

**Subject: Incremental Cost Recovery for Generating Units Responding to NYSRC Local Reliability Rules I-R3 or I-R5 (Minimum Oil Burn (“MOB”) Compensation)**

Generators identified in the Application of the NYSRC Local Reliability Rule I-R3 or I-R5 may be compensated for the variable operating costs incurred when instructed to operate pursuant to the reliability rule.

**Table of Contents**

1. Overview .....	1
2. MOBC Registration .....	2
2.1 Registration Data Submittal .....	2
2.1.1. Generator Engage and Disengage Times .....	2
2.1.2. Generator Max Oil Consumption .....	2
2.1.3. Generator Taxes .....	2
2.1.4. Additional Expenses .....	2
3. MOBC Auditing .....	3
3.1 Data Validation for Max Oil Consumption .....	3

**1. Overview**

Generators identified by Transmission Owners as necessary for compliance with the New York State Reliability Council (NYSRC) Local Reliability Rule I-R3 or I-R5 (“Identified Generators”) may be compensated for the additional variable operating costs incurred when instructed to operate pursuant to these reliability rules if those costs would not have been incurred but for complying with the requirements of either I-R3 or I-R5.

The NYISO manually implemented new I-R3 and I-R5 Incremental Cost Recovery provisions of the Tariff effective May 13, 2007. Automated settlement of MOB costs has been available for the variable costs associated with I-R3 calls since October 2008. The settlement support of this program is referred to as ‘Minimum Oil Burn Compensation (MOBC)’.

Identified Generators choosing to participate in the NYISO’s MOBC program have specific registration, fuel consumption data and validation data requirements that are outlined in this NYISO procedure and in the NYISO Tariff Section 4.1.9 of the Market Services Tariff. MOB-participating generators who believe they have additional costs to be recovered under this program, that would not have been incurred but for this compliance requirement, should refer to the tariff provisions for entering into an Implementation Agreement with the NYISO.

Once an I-R3 participating generator is registered, the NYISO will process requests for MOBC on a daily basis using the Settlement Data Exchange (SDX). Processing will require SDX entries by the Transmission Owner (“TO”) and the Identified Generator. For more information on how the SDX works see the Settlement Data Applications User’s Guide which can be found using the following link: [http://www.nyiso.com/public/markets\\_operations/documents/manuals\\_guides/index.jsp](http://www.nyiso.com/public/markets_operations/documents/manuals_guides/index.jsp). Settlements with registered I-R5 participating generators continue to be done as a manual adjustment following receipt of all necessary information.

## 2. MOBC Registration

Only NYISO customers with assigned Generator point identifiers (PTIDs) may register for this program. To register for MOBC, generating units must complete the NYISO MOBC Registration form, available at: [http://www.nyiso.com/public/markets\\_operations/documents/technical\\_bulletins/index.jsp](http://www.nyiso.com/public/markets_operations/documents/technical_bulletins/index.jsp)

All registration documentation must be submitted to the NYISO Stakeholder Services Department via an email to [market\\_services@nyiso.com](mailto:market_services@nyiso.com) with the Subject: I-R3/I-R5 Cost Recovery Registration for Unit(s) [Name of Unit].

Received registrations will be reviewed by the NYISO Market Mitigation and Analysis department. If additional information is warranted, the generator owner will be notified. Completed registrations will be either approved or rejected with identified reasons. Approved registrations will have an MOBC effective start date set to the 1<sup>st</sup> day of the month following approval.

Submitted material will be subject to audit. Generators seeking to change the value of any entry on the registration must re-submit the registration form. Revisions to cost compensation will only be available prospectively from the date the accepted revisions are effectuated.

### 2.1 Registration Data Submittal

The following data requirements are among the data submitted with registration and may be used to validate payment.

#### 2.1.1. Generator Engage and Disengage Times

Each generator will register its standard engagement time and disengagement time. These values will be effective dated; should they change over time the generator must notify the NYISO.

Engagement time: the period of time prior to the 'TO invocation' during which the additional variable operating costs of burning the alternative fuel are eligible for reimbursement.

- Each generator will have the engagement time set to 3 hours.

Disengagement time: the period of time following the 'TO termination' during which the additional variable operating costs of burning the alternative fuel are eligible for reimbursement.

- Each generator will have the disengagement time set to a value established through consultation with the NYISO MMP department and based upon historical analysis.

#### 2.1.2. Generator Max Oil Consumption

Each generator will register its 'max oil' value(s) established through consultation with the NYISO MMP department and based upon historical analysis. This value will be effective dated; should it change over time the generator must notify the NYISO.

#### 2.1.3. Generator Taxes

As a result of automating this settlement for multiple generating units, the tax formulas applied to the generator's primary and alternative fuels (for purposes of determining the I-R3/I-R5 cost recovery) will be standardized for all MOBC units.

#### 2.1.4. Additional Expenses

The NYISO can compensate for additional fuel delivery and/or handling expenses where applicable and if included with registration material. The NYISO may request supporting information when generators request compensation for additional expenses.

### 3. MOBC Auditing

The NYISO may monitor and review the submitted data to determine if the eligibility criteria established in 4.1.9 of the Market Services Tariff, have been achieved to support payment of the additional incremental variable operating costs. Generator owners must maintain records of I-R3/I-R5 instructed operating periods and actual unit fuel consumption records for NYISO audit.

Auditable items include but are not limited to the following:

1. The Transmission Owner (TO) has invoked I-R3/I-R5 operating instructions.
2. The Generator has converted operation of the unit to the I-R3/I-R5 directed fuel(s).
3. The Generator has not included the I-R3/I-R5 instructed variable operating costs in its reference level for the corresponding period of time;
  - a. For appropriate interaction of references with mitigation processes, units participating in this Incremental Cost Recovery program are expected to establish reference prices based upon the most economic fuel. Units on blended fuel indexed reference prices are not eligible for incremental cost recovery pursuant to this procedure.

#### 3.1 Data Validation for Max Oil Consumption

Each generator's submittal of its daily total MOBC fuel consumption will be validated against the 'max oil' value(s) set for the generator (see Section 2.1.2). The fuel consumption value submitted to the NYISO will be eligible for MOBC cost recovery. To the extent the consumption exceeds the registered 'max oil' value; the generator may be requested to supply additional material justifying the fuel consumption.

This Technical Bulletin is not currently expected to be incorporated into a NYISO Manual.
---