

**Proposal to Address Existing Providers of
Local Black Start and System Restoration Services**

**NYISO Management Committee
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Overview 1:

- **Three TOs have had local system restoration plans on file with the NYISO since the NYISO began operations:**
 - **Con Edison**
 - **O&R**
 - **CH**
- **The development of, and need for, local black start and system restoration plans are the responsibility of the local TOs. Local restoration plans are intended to augment the NYISO's statewide system restoration plan.**
- **Terms and conditions addressing local black start service are in NYISO Services Tariff (Rate Schedule 5) and OATT (Rate Schedule 6).**

Overview 2:

- **There have been no payments made to designated local providers according to these rate schedules since the NYISO assumed operation of the markets in December 1999.**
- **Con Edison and the three local providers designated in its plan reached agreement in principle on terms and conditions addressing future black start and system restoration services as well as settlement of prior period payments.**
- **The level of prior period compensation (as tentatively agreed to by Con Edison and its providers) was guided by the best available cost data associated with the equipment covered by Con Edison's local black start plan.**

Overview 3:

- **The “Con Edison program” was approved by the MC at the September 7, 2005 meeting.**
- **The cost of statewide black start and system restoration services, now provided exclusively by NYPA, are charged to all NYCA loads.**
- **The cost of local black start and system restoration services will be charged to loads within the service territories of the TO responsible for the local plan. (That is, loads in Con Edison territory will be charged for services provided under the Con Edison plan, etc.)**

(“The Con Edison program:1)”

- **Establishes verifiable testing procedures and performance criteria that includes:an annual demonstration that local system restoration units can safely shut-down and start-up after a blackout under test conditions which approximate as closely as possible actual blackout conditions.**
- **Annual test must be successfully completed between November 1st and May 31st, after the equipment has completed its planned maintenance outage.**

(“The Con Edison program: 2”)

- **Con Ed and suppliers commit to program for an initial term of three years. At the end of second year, either party may give notice that they will not participate at end of third year. After that, opt out and renewal periods are structured to provide a rolling three year commitment.**

“The Con Edison program: 3”

- **Local Black Start and System Restoration Units to be compensated on a location and facility basis.**
- **Owners of System Restoration Units will be reimbursed for operator training costs and variable costs associated with annual testing.**

Table of Annual Payments		
	Steam Turbine	Gas Turbine
345 kV	\$350,000/yr/unit	\$350,000/yr/site
138 kV	\$300,000/yr/unit	\$300,000/yr/site

(“The Con Edison program guiding principles: 4”)

- **Services provided in the future should be reliable (successfully tested on a regular basis) and add value to system restoration efforts (enable load to be connected faster than it would be in the absence of local black start/restoration support).**
- **Providers should be reasonably compensated for risk and costs of providing service.**
- **The compensation programs developed for existing black start and system restoration providers may not be sufficient to attract new black start capability and should not be assumed to apply to new providers.**

Other Local Black Start Programs : 1

CH/DYNEGY

- **Transfer of ownership (Danskammer Generating Station) from CH to Dynegy – January 31, 2001.**
- **Danskammer connected at 115kV level**
- **Since 2001, Danskammer has been included in CH's restoration plan**

O&R/Mirant :

- **Three sites owned by Mirant (GT @ 345 kV; GT @ 138kV; Hydro units @ 138kV or lower) Have been included in O&R's restoration plan since the units were divested by O#R.**
- **O&R recently submitted a revised restoration plan to the NYISO which does not designate the Mirant unit.**

Other Local Black Start Programs: 2

- **Upon review, the Con Edison testing and performance protocols appeared acceptable in principle to upstate TOs and suppliers. Details will need to be modified based on generating unit(s) and location specific requirements.**
- **Discussions concerning appropriate levels on compensation for future and prior period have yielded some progress but no results.**

Requested MC Action:

- Apply the general principles and pricing structure of “The Con Edison program” to other local providers and TOs with local black start and system restoration services.

Costs of extending “The Con Edison Program” to other localities:

- Approximate total annual cost for suppliers designated as of October 3, 2005 in Con Ed, CH, O&R plans:
 - \$4,450,000
- Approximate total cost of prior period payments for suppliers that have been designated in Con Ed, CH, O&R plans:
 - \$6,500,000