

# NYISO Price Correction Process

Presented to NYISO Stakeholders

May 20, 2005

# Today's Presentation

- Presentation reflects current tariff provisions and relevant Commission and judicial precedent
- NYISO proposes a stakeholder process to revise price correction rules and process

# Today's Presentation

- Background
- Price Correction Responsibility
- Proposed Revision of Price Correction Rules

# Background

- NYISO and LECG review prices daily to ensure they are calculated in accordance with the NYISO market rules
- Price corrections are required in the real-time market to ensure that prices are consistent with prevailing system conditions
- Price corrections reported at Management Committee

# Background

- Most common causes of price errors:
  - Real-time metering problems
  - Data transfer failures
  - Software changes
  - Incorrect limits
  - Incorrect unit status
  - Computer failures

# Price Correction Responsibility

- Filed Rate Doctrine
  - Requires NYISO to charge prices calculated in accordance with its tariffs
  - Requires NYISO to correct prices that are calculated in error
  - Commission has not specified a time limit for corrections pursuant to the filed rate doctrine

# Price Correction Responsibility

- Filed Rate Doctrine

- “[R]ecalculation of incorrectly posted prices does not require special authority under the TEP because NYISO is permitted to correct prices that violate the filed rate.” *NRG Power Marketing, Inc.* 91 FERC ¶ 61,346 (2000).
- “Under the filed rate doctrine, NYISO. . . has the authority, and is required, to take corrective actions in a timely manner in order to ensure prices consistent with its Commission-approved tariff.” *Order Granting Extension of Energy Bid Cap and Temporary Extraordinary Procedures Subject to Modification*, 97 FERC ¶ 61,095 (2001).

# Price Correction Responsibility

- Temporary Extraordinary Procedures (TEP)
  - Attachment E of the Services Tariff / Attachment Q of the OATT
  - TEP originally provided more expansive authority to deal with unanticipated start-up problems
  - TEP corrections subject to time limit of 1 day to reserve prices and 5 additional days to correct prices
  - In October 2001, Commission limited scope of TEP, eliminating ECA authority



# Price Correction Responsibility

- Temporary Extraordinary Procedures (TEP)
  - TEP now states that NYISO may revise clearing prices when LBMPs could not be developed or deviate from what would have been calculated as a result of a “Market Implementation Error” or an “Emergency System Condition”
  - May 5 FERC order allows ten days to make TEP corrections through September 30

# Price Correction Responsibility

- Standard for correcting prices under both filed rate doctrine and TEPs is to conform prices to New York market rules
- Since market start in 1999, the NYISO has recognized its obligation to correct prices to conform to its tariffs and the need to correct prices promptly
- In practice, NYISO has sought to make all price corrections within the time limits for TEP corrections

# Price Correction Responsibility

- Special rules apply to market mitigation errors, including AMP
  - NYISO cannot retroactively revise clearing prices if it erroneously failed to mitigate an offer
  - NYISO cannot retroactively revise clearing prices where it mitigated an offer erroneously
  - Erroneously mitigated unit will be paid for energy as provided in Services Tariff, Attachment H, Section 4.2.2(c)

# Possible Revision of Price Correction Rules

- NYISO proposes a stakeholder process to revise price correction rules
  - Proper balance between accuracy and certainty
  - Clear, comprehensive, and realistic rules in tariffs
  - NYISO will present proposal to BIC