

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

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| New York Independent System Operator, Inc. |)))) | Docket No. ER13-780-000 |
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**ANSWER AND MOTION FOR LEAVE TO ANSWER
OF THE INDEPENDENT MARKET MONITOR FOR PJM**

Pursuant to Rule 211 of the Commission’s Rules and Regulations,¹ Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM (“Market Monitor”),² answers and moves for leave to answer the response submitted by the New York Independent System Operator, Inc. (“NYISO”) on February 25, 2013 (“NYISO Response”). Although NYISO could enhance its path validation approach to fully address loop flow issues in a manner comparable to PJM’s approach as required by the Commission,³ it has not yet done so. NYISO could also fully address the issue by rule, as the Market Monitor has suggested in prior pleadings.⁴ NYISO should be required to

¹ 18 CFR § 385.211 (2012).

² PJM Interconnection, L.L.C. is a FERC-approved Regional Transmission Organization. Capitalized terms used herein and not otherwise defined have the meaning provide in the PJM Open Access Transmission Tariff (“OATT”) or the PJM Operating Agreement.

³ *New York Independent System Operator, Inc.*, 133 FERC ¶ 61,276 (2010) (“2010 Order”); 136 FERC ¶ 61,011 (2011) (“2011 Order”); 138 FERC ¶ 61,195 (March 15, 2012) (“March 15th Order”); 140 FERC ¶ 61,140 (August 22, 2012) (“August 22nd Order”).

⁴ See Motion to Intervene and Comments of the Independent Market Monitor for PJM, Docket No. ER08-1281-004 (February 2, 2010) at 2–3 (“Faulty market rules that provided inaccurate incentives to market participants, and afforded an opportunity for market participants to exploit those rules, are responsible for the loop flows and detrimental market impacts from those flows that motivated NYISO’s initial filing in this proceeding. The solution to this problem should start with and accord priority to appropriate interface pricing that reflects the actual flow of energy. Although the buy-through congestion approach also attempts to address this issue, a more cost effective solution

implement an approach to interface pricing comparable to PJM's, despite its objections that a complete solution is not needed and would be burdensome to implement.

I. ANSWER

The NYISO states, "the PJM MMU now supports the NYISO's use of eTag path validation and 'agrees' that the NYISO's enforcement of its circuitous scheduling path prohibitions ensures that each External Transaction Bid is consistently represented in the NYISO's market and reliability system for evaluation."⁵ The Market Monitor does agree that NYISO's path validation approach works for the eight paths that NYISO identifies. Other scheduled market paths have not been addressed.⁶ The Market Monitor recognizes the large number of potential paths through all balancing authorities in the Eastern Interconnection. That is why the Market Monitor suggested addressing this issue by rule, rather than specific path prohibitions.⁷ If NYISO does not want to address the issue by rule, then NYISO should address all potential paths. NYISO's approach is not comparable to

would assign interface prices based on the Generation Control Area (GCA) for imports and Load Control Area (LCA) for exports, as designated on the NERC e-Tag. This method for interface pricing has been used by PJM and the Midwest ISO for years, and could be implemented immediately and unilaterally by other RTOs/ISOs at minimal cost."); Comments of the Independent Market Monitor for PJM, Docket No. ER08-1281-004 (September 15, 2010) at 5-6; Protest of the Independent Market Monitor for PJM, Docket No. ER08-1281-005, -006, -007 and -010 (February 16, 2012) at 3; Answer and Motion for Leave to Answer of the Independent Market Monitor for PJM, Docket No. ER08-1281-005, -006, -007 and -010 at 6.

⁵ NYISO Response at 3.

⁶ See IMM Comments at 5-6.

⁷ See Motion to Intervene and Comments of the Independent Market Monitor for PJM, Docket No. ER08-1281-004 (February 2, 2010) at 2-3; Comments of the Independent Market Monitor for PJM, Docket No. ER08-1281-004 (September 15, 2010) at 5-6; Protest of the Independent Market Monitor for PJM, Docket No. ER08-1281-005, -006, -007 and -010 (February 16, 2012) at 3; Answer and Motion for Leave to Answer of the Independent Market Monitor for PJM, Docket No. ER08-1281-005, -006, -007 and -010 at 6.

PJM's if it remains vulnerable to future interface pricing problems related to loop flow that are readily preventable.

