

Tariff Changes Related to Billing Issues Project

Paul Edmundson

*Customer Settlements Lead Analyst
New York Independent System Operator*

Market Issues Working Group

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Billing Issues Project

Problem/Goal Statement

- ◆ **Problem:** There were 15 issues **related to the Settlement code** referred to the Billing Issues Group (“BIG”) in 2009. Of these issues, 13 were issues of tariff compliance and 2 concerned market efficiency.
- ◆ **Scope:** This effort will center on analysis and improvement of internal business processes related to Customer Settlements
- ◆ **Goal:** Reduce the number of future BIG issues **related to Settlement Code** to fewer than five (5) per year

Final Report January 2012

- ◆ **Billing Cases Studied:**
 - 26 Power Supplier
 - 38 Load Serving Entity
 - 34 Transaction Customer
 - 1 Transaction Congestion Contract
 - 5 Transmission Owner

- ◆ **Six tariff clarifications being recommended - see following slides for descriptions**

1. PS Balancing Energy Settlement (1)

- ◆ **MST Section 4.5.6 describes generator settlements when injecting above RT basepoints. The tariff should include the rule approved by FERC that prohibits paying Generators for injections above their RT basepoint for the period in which they have been derated for failure to follow basepoints**
 - *This is known as the Power Supplier Balancing Energy settlement rule for OOM Operator Intervention UOL Decrease*
 - *This rule has been included in settlements since it was approved by FERC in 2008*
- ◆ **The Tariff Section 4.5.6 that was submitted to FERC in Docket No. ER08-1438-000 described the rule (seen in next slide). FERC approved the amendment to Section 4.5.6 on 9/18/2008. Through an administrative oversight, however, the approved redline was not included in the Section 4.5.6 appearing in the published tariff.**

MST Section 4.5.6 Tariff Change (1)

- ◆ **When Actual Energy Injections from a Generator over an RTD interval exceed the Energy injections scheduled Day-Ahead over the RTD interval the Supplier shall be paid the product of: (1) the Real-Time LBMP calculated in that RTD interval for the applicable Generator bus and (2) the difference between the lesser of (i) the Supplier's Actual Energy Injection or (ii) its Real-Time Scheduled Energy Injection for that RTD interval, plus any Compensable Overgeneration and the Supplier's Day-Ahead scheduled Energy injection over the RTD interval, unless the payment that the Supplier would receive for such injections would be negative (i.e., unless the LBMP calculated in that RTD interval at the applicable Generator's bus is negative) in which case the Supplier shall be paid the product of: (1) the Real-Time LBMP in that RTD interval for the applicable Generator bus and (2) the difference between the Supplier's Actual Energy Injection for that RTD interval and the Supplier's scheduled Energy injection over that RTD interval. A Generator that is not following Base Point Signals shall not be compensated for Energy in excess of its Real-Time Scheduled Energy Injection if its applicable upper operating limit has been reduced below its bid-in upper operating limit by the ISO in order to reconcile the ISO's dispatch with the Generator's actual output, or to address reliability concerns. Suppliers shall not be compensated for Energy in excess of their Real-Time Scheduled Energy Injections, except: (i) for Compensable Overgeneration; (ii) when the ISO initiates a large event reserve pickup or a maximum generation pickup under RTD-CAM; or (iii) when a Transmission Owner initiates a reserve pickup in accordance with a Reliability Rule, including a Local Reliability Rule. .**

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2. PS Energy Balancing Settlement (2)

- ◆ **MST Section 4.5.6 also describes the settlement for Generators whose actual energy Injections over an RTD interval exceed the energy injections scheduled Day-Ahead when the Real-Time LBMP is negative.**
- ◆ **The specific language of the rule should be clarified to indicate Suppliers are paid the product of: (1) the Real-Time LBMP in that RTD interval for the applicable Generator bus and (2) the difference between the Supplier's Actual Energy Injection for that RTD interval and the Supplier's Day-Ahead scheduled Energy injection over that RTD interval.**
- ◆ **This change would revise the tariff to clarify existing settlement language and align the tariff description with current settlement practice.**

MST Section 4.5.6 Tariff Change (2)

