

TED J. MURPHY  
DIRECT DIAL: 202 • 955 • 1588  
EMAIL: tmurphy@hunton.com

October 26, 2001

FILE NO: 55430.000037

**BYHAND**

The Honorable David P. Boergers, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

New York Independent System Operator, Inc.'s Filing to Implement an Inter-Regional  
Congestion Pilot Program in Docket No. ER02-\_\_\_\_-000

Dear Mr. Boergers:

The New York Independent System Operator, Inc., (“NYISO”) hereby files amendments to its Market Services and Control Area Administration Services Tariff (“Services Tariff”) and its Open Access Transmission Tariff (“OATT”) to implement the Interregional Transmission Pilot Program (“Pilot Program”) for generation redispatch in emergency conditions between the NYISO and PJM Interconnection, L.L.C. (“PJM”). The Commission recently approved a filing by PJM to authorize PJM’s participation in the Pilot Program.<sup>1</sup> With one exception, which is noted below, the NYISO has not proposed revisions to the Pilot Program as filed by PJM, other than terminology changes necessary to integrate the Pilot Program’s provisions into the NYISO tariffs.

**I. List of Documents Submitted**

The NYISO submits the following documents:

1. This filing letter;
2. Clean version of proposed revised Services Tariff and OATT sheets implementing the Pilot Program (“Attachment I”);

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<sup>1</sup> *PJM Interconnection, L.L.C.*, 96 FERC ¶ 61,252 (2001).

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3. Redlined version of proposed revised Services Tariff and OATT sheets implementing the Pilot Program (“Attachment II”); and
4. A form of *Federal Register Notice* (“Attachment III”).

## **II. Copies of Correspondence**

Robert Fernandez, General Counsel and Secretary  
Mollie Lampi, Assistant General Counsel  
Belinda Thornton, Director of Regulatory Affairs  
New York Independent System Operator, Inc.  
3890 Carman Road  
Schenectady, NY 12303  
Tel: (518) 356-6153  
Fax: (518) 356-4702  
rfernandez@nyiso.com  
bthornton@nyiso.com  
mlampi@nyiso.com

Arnold H. Quint  
Ted J. Murphy  
Hunton & Williams  
1900 K Street, N.W.  
Suite 1200  
Washington, DC 20006  
Tel: (202) 955-1500  
Fax: (202) 778-2201  
aquent@hunton.com  
tmurphy@hunton.com

## **III. Proposed Effective Date**

The NYISO respectfully submits that good cause exists for waiving the usual sixty notice period and making this filing effective no later than November 20. The Commission has already accepted the Pilot Program for filing in Docket No. ER01-2528-000, where it concluded that the Pilot Program’s implementation would further the Commission’s policy goals and encouraged the NYISO to make this compliance filing. There is only one substantive difference between PJM’s filing and the NYISO’s. This filing should therefore raise few, if any issues, making a waiver of the usual sixty day period appropriate

## **IV. Service List**

The NYISO has mailed a copy of the filing to all parties that have executed Service Agreements under the NYISO’s OATT or Services Tariff, to the New York State Public Service Commission, the electric utility regulatory agencies in New Jersey and Pennsylvania and to all parties in Docket No. ER01-2528-000 (*i.e.*, the PJM Pilot Program proceeding.) In addition, in order to facilitate accelerated Commission action, the NYISO has e-mailed an

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electronic copy of this filing to all subscribers to the NYISO Technical Information Exchange (“TIE”) list, which encompasses virtually all New York Market Participants.

#### V. Description of Pilot Program

As PJM explained in its July 6, 2001 filing letter in Docket No. ER01-2528-000, the Pilot Program will allow NYISO and PJM to develop an interregional operational protocol to facilitate the management of transmission congestion between the two regions during periods when interregional congestion is causing extreme or emergency operating conditions. The Pilot Program will reduce the need for either ISO to resort to inefficient transmission loading relief (“TLR”) procedures or other emergency actions when serious congestion problems arise. Specifically, the Pilot Program would allow PJM to call on the NYISO to redispatch generation in the NYCA<sup>2</sup> to help alleviate congestion in the PJM Control Area and likewise would allow the NYISO to call on PJM to redispatch generation in PJM to alleviate congestion in the New York Control Area. The Commission has acknowledged that the Pilot Program will “further [its] goals for interregional coordination and provide an initial model that may be expanded upon or improved to solve interregional congestion.”<sup>3</sup>

Congestion occurs when the requests for transmission service, exceeds the capability of certain interfaces. As a general matter, congestion can be relieved only by the commitment of new generation, demand response programs, or the redispatch of existing generation to reduce flows or create counterflows on a constrained interface. Should either PJM or the NYISO be unable to relieve congestion on a constrained interface, scheduled transactions would have to be curtailed.

The interregional redispatch that the Pilot Program makes available will only be invoked under specifically defined circumstances designed to minimize cost-shifting between the PJM and NYISO markets. The two ISOs will identify a set of transmission operating constraints that have resulted in, or are expected to cause, the use of emergency procedures or

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<sup>2</sup> Capitalized terms that are not otherwise defined herein shall have the meaning set forth in Article II of the Services Tariff.

<sup>3</sup> 96 FERC at 61,996.

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TLRs for relief on their own systems but which could be eliminated by generation redispatch on the other's system.<sup>4</sup> See proposed Services Tariff Section 5.1.1.1.

Pursuant to proposed Services Tariff Section 5.1.1.2, the Pilot Program would be invoked by the NYISO or PJM, and a generator in the other ISO's Control Area would be requested to move out-of-merit, only when: (i) an identified transmission operating constraint occurs and continues or can reasonably be expected to continue after the exhaustion of all economic alternatives that are reasonably available to the transmission system on which the constraint occurs; and (ii) the affected ISO determines that it would otherwise need to use TLRs or some other emergency procedure to alleviate the situation. The ISO that is asked to redispatch will do so provided that it has dispatch control over the relevant generator at that time and provided that redispatch is consistent with Good Utility Practice.

Pursuant to proposed Services Tariff Section 5.1.1.4, the NYISO will pay a Generator that, in connection with the Pilot Program, increases or decreases its output beyond the level that is otherwise economic, the LBMP<sup>5</sup> at its bus for the increased output plus a megawatt hour (MWh) adjustment calculated pursuant to the following formulas:

- (a) \_\_\_\_\_ For a positive MWh Adjustment: Payment to Generator = MWh increase requested by PJM \* (unit offer price - marginal price at the generator bus).
- (b) \_\_\_\_\_ For a negative MWh Adjustment: Payment to Generator = MWh decrease requested by PJM \* (marginal price at the generator bus - unit offer price).

The MWh adjustment will be recalculated for each Security Constrained Dispatch interval in which a Generator increases or decreases its output, pursuant to the Pilot Program, beyond the level that is otherwise economic.

Proposed Services Tariff Section 5.1.1.4, states that Generators which are directed to increase or decrease their output pursuant to proposed Section 5.1.1 retain their eligibility for minimum generation costs, start-up and energy bid prices to the extent these costs are not

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<sup>4</sup> The NYISO and its Market Participants have agreed that the Erie-West interface should be the first interface to be subject to the Pilot Program.

<sup>5</sup> Out-of-Merit Generation will not itself set LBMP under the NYISO tariffs.

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recovered in LBMP revenue for the 24 hour day.<sup>6</sup> The NYISO does not propose, however, to include the MWh adjustment as LBMP revenue in calculating a participating Generator's guarantee payments in order to ensure that the Generator benefits financially from its participation in the Pilot Program.

Generators moved out of merit at the request of