NYISO claims that its "review of actual transaction scheduling in 2011 and 2012 shows that it is entirely unnecessary, and would be a waste of time and resources, for the Commission to require the NYISO to implement the PJM MMU's recommendation that the NYISO be required to modify the circuitous scheduling path prohibition Tariff rules" [emphasis omitted].⁸ Additionally, the NYISO Market Monitor claims, "transactions are rarely scheduled from (or to) more distant control areas, such as Duke, TVA, Southern Company, or Entergy, by wheeling across PJM, MISO or Ontario to New York."⁹

Although this may accurately describe current behavior, behavior may change. For example, the Market Monitor has identified market behavior which consists of participants breaking transactions included among NYISO's eight prohibited paths into parts which are together equivalent to the banned path.¹⁰ If the Commission determines that breaking a circuitous path into separate pieces violates the tariff or constitutes manipulation, participants may adjust their behavior accordingly. If that occurs, it is reasonable to expect that NYISO would begin receiving transactions scheduled from (or to) balancing authorities more geographically distant than they have in the past. By acting proactively, the NYISO would not have to react to future events that reveal the need to (i) identify and prohibit

⁸ NYISO Response at 12.

⁹ NYISO Response, Attachment A (Affidavit of Dr. David Patton, President, Potomac Economics) at 6.

¹⁰ The Market Monitor has initiated stakeholder consideration of this issue in a Problem Statement/Issue Charge: Market Path/Interface Pricing Point Alignment presented in a meeting of the PJM Markets Implementation Committee (MIC) convened March 6, 2013. This document can be accessed at: <http://www.pjm.com/~media/committees-groups/committees/mic/20130306/20130306-item-12-energy-scheduling-issue-charge.ashx>. This Market Monitor also explained the issue in a presentation to MIC on November 26, 2012, which can be accessed at: <http://www.pjm.com/~media/committees-groups/committees/mic/20121107/20121107-item-12-energy-scheduling-examples.ashx>.

additional paths or (ii) implement a rule that would uniformly address any path without the need for prior specification.

NYISO does not deny that implementing the Market Monitor's suggested solution would fully address the loop flow issues by ensuring that all scheduled paths are aligned with the expected power flows. NYISO objects that the time and resources required to implement this modification would be wasted.¹¹ This argument is not convincing. Implementation was not burdensome for PJM. Moreover, based on the experience of Market Monitor staff who assisted NYISO during its implementation of eTag validations in 2004, it is difficult to accept at face value a claim that implementation of either comparable approach to interface pricing would require significant time or resources. The effort required to put an effective and comprehensive rule in place now will likely be less burdensome than the effort required to address a crisis. NYISO has not provided a reason for the Commission to relax its directive that NYISO put in a place an interface pricing approach comparable to PJM, so that directive should be upheld.

II. MOTION FOR LEAVE TO ANSWER

The Commission's Rules of Practice and Procedure, 18 CFR § 385.213(a)(2), do not permit answer to answers or protests unless otherwise ordered by the decisional authority. The Commission has made exceptions, however, where an answer clarifies the issues or assists in creating a complete record.¹² In this answer, the Market Monitor provides the

¹¹ NYISO Response at 12.

¹² See, e.g., *N.Y. Indep. Sys. Operator, Inc.*, 121 FERC ¶61,112 at P 4 (2007) (answer to protest accepted because it provided information that assisted the Commission in its decision-making process); *PJM Interconnection, L.L.C.*, 119 FERC ¶ 61,318 at P 36 (2007) (accepted answer to answer that "provided information that assisted ... decision-making process"); *California Independent System Operator Corporation*, 110 FERC ¶61,007 (2005) (answer to answer permitted to assist Commission in decision-making process); *New Power Company v. PJM Interconnection, L.L.C.*, 98 FERC ¶ 61,208 (2002) (answer accepted to provide new factual and legal material to assist the Commission in decision-making process).

Commission with information useful to the Commission's decision-making process and which provides a more complete record. Accordingly, the Market Monitor respectfully requests that this answer be permitted.

III. CONCLUSION

The Market Monitor respectfully requests that the Commission afford these comments due consideration as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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Dated: March 12, 2013

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Eagleville, Pennsylvania,
this 12th day of March, 2013.



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