- ♦ **When Actual Energy Injections from a Generator over an RTD interval exceed the Energy injections scheduled Day-Ahead over the RTD interval the Supplier shall be paid the product of: (1) the Real-Time LBMP calculated in that RTD interval for the applicable Generator bus and (2) the difference between the lesser of (i) the Supplier's Actual Energy Injection or (ii) its Real-Time Scheduled Energy Injection for that RTD interval, plus any Compensable Overgeneration and the Supplier's Day-Ahead scheduled Energy injection over the RTD interval, unless the payment that the Supplier would receive for such injections would be negative (i.e., unless the LBMP calculated in that RTD interval at the applicable Generator's bus is negative) in which case the Supplier shall be paid the product of: (1) the Real-Time LBMP in that RTD interval for the applicable Generator bus and (2) the difference between the Supplier's Actual Energy Injection for that RTD interval and the Supplier's Day-Ahead scheduled Energy injection over that RTD interval. A Generator that is not following Base Point Signals shall not be compensated for Energy in excess of its Real-Time Scheduled Energy Injection if its applicable upper operating limit has been reduced below its bid-in upper operating limit by the ISO in order to reconcile the ISO's dispatch with the Generator's actual output, or to address reliability concerns. Suppliers shall not be compensated for Energy in excess of their Real-Time Scheduled Energy Injections, except: (i) for Compensable Overgeneration; (ii) when the ISO initiates a large event reserve pickup or a maximum generation pickup under RTD-CAM; or (iii) when a Transmission Owner initiates a reserve pickup in accordance with a Reliability Rule, including a Local Reliability Rule. . . .**

3.

EDRP/SCR Rate Schedule One Allocation

- ◆ **OATT Section 6.1.9.2, *Recovery of Costs for Payments for Special Case Resources and Curtailment Service Providers Called to Meet the Reliability Needs of the NYCA*, details the allocation of the costs of SCR and EDRP resources when called for statewide reliability issues**

- ◆ **Its terms are inconsistent. It assigns costs only to Transmission Customers serving NYCA Load but also directs that costs be spread to export and wheel-through withdrawals as well as NYCA withdrawals**

- ◆ **The NYISO proposes to eliminate this inconsistency and align the tariff description with current settlement practice – assigning costs only to internal Load**
 - *This is also the allocation used for local reliability calls*

OATT Section 6.1.9.2 Tariff Change

- ♦ **6.1.9.2 Recovery of Costs for Payments for Special Case Resources and Curtailment Service Providers Called to Meet the Reliability Needs of the NYCA**

Pursuant to this Section 6.1.9.2, the ISO shall recover the costs of payments to Special Case Resources and Curtailment Service Providers called to meet the reliability needs of the NYCA. To do so, the ISO shall charge, and each Transmission Customer ~~that serves Load in the NYCA~~ shall pay based on its Withdrawal Billing Units that are not used except for Withdrawal Billing Units for Wheels through, Exports or to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula.

[NO CHANGE TO FORMULA]

WHERE:

***WithdrawalUnits_{c,h}** = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in hour *h*, except for the Withdrawal Billing Units for Wheels through, Exports or to supply Station Power as a third-party provider.*

***TotalWithdrawalUnits_d** = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day *d*, except for the Withdrawal Billing Units for Wheels through, Exports or to supply Station Power as third-party providers.*

4.

BPCG Rate Schedule One Allocation

- ◆ **OATT 6.1.12.5 *Cost of BPCG for Special Case Resources Called to Meet the Reliability Needs of the NYCA* details the allocation of the costs of BPCG paid to SCR resources when they are called for statewide reliability issues**

- ◆ **Its terms are also inconsistent. They assign costs only to Transmission Customers serving NYCA Load but also spread costs to export and wheel-through withdrawals as well as NYCA withdrawals**

- ◆ **The NYISO proposes similar amendments to this section to eliminate the inconsistency and align the tariff description with current settlement practice by assigning costs only to internal Load**
 - *This is also the allocation used for SCR BPCG when called to meet local reliability*

OATT Section 6.1.12.5 Tariff Change

- ♦ **6.1.12.5 Cost of BPCG for Special Case Resources Called to Meet the Reliability Needs of the NYCA**

