

123 FERC ¶ 61,267  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

New York Independent System Operator, Inc.

Docket No. ER08-850-000

ORDER CONDITIONALLY ACCEPTING TARIFF REVISIONS

(Issued June 17, 2008)

1. On April 18, 2008, under section 205 of the Federal Power Act (FPA),<sup>1</sup> the New York Independent System Operator, Inc. (NYISO) submitted revisions to its Market Administration and Control Area Services Tariff (Services Tariff or Tariff). NYISO states that the purpose of the proposed revisions is to better incorporate the increased presence of wind generating resources in the Day-Ahead and Real-Time energy markets in New York State by increasing the amount of intermittent renewable capacity eligible for special market rules and to incorporate a wind forecasting system into NYISO's processes. As discussed below, the Commission conditionally accepts the revisions, effective June 18, 2008.

**New York ISO's Proposed Revisions**

2. NYISO proposes Tariff changes that would increase the existing 1,000 MW limit to 3,300 MW of intermittent renewable resources<sup>2</sup> eligible for: (i) an exemption from persistent under-generation charges; and (ii) payment for all Energy delivered to the wholesale Locational Based Marginal Price (LBMP) market (collectively, the special market rules). Specifically, NYISO proposes to revise section 4.3 of the Services Tariff,

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<sup>1</sup> 16 U.S.C. § 824d (2000).

<sup>2</sup> NYISO states that the proposed 3,300 MW limit is based on the level of wind generation that has been previously determined may be accommodated on the NYISO system without degrading reliability. NYISO adds that current indicators suggest that the 3,300 MW limit would not be reached until 2010, by which time NYISO expects to complete its review of the effects of increasing wind resources.

which governs Real-Time Market settlements, and to amend the term “Compensable Overgeneration” to provide that existing Intermittent Renewable Resources in operation on or before November 18, 1999 within the New York Control Area (NYCA), and up to 3,300 MW of Intermittent Renewable Resources, will be paid for all energy produced.

3. In addition, NYISO proposes to amend Rate Schedule 3-A to increase the capacity of intermittent renewable resources that are exempt from persistent undergeneration charges from 1,000 MW to 3,300 MW. NYISO states that a 2005 study<sup>3</sup> endorsed the exemption of wind resources from such charges since wind is largely non-dispatchable and the application of these policies would result in the loss of approximately ninety percent of wind generation revenue. NYISO states that the GE/NYSERDA Study found that New York State could reliably accommodate at least ten percent wind generation (3,300 MW) with only minor adjustments to its existing planning, operation, and reliability practices.

4. NYISO also proposes several amendments to its Tariff to implement a centralized wind forecasting mechanism. NYISO proposes to add the term Wind Energy Forecast to the Service Tariff as new section 2.197a. Using meteorological data collected by and transmitted to NYISO from interconnected wind resources in the NYCA, NYISO proposes to forecast the amount of energy expected to be produced by wind resources for use in its Day-Ahead and Real-Time Market processes. NYISO proposes to make this forecasting mechanism enforceable; because NYISO intends to depend on the forecast of wind energy output in its commitment and dispatch service, NYISO states that the program cannot be voluntary. NYISO states that the implementation of these measures will allow the NYISO to more accurately: (i) commit and dispatch resources in NYCA and (ii) schedule imports from its neighbors, thereby reducing system operating costs and increasing the reliability of service to New York loads.

5. NYISO proposes to revise section 5.8a of its Services Tariff to require wind resources to collect, from equipment located on at least one point in the wind farm, data regarding wind speed and wind direction and to transmit such data to the NYISO or its agent. NYISO proposes to require each wind resource to participate in its forecasting program, with the exception of units in commercial operation as of January 1, 2002 with

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<sup>3</sup> NYISO and the New York State Energy Research and Development Authority, *The Effects of Integrating Wind Power on Transmission System Planning, Reliability, and Operations* (2005), *available at* [http://www.nyiso.com/public/services/planning/special\\_studies.jsp](http://www.nyiso.com/public/services/planning/special_studies.jsp) (GE/NYSERDA Study).

a nameplate capacity of 12 MW or less.<sup>4</sup> As noted above, because NYISO intends to depend on the forecast of wind energy output in its commitment and dispatch service, NYISO states that the program cannot be voluntary. NYISO proposes to require wind resources to transmit this data electronically to NYISO or its agent at least once every 15 minutes (24 hours a day, 7 days a week). Each wind resource would be responsible for the costs of installing and maintaining any equipment necessary to collect the required data.

