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News Media Contact

Craig Cano | 202-502-8680

Docket No. ER12-2237-002, ER13-405-000 and
EL15-37

Item No. E-6, E-7 and E-8

FERC Orders NYISO to File Tariff Revisions, Pro Forma Agreement for RMR Service

The Federal Energy Regulatory Commission (FERC) today directed the New York Independent System Operator (NYISO) to file tariff revisions to establish rates, terms and conditions for reliability-must-run (RMR) service under which generating units that announce their intention to shut down, but are needed to ensure transmission system reliability and the efficient operation of the NYISO markets, remain in service. The lack of tariff provisions for such service in NYISO creates uncertainty and could undermine the operation of the grid.

The Commission explained that, without RMR service provisions, NYISO may be unable to ensure there is adequate generation where it is needed, or that such generation is adequately compensated so that it is available when needed. The Commission directed NYISO to submit a compliance filing within 120 days that includes tariff provisions governing the retention of, and compensation to, generating units required for reliability, and a pro forma service agreement for RMR service.

Today's order provided general guidance on the elements NYISO should address in its compliance filing. Those elements include a process for determining which generation resources seeking to deactivate are needed for reliability; compensation for RMR service, including accelerated cost recovery for generators that require upgrades, retrofitting or other investments; and how RMR costs should be allocated. The proposal also must include rules to prevent, or at least minimize, incentives for generators to toggle between market-based and RMR compensation for the same units.

The Commission emphasized that, while RMR agreements may be appropriate, they should be of limited duration and not prolong out-of-market solutions that potentially could undermine price formation.

In two related orders issued today, the Commission addressed filings Dunkirk Power LLC and Cayuga Operating Co. submitted regarding RMR service in the NYISO market.

R-15-23

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