Pursuant to this Section 6.1.12.5, the ISO shall recover the costs for Bid Production Cost guarantee payments to compensate Special Case Resources called to meet the reliability needs of the NYCA. To do so, the ISO shall charge, and each Transmission Customer ~~that serves Load in the NYCA~~ shall pay based on its Withdrawal Billing Units ~~that are not used~~ except for Withdrawal Billing Units for Wheels through, Exports or to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

[FORMULA REMAINS THE SAME]

WHERE:

WithdrawalUnits_{c,h} = The Withdrawal Billing Units, in MWh, for Transmission Customer c in hour h, except for the Withdrawal Billing Units for Wheels through, Exports or to supply Station Power as a third-party provider.

TotalWithdrawalUnits_d = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day d, except for the Withdrawal Billing Units for Wheels through, Exports or to supply Station Power as third-party providers.

5.

Transmission Service Charge/NTAC Posting

- ◆ **OATT Section 14.1.3: *Filing and Posting of Wholesale TSCs* requires the NYISO to post the monthly Wholesale TSCs for each Transmission District on the OASIS no later than the fifteenth of each month to become effective on the first of the next calendar month.**
 - *OATT Section 14.2.2.2.3 has the same requirement for NTAC Posting.*

- ◆ **The NYISO has experienced technical tariff violations when software issues have delayed the posting by as little as a few hours.**

- ◆ **The TSC/NTAC rates have always been posted within one or two days of the 15th of the month – well before their effective date which is the first of the following month.**

Transmission Service Charge Proposal

- ◆ **The NYISO would like to avoid a technical tariff violation if future software issues prevent posting of the TSC/NTAC rates by the 15th of the month by adding the phrase “or as soon thereafter as is reasonably possible.”**
- ◆ **To ensure a timely posting, the NYISO would require the TSC/NTAC rates be posted no later than the 25th of the month.**

Transmission Service Charge Proposal

- ◆ **The last sentence in OATT Section 14.1.3: *Filing and Posting of Wholesale TSCs* would be amended as follows:**
- ◆ **Beginning with the implementation of LBMP, the monthly Wholesale TSCs for each of the Transmission Districts shall be posted on the OASIS by the ISO no later than the fifteenth of each month, or as soon thereafter as is reasonably possible, but in no event later than the 25th of the month, to become effective on the first of the next calendar month.**

NTAC Proposal

- ◆ **The last sentence in OATT Section 14.2.2.2.3: *Filing and Posting of NTAC* would be amended as follows:**
- ◆ **Beginning with the implementation of LBMP, the monthly NTAC shall be posted on the OASIS by the ISO no later than the fifteenth of each month, or as soon thereafter as is reasonably possible, but in no event later than the 25th of the month, to become effective on the first of the next calendar month.**

6.

Curtailment of Ext. Transactions In-Hour

- ◆ **The second paragraph of MST Section 5.12.10 (Curtailment of External Transactions In-Hour) describes a settlement rule that is unnecessary and not aligned with NYISO market design. The NYISO believes it should be deleted.**
- ◆ **The special settlement rule compensates Transmission Customers when their real-time (not previously scheduled in the DAM) bilateral transactions sourcing at an ICAP Supplier’s node are curtailed to resolve a reserves shortage. Section 5.12.10 directs compensation be paid to the Transmission Customer calculated as the product of the curtailed MWs and the higher of of the RT LBMP at the NY Proxy Generator Bus (for exports) or the RT price at the proxy bus used by the external control area to which the export was flowing.**
- ◆ **This is the only transaction in the NYISO for which a Transmission Customer is paid for lost revenue when a RT (only) transaction is curtailed. The compensation would be recovered in uplift from Loads.**