6. NYISO states that it proposes to add a new Rate Schedule 7 to the Services Tariff that will set forth the charges NYISO will assess on a monthly basis and that these charges will be applied to NYISO's costs for providing the wind forecasting service. It states that each such wind resource would be assessed a small fee to offset the costs of the proposed wind forecasting service, which is intended to reflect NYISO's cost of administering the centralized wind forecasting service, spread across currently interconnected wind resources.<sup>5</sup> The charge will include two components: a fixed monthly fee of \$500 and a separate monthly fee of \$7.50 per MW of nameplate capacity. According to NYISO, using a charge based on the nameplate capacity ensures that wind resources are charged an amount that is proportionate to the wind energy that they are providing. NYISO states that this proposed cost recovery mechanism was endorsed by NYISO's stakeholders. Because NYISO intends for this charge to recover its actual cost of administering the forecasting process, it states that it will file under FPA section 205 to update the rates periodically, as more wind resources are interconnected in NYCA, or if the costs of the forecasting process are different from what is collected under the proposed fee. Further, NYISO states that it is willing to provide the Commission with information regarding the revenues it has collected from this proposed Rate Schedule, and its disposition of these revenues, within two years of its becoming effective.

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<sup>4</sup> NYISO submits that this exception, initially suggested by its stakeholders during the process that led to this filing, is a reasonable accommodation for those relatively early and small wind turbines that were developed at a time when wind as a central-station generating technology was untested in New York State. NYISO states that the two wind farms that thus would be exempted from participating in the wind forecasting system by this proposed exclusion were the first to be sited in New York State.

<sup>5</sup> NYISO proposes to require each wind resource to pay this charge on a monthly basis beginning with the invoice for the month following the month in which this filing is accepted by the Commission and becomes effective.

7. NYISO also proposes to impose daily financial sanctions on wind resources that fail to provide the required meteorological data and that do not cure that failure after a reasonable notice period. The daily sanctions would be set at a level equal to the greater of \$500 or \$20/MW of nameplate capacity per day until the failure to provide data is cured. NYISO states that the proposed penalty system mirrors the severity of the harm by including a component based on nameplate capacity. Before imposing a penalty on a non-compliant wind resource, the proposed Tariff changes would require NYISO to “offer a reasonable opportunity to correct the failure to provide” the required data, as well as an opportunity to meet with NYISO senior officers to explain why penalties should not apply in a particular case. NYISO states that the absence of wind farm-specific wind speed and wind direction data will reduce the accuracy and integrity of the wind forecast for that wind farm and potentially for New York State as a whole. NYISO explains that the absence of quality wind forecasts can produce faulty or inaccurate projections of energy output and negatively impact NYISO's commitment and dispatch process. NYISO states that the proposed minimum daily penalty of \$500 would encourage non-compliant wind resources to promptly fix their equipment. Further, it asserts, the penalty of \$20 per MW balances a need to impose larger penalties against larger resources against the need to avoid penalties that are so onerous that they could negatively impact decisions to site wind farms in New York.

