



**REPORT TO THE  
NYSRC EXECUTIVE COMMITTEE**

**RELIABILITY COMPLIANCE REVIEW OF  
2004 NERC-GADS OUTAGE DATA  
MISREPORTING EVENT**

**Prepared by Reliability Compliance Monitoring Subcommittee  
November 26, 2008**

**Recommendations Approved by the  
NYSRC Executive Committee on December 5, 2008**

## INTRODUCTION

On August 7, 2008 the NYISO reported to the Reliability Compliance Monitoring Subcommittee (RCMS) that its Market Monitoring Unit (MMU) had identified a NERC-GADS outage data misreporting violation by a market participant in 2004. This data submission error was uncovered as part of the MMU generation outage data audit program. As a result of an investigation by the MMU, the NYISO found the market participant to be in non-compliance with NYSRC Resource Availability Rule C-R2 – Resource Availability Requirements, related Measurement C-M5 – accurate reporting of resource outage data to the NYISO (see Exhibit A) – and NYISO procedures and tariffs. During the RCMS meeting, NYISO staff made a presentation on its NERC-GADS audit findings, distributed a redacted copy of a non-compliance letter issued to the market participant (see Exhibit C), and responded to RCMS questions. A similar presentation was made to the Executive Committee on August 8, 2008.

Section 4.2.3 of NYSRC Policy 4-4, *Procedure for Monitoring Compliance with the NYSRC Reliability Rules*, states:

If the NYISO cannot certify that a market participant has taken the actions required of it by the Reliability Rules, the NYISO is subject to a finding of non-compliance in accordance with the Compliance Templates. The RCMS will report the non-compliance of the NYISO to the Executive Committee along with a recommendation as to whether a non-compliance letter should be issued to the NYISO, and the basis for its recommendation. The RCMS report shall indicate whether the non-compliance event has been addressed or the non-compliance condition is continuing, and whether the NYISO has taken all responsible action to secure compliance with the Reliability Rules. The latter will be judged based on whether the NYISO has implemented the procedures set forth in the section below. If it has, the Executive Committee shall issue a finding in writing that the NYISO has taken all responsible action to secure compliance with the Reliability Rules. (See Exhibit B.)

This section of NYSRC Policy 4-4 further requires that the NYISO issue a non-compliance letter to a market participant if the NYISO finds that the entity to be in non-compliance with NYSRC Rules.

Since the NYISO could not certify that the noncompliant market participant had taken the actions required of it by Reliability Rule C-R2 and related Measurement C-M5 (NYSRC C-R2/C-M5), the NYISO is subject to a finding of non-compliance regarding the 2004 outage data reporting violation (see Policy 4-4, Section 4.2.3 above). On September 11, 2008 RCMS met with NYISO staff to further discuss the 2004 noncompliant outage data reporting issue to ascertain whether the NYISO had taken all reasonable action to secure compliance with the above Reliability Rules for determining whether it should recommend that a non-compliance letter be issued to the NYISO.

Accordingly, this report provides RCMS findings and recommendations relative to its review of whether the NYISO was in non-compliance with NYSRC C-R2/C-M5, whether the NYISO had taken all reasonable action to secure compliance with the Reliability Rules, and whether a non-compliance letter should be issued to the NYISO. In addition, during the course of its compliance review other related compliance issues and concerns were raised by RCMS. RCMS findings, issues, and recommendations are addressed below.

## RCMS COMPLIANCE FINDINGS, ISSUES, AND RECOMMENDATIONS

### **COMPLIANCE FINDINGS** > Reliability Rule C-R2 Compliance Review and NYISO Actions

Section 4.4 of the *NYISO Installed Capacity Manual* (Manual) provides Installed Capacity Supplier requirements for submitting NERC-GADS data or equivalent to the NYISO. Details of this submission are included in an Attachment K to the Manual. Attachment K includes NERC-GADS data reporting requirements, outage definitions, and refers to the NERC Web site for input formats for NERC-GADS data. The Manual states that “the completeness, accuracy, and validity of the performance data sent to the NYISO are the responsibility of the Resource making such data submission” and that Installed Capacity Suppliers that do not comply with reporting requirements shall be subject to the sanctions provided in the NYISO Services Tariff. However, RCMS notes that required market participant compliance with NYSRC Rule C-R2 is not included in the Manual.