Origination of this Provision

- ♦ **At NYISO start, a previous version of this section was added, apparently to provide an incentive to NY Suppliers to sell their capacity to NY rather than out of state.**
- ♦ **The previous version of this Section required NY ICAP Suppliers entering into external transactions in real-time to submit a recall bid. The NYISO was to curtail transactions using a least-cost process based on recall bids if the curtailment was necessary to resolve a reserves shortage. If the ICAP Supplier's energy was recalled the tariff provided a payment to the ICAP supplier - at the higher of its recall bid or the RT LBMP at the relevant (NY) proxy bus.**
- ♦ **The provision requiring the use of a recall bid was amended in late 2000 (ER00-3740-000) to allow the NYISO to curtail transactions using a least-cost process based on recall bids "when automated evaluation of recall Bids is available."**
- ♦ **The provision was further amended in 2001 to replace the recall bid with the "price at the relevant proxy bus used by the external control area" in calculating the payment to be made when a curtailment of a transaction sourcing from an ICAP Supplier's node occurred to resolves an operating reserves shortage. The payee was also amended to be the Transmission Customer scheduling the transaction rather than the ICAP Supplier.**

Proposal

- ◆ **The NYISO proposes to eliminate the second paragraph of 5.12.10 because:**
 - *The NYISO knows of no justification for the payment. This payment does not incentivize behavior beneficial to the NYISO Market (unlike a DAMAP, for instance).*
 - *Export curtailments are carried out in NERC priority although exports from other region-ICAP Suppliers are exempt from some curtailments. Curtailed transactions should be settled consistently*
 - *All Export transactions from NY-ICAP supply carry a consistent risk of curtailment due to system conditions*
 - *The ICAP generator sourcing a curtailed bilateral export is paid the RT LBMP for the MW of any export bilaterals that do not flow (provided the Generator's dispatch output supports the settlement). Thus the payment to the Transmission Customer would double the MW compensation resulting from the curtailment. There is no justification for paying twice.*

MST Section 5.12.10 Tariff Change

- ♦ **5.12.10 Curtailment of External Transactions In-Hour**

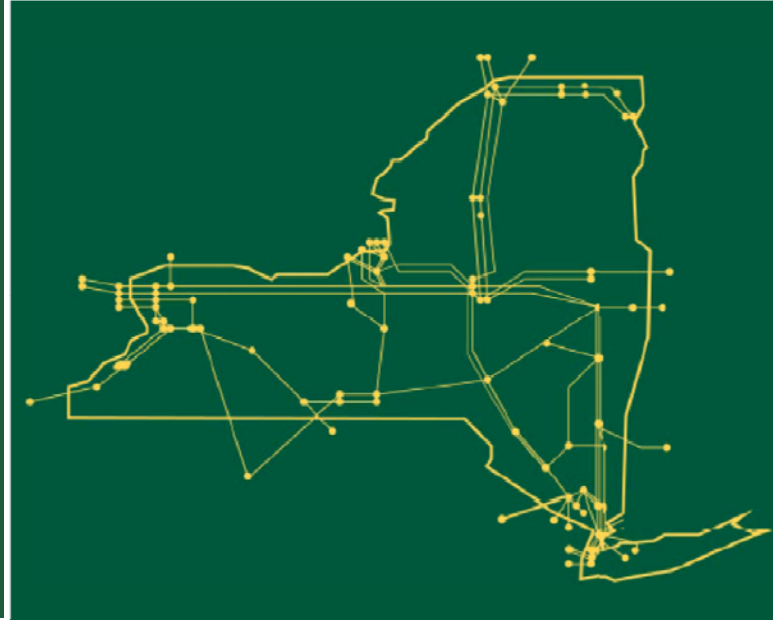
All Unforced Capacity that is not out of service, or scheduled to serve the Internal NYCA Load in the Day-Ahead Market may be scheduled to supply Energy for use in External Transactions provided, however, that such External Transactions shall be subject to Curtailment within the hour, consistent with ISO Procedures. Such Curtailment shall not exceed the Installed Capacity Equivalent committed to the NYCA.

~~*If an Installed Capacity Supplier's Exports are Curtailed in-hour to resolve a New York reserves shortage, the Transmission Customer scheduling such Exports shall be paid, for the remainder of the hour, the higher of the Real-Time LBMP at the New York proxy bus associated with the Exports, or the real-time price at the relevant proxy bus used by the External Control Area for Transactions with New York.*~~

Next Steps

- ◆ July MIWG Presentation
- ◆ August BIC Approval
- ◆ August MC Approval
- ◆ September BOD Approval

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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