8. NYISO's Security Constrained Unit Commitment (SCUC) process performs a series of passes, or computer runs, that sequentially evaluate the generation resources bid against demand bids, NYISO load forecasts, ancillary services needs and reliability requirements. The SCUC selects the optimal least-cost, security-constrained dispatch of generation to meet load. NYISO proposes to factor these wind farm-specific energy output forecasts into "pass two" (Forecast Load Commitment) and "pass three" (Local Reliability Rules Commitment) of this process. These passes evaluate the need to commit additional resources to meet NYISO's forecast of next-day load and to meet specific New York City reliability needs. By considering wind forecasts in passes two and three of the SCUC process, NYISO states that it will minimize over-committing other resources when next-day wind energy would solve any capacity shortage identified in these passes without additional commitments to sell energy on behalf of any wind resource. NYISO proposes similar amendments to its Real-Time Commitment (RTC) and Real-Time Dispatch (RTD) process. NYISO states that the incorporation of expected wind energy output will allow it to make more informed dispatches of other generating units within its five-minute dispatch window and will also allow for better informed commitment decisions over RTC's two and one-half hour time horizons. NYISO believes this will produce more efficient commitment decisions than would otherwise be made and more efficient transaction scheduling with NYISO's neighbors.

9. Additionally, NYISO proposes to revise the definition of “Installed Capacity Supplier” to make clear that hydroelectric resources are included in the list of entities that can provide Unforced Capacity to NYCA. NYISO also proposes to clarify that Limited Control Run-of-River Hydro Resources are "Resources" under the Services Tariff, and that they qualify for the settlement rules available to Intermittent Renewable Resources. This change would make clear that these facilities are on the same footing as other resources, including Intermittent Power Resources.

10. NYISO also proposes to revise section 5.12.1 of the Services Tariff so that it no longer specifically exempts Intermittent Power Resources from a requirement to bid in the Day-Ahead and Real-Time Markets all capacity available for supplying 10-Minute Non-Synchronized Reserves since Intermittent Power Resources have no predictable ability to come on-line within ten minutes at a certain energy level.<sup>6</sup> However, it states that wind resources may voluntarily offer their capacity in the Day-Ahead Market, which, if scheduled, would establish a commitment that such resources provide energy in real-time.

11. Finally, NYISO requests an effective date of June 18, 2008.

### **Notice and Interventions**

12. Notice of NYISO’s filing was published in the *Federal Register*, 73 Fed. Reg. 24,066 (2008), with interventions and protests due on or before May 7, 2008. New York Transmission Owners<sup>7</sup> filed a timely motion to intervene and comments. New York Transmission Owners state that the incorporation of a wind forecasting and monitoring system in NYISO will enable NYISO to conduct a wind forecasting study with meaningful data input. New York Transmission Owners support conducting the study

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<sup>6</sup> NYISO states that it requires most other resources which have sold their capacity in its capacity markets to offer that capacity in the Day-Ahead Market. *Citing Services Tariff*, § 5.12.1(x). However, it states that the Commission approved at market start an exemption from this requirement for resources using wind or solar as their fuel. *Citing New York Independent System Operator, Inc.*, 91 FERC ¶ 61,218 (2000).

<sup>7</sup> Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., Long Island Power Authority, New York Power Authority, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation.

and request that the Commission require meaningful stakeholder input in this study. Dynegy Power Marketing, Inc. filed a timely motion to intervene. There were no protests or adverse comments.

### **Discussion**

13. NYISO's filing appears to be just and reasonable and has not been shown to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. Accordingly, NYISO's proposed Tariff revisions are accepted to become effective June 18, 2008, as requested, subject to the following condition. The Commission accepts NYISO's offer to file an informational report. The report must apprise the Commission of NYISO's evaluation of the progress, costs and revenues of the centralized wind forecasting program within two years of this order.

14. The Commission finds that the proposed revisions to the Services Tariff will benefit, and encourage, wind and other intermittent generators by extending special payment provisions and penalty exemptions to an increased amount of such generation. Further, the proposal to implement a centralized wind forecasting mechanism will allow NYISO to more accurately predict the availability of wind resources which should reduce overall system operating costs. The proposed cost recovery mechanism and fees were endorsed by NYISO's stakeholders, and NYISO's filing is unopposed.

### **The Commission orders:**

(A) NYISO's proposed tariff revisions are hereby accepted to become effective June 18, 2008, subject to the condition set forth below.

(B) NYISO is hereby required to file an informational report within two years of the date of issuance of this order, apprising the Commission of its evaluation of progress in this program and providing the Commission with information regarding the costs of this service, the revenues it has collected under its proposed Rate Schedule 7, and its disposition of these revenues.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.