did not clearly specify how the LBMP would be calculated. To avoid such disputes in the future, the Commission directed NYISO to modify its tariff to specify how it will treat fixed block units in setting the LBMP.

NYISO's proposed tariff revision describing the rule provides:

The marginal cost of a Fixed Block Unit may only set LBMP when some portion of its Energy is necessary to meet Load displace higher cost Energy, or satisfy Operating Reserves requirements. The marginal cost of a Fixed Block Unit may not set LBMP at any other time. During periods when Fixed Block Units are precluded from setting LBMP, the marginal cost of the most economical unit backed down to accommodate a Fixed Block Unit shall set LBMP.

We find that NYISO's proposed tariff revision does not adequately explain the fixed block pricing rule and its use in the day-ahead and real-time markets, nor does it adequately explain the multi-pass process to be used for determining when a fixed block unit is economic and necessary and thus, will set the LBMP. Therefore, we direct NYISO to file revised tariff sheets to clearly indicate that fixed block units that force more economic units to be backed down: (i) will never set day-ahead LBMPs; (ii) will not set real-time LBMPs when they are scheduled solely due to their minimum run-time requirements or other inflexibilities; but (iii) can set real-time LBMPs when their operation is economic and necessary, *i.e.*, when they were actually needed to meet load, displace higher cost units, or satisfy NERC reserve targets.⁵ The tariff must also explain,

⁵ See NYISO's Motion for Permission to Implement Hybrid Fixed Block Pricing Rule, Docket No. ER00-3591, et al., at 10 (March 20, 2001).

as proposed by NYISO, that during the periods when the fixed block units are precluded from setting the LBMP, the marginal cost of the most economical unit backed down to accommodate a fixed block unit shall set the LBMP.

We also direct NYISO to file revised tariff sheets to add language that provides a description of the multi-pass process that will be used by NYISO in determining whether a fixed block unit is necessary to meet load and is economic. We encourage NYISO to take into account the Member Systems' proposed description of the multi-pass process, when revising its tariff to comply with this order.

The Commission orders:

NYISO is hereby directed to file revised tariff sheets to reflect the revisions discussed in the body of this order within 15 days of the date of issuance of this order.

By the Commission.

(S E A L)

David P. Boergers,
Secretary.