Market participants are encouraged to attend the New York Market Orientation Course (NYMOC). This course exposes market participants to the primary aspects of the NYISO's operation and includes general requirements for submission of NERC-GADS data. Although NYMOC does not cover details of outage data reporting, the NYISO encourages market participants to attend NERC-sponsored GADS workshops. In addition, NYISO customer representatives are available to answer data reporting questions.

*In accordance with NYSRC Policy 4-4 compliance review requirements, RCMS finds that: (1) the NYISO was in non-compliance with NYSRC C-R2/C-M5 because it was unable to certify that the noncompliant market participant took all actions required of it by these NYSRC reliability requirements, (2) the NYISO took all reasonable actions in the form of adequate procedures to secure compliance with NYSRC C-R2/C-M5 prior to the 2004 non-compliance event, and (3) the noncompliant market participant has since taken appropriate steps approved by the NYISO to ensure future compliance with the Reliability Rules. Based on actions (2) and (3) above, RCMS concludes that a non-compliance letter should not be issued to the NYISO.*

Recognizing the above, RCMS recommends:

**Recommendation 1: The Executive Committee should find that the NYISO took all reasonable action to secure compliance with the Reliability Rules and a letter of non-compliance should not be issued to the NYISO.**

As required by NYSRC Policy 4-4, the NYISO issued a non-compliance letter to the noncompliant market participant (see Exhibit C). Although the letter states that the market participant had represented that it had taken appropriate steps to ensure future

accuracy of GADS data, RCMS notes that the letter did not specifically spell out the mitigation measures that were taken. Accordingly:

**Recommendation 2: The NYISO should include mitigation measures in future non-compliance letters to market participants, recognizing confidentiality limitations.**

Notwithstanding the above RCMS findings, during the course of its compliance review several related compliance issues were raised by RCMS, as described under Issues #1-4 below.

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**ISSUE #1 > There is a Lack of Other Findings by the NYISO of Market Participant Non-Compliance with NYSRC C-R2/C-M5**

The NYISO has reported to the NYSRC Installed Capacity Subcommittee (ICS) and RCMS that, besides the 2004 outage data misreporting event, NYISO staff has since found several other cases of data misreporting which were subsequently resolved by the NYISO with the market participant. According to the NYISO, in some instances outage data misreporting was caused by the way the outage was mistakenly interpreted by the market participant. Most misreporting has been found by NYISO Auxiliary Market Operations (AMO), which initially reviews outage data submissions. In addition, the NYISO Resource Planning Unit uses outage data previously submitted to the AMO to prepare EFOR models for IRM studies. Resource Planning, which has recently incorporated a data screening process to detect generating unit EFORs that are well below NERC class averages, has found instances of questionable forced outage data. To RCMS' knowledge, such questionable data has not been reported by Resource Planning to the AMO or MMU for the determination of outage data misreporting and if there is a violation of NYSRC Reliability Rules.

Additionally, the NYISO reported to RCMS that 30 to 40 audits conducted by the MMU since 2001 uncovered outage data misreporting, which lead to restatements of GADS data after the NYISO worked with market participants to correct the data.

The NYISO explained to RCMS that its rationale for not finding any of the cases reported above of non-compliance, aside from the 2004 non-compliance event covered under "Compliance Findings," is based on the following NYISO definition of a C-M5 violation: "A reportable violation of C-M5 arises when the NYISO is unable to resolve the GADS data issues with the generators, or it results in a generator being paid for capacity it was unable to produce." This raises the question of whether this NYISO definition is consistent with Measurement C-M5 which states, "Owners of resources located in or serving the NYCA shall provide to the NYISO accurate resource outage and load response data on a timely basis for their units in accordance with NYISO procedures, tariffs and schedules." RCMS has not developed an opinion of whether it agrees or disagrees with the above NYISO definition of a C-M5 violation is consistent

with Measurement C-M5 requirements. It should be noted that the NYISO has never requested the NYSRC to approve its definition of a C-M5 violation. Accordingly:

**Recommendation 3: The Executive Committee should authorize the Reliability Rules Subcommittee (RRS) and RCMS to conduct the following tasks:**

1. An *interpretation* of Measurement C-M5 shall be prepared by the Reliability Rules Subcommittee (RRS) which would in particular clarify the meaning of the measurement term “accurate resource outage data.”
2. RRS shall determine whether the C-M5 interpretation developed in Task 1 is consistent with the NYISO definition of a C-M5 violation.
3. Depending on the outcome of Tasks 1 and 2, RCMS shall recommend to the Executive Committee whether a compliance review of previous cases of outage data misreporting is warranted.
4. RRS shall prepare a PRR to modify Measurement C-M5, if appropriate, to incorporate the C-M5 clarification from Task 1 and/or changes suggested by the NYISO or other entities.

As part of Tasks 1 and 2, the NYISO should be invited to provide material impacts if an interpretation were to be developed by RRS that is inconsistent with the NYISO definition of a C-M5 violation.

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**ISSUE #2 > There is a Need to Improve the Quality of EFOR Data in IRM and Other Studies**

As discussed under Issue #1, there have been many cases of NERC-GADS outage data misreporting. Some of this data have been used for IRM studies prior to being corrected in the following year’s study. Since EFORs have a significant impact on IRM requirements, under-reported outage data, prior to being corrected, could lead to an insufficient IRM for meeting LOLE reliability criteria, thereby impacting reliability. Minimizing market participant outage data misreporting and uncovering more data errors before Resource Planning uses the reported EFOR data in IRM studies would minimize such reliability impacts and increase the quality of IRM studies.

One method of increasing the quality of EFOR data for IRM studies is to improve the current NYISO outage data screening process. This will increase the identification of erroneous data prior to its use in IRM studies. RCMS notes that the NYISO did not consider steps to improve its outage data screening process after the results of the recent MMU audit became known. Accordingly:

**Recommendation 4: The NYISO should consider the implementation of a more robust NYISO outage data screening process.**

RCMS suggests that the NYISO work in consultation with ICS while it implements this recommendation.

In addition to implementing Recommendation 4, a second method of improving the quality of outage data is to increase market participant attendance at NERC-GADS Data Reporting Workshops. According to the NERC Web site, NERC-GADS workshops focus on data collection and reporting techniques and emphasize the importance of accurate data reporting. Special “in-house” workshops located at the NYISO could also be provided by NERC. Although workshop attendance is now encouraged by the NYISO, RCMS believes that *mandatory* attendance would result in more accurate NERC-GADS data reporting. However, NYISO staff stated that the NYISO does not have the authority under its tariffs and agreements to require its market participants to attend mandatory training classes. Accordingly:

**Recommendation 5: The NYISO should consider conducting in-house NERC-GADS workshops annually, or when the NYISO deems appropriate, and strongly encourage generation owners and operators to attend.**

Recognizing the NYISO cannot require workshop attendance without changing its tariffs, it should seek ways to maximize voluntary attendance at these workshops, including referring in the NYISO Installed Capacity Manual to the availability of NERC-GADS workshops.

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**ISSUE #3 > Potentially Incorrect Outage Data Found during MMU Audit Investigations**

The MMU audit investigation of the 2004 outage data misreporting event took up to four years to complete. During most of this period, ICS used under-reported generating unit EFORs in the IRM capacity model. As a result, it is likely the calculated base case IRM during much of this period was less than required for meeting the resource adequacy LOLE criterion, until recently corrected.

To minimize the period of using under-reported EFORs in IRM studies, RCMS suggests that during a MMU audit investigation, Resource Planning be notified as soon as practical by the MMU when it finds there is a possibility that outage data may be in error, and that Resource Planning and ICS then have the option of replacing this data with appropriate class average outage data for IRM studies. Accordingly:

**Recommendation 6: The NYISO should request MMU to notify Resource Planning, at a reasonable time during its investigation, when it finds potentially incorrect outage data.**

At a special RCMS meeting on October 27, 2008 to discuss a draft of this report, the NYISO objected to this recommendation. The NYISO stated that the MMU is an independent arm of the NYISO as affirmed by the NYISO tariff and FERC orders, and is

therefore not required to report the existence of an ongoing investigation of GADS data to Resource Planning. However, RCMS believes that the independence of the MMU is not sacrificed by this type of communication, particularly if the purpose of the communication is to ensure reliability. RCMS suggests that the Executive Committee and the NYISO review applicable FERC Orders and Rulings to increase the acceptability of this recommendation.

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***ISSUE #4*** > NYCA Outage Rate Trends

During the course of its NYSRC C-R2/C-M5 compliance review RCMS observed, as did ICS, a significantly higher average NYCA EFOR in 2007 than in previous years. NYISO staff explained to ICS on June 25, 2008 that this increase was likely caused by three factors: (1) certain generators were asked to restate their GADS data, (2) some generators have higher forced outage rates than before, and (3) market participants have become increasingly vigilant in reporting their GADS data knowing that they are subject to an audit. There is a need for the NYSRC and NYISO to more clearly understand the causes for this EFOR increase. Accordingly:

**Recommendation 7: The Executive Committee should request the NYISO and ICS to jointly perform an analysis of EFOR trends.**

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The NYISO is requested to report the status of Recommendations #4 – #7 during future RCMS meetings.

# **EXHIBITS**

## **Exhibit A**

### **NYSRC RESOURCE AVAILABILITY RULE & RELATED MEASUREMENTS**

#### **C-R2. Resource Availability Requirements**

**Resource availability data required for the analysis of the reliability of the NYCA shall be collected and maintained. Data shall include forced, partial, and maintenance outage and load response statistics for resources located in/or serving the NYCA, covering an appropriate historical period.**

- C-M4.** The NYISO shall establish and maintain procedures and schedules for reporting of outage and load response data to the NYISO for those ICAP resources, as well as energy-only resources, serving the NYCA.
- C-M5.** Owners of resources located in or serving the NYCA shall provide to the NYISO accurate resource outage and load response data on a timely basis for their units in accordance with NYISO procedures, tariffs and schedules.
- C-M6.** The NYISO shall annually prepare, from outage and load response data received under C-M5, a document depicting outage and load response data applicable to reliability analysis, recognizing applicable confidentiality requirements. The report shall include statewide resource class statistics, averaged for an appropriate historical period.

## **Exhibit B**

### ***EXCERPT FROM NYSRC POLICY 4-4***

#### **4.2.3 Non-Compliance Due to Actions or Inactions of Market Participants**

Certain measurements define market participant responsibilities which are required for maintaining compliance with related Reliability Rules. The NYISO shall establish procedures where appropriate to secure compliance by market participants with these measurements.

If the NYISO cannot certify that a market participant has taken the actions required of it by the Reliability Rules, the NYISO is subject to a finding of non-compliance in accordance with the Compliance Templates. The RCMS will report the non-compliance of the NYISO to the Executive Committee along with a recommendation as to whether a non-compliance letter should be issued to the NYISO, and the basis for its recommendation. The RCMS report shall indicate whether the non-compliance event has been addressed or the non-compliance condition is continuing, and whether the NYISO has taken all reasonable action to secure compliance with the Reliability Rules. The latter will be judged based on whether the NYISO has implemented the procedures set forth in the section below. If it has, the Executive Committee shall issue a finding in writing that the NYISO has taken all reasonable action to secure compliance with the Reliability Rules.

#### **NYISO Procedures for Reviewing and Securing Compliance by Market Participants with the Reliability Rules**

In the event that the NYISO determines that a market participant has not acted in accordance with a Reliability Rule, the NYISO shall issue a non-compliance letter to that market participant pursuant to NYISO procedures, with a copy to the NYSRC. The non-compliance letter shall direct the market participant to come into compliance with the Reliability Rules within a period determined by the NYISO to be reasonable and consistent with reliable operation of the bulk power system. The letter shall refer to the market participant's obligation to comply with the Reliability Rules pursuant to the NYISO's tariffs, procedures and service agreements, and the possible consequences of non-compliance. Should the market participant not comply within the timeframe established by the NYISO, the NYISO shall send the market participant additional non-compliance letters, as provided for in its procedures, confirming the market participant's continued non-compliance. When a market participant has failed to comply with the NYISO's repeated requests, or when the NYISO concludes that the market participant's non-compliance poses a risk to the reliability of the bulk power system, the NYISO shall report the market participant's non-compliance in writing to the NYSRC Reliability Compliance Monitoring Subcommittee, the NYSRC Executive Committee, and the New York Public Service Commission (PSC). The report shall describe the NYISO's due diligence in seeking to secure compliance by the market participant, including the actions it has taken under its tariffs, procedures and service agreement to secure the market participant's compliance, and a statement that further action by the NYISO is not possible or would be inappropriate. The report shall request that the PSC consider appropriate action to bring the market participant into compliance. The report should describe any resolution the NYISO has been able to achieve with the market participant. The NYISO shall publish non-compliance letters on its website consistent with NYISO procedures.

**Exhibit C**

**NYISO's Non-Compliance Letter  
to a Market Participant for Violation of  
NYSRC Reliability Rule C-R2 and Measurement C-M5**

CONFIDENTIAL

July 29, 2008

[REDACTED]

Subject: NYSRC Reliability Rules Non-Compliance Assessment:  
Non-Compliance with Reliability Rule C-R2 (Resource Availability Requirements)  
and Measurement C-M5

Dear [REDACTED]

During an audit performed in April 2005, the NYISO's Market Monitoring and Performance unit identified a deficiency in the outage reporting by [REDACTED] for the [REDACTED]. The NYISO has completed an assessment of the Generator Availability Data System ("GADS") data submitted by [REDACTED] for 2004, and has determined that [REDACTED] failed to submit accurate GADS outage data in accordance with the reporting requirements specified in NYISO procedures. As a result, [REDACTED] did not comply with New York State Reliability Council Reliability Rule C-R2, which states:

**C-R2. Resource Availability Requirements**  
*Resource availability data* required for the analysis of the *reliability* of the *NYCA* shall be collected and maintained. Data shall include forced, partial, and maintenance outage and *load* response statistics for *resources* located in/or serving the *NYCA*, covering an appropriate historical period.

The specific measure for C-R2 that [REDACTED] failed to comply with is:

**C-M5.** Owners of *resources* located in or serving the *NYCA* shall provide to the NYISO accurate *resource* outage and *load* response data on a timely basis for their units in accordance with *NYISO* procedures, tariffs and schedules.

Generators that are ICAP Suppliers are required by § 5.12.5(a) of the NYISO's Services Tariff to submit accurate GADS Data to the NYISO in accordance with ISO Procedures.

The ICAP Manual and attachments contain detailed procedures for submitting this data, including time limitations, formatting requirements, and reporting criteria.

The NYISO's assessment of this violation is consistent with a Level 2 violation as identified in the NYSRC Compliance Templates for C-M5, which states:

Level 2 Non-Compliance: The NYISO certified that audits or other investigations found that outage and load response data reports from one or more Installed Capacity Providers were in non-compliance with NYISO procedures and schedules.

[REDACTED] represented to the NYISO that it has undertaken appropriate steps to ensure the accuracy of its GADS data subsequent to 2004.

The NYISO will forward a copy of this determination of non-compliance, redacted to delete any confidential information, to the NYSRC Reliability Compliance Monitoring Subcommittee and other applicable parties as specified in the NYISO Reliability Compliance and Enforcement Manual Section 5.0. A complete copy will also be furnished to the New York Public Service Commission.

Regards,



Ricardo Gonzales  
Vice President, Operations  
New York Independent System Operator, Inc.

CC:

[REDACTED]  
[REDACTED]  
[REDACTED]

G. Loehr, NYSRC Executive Committee Chairman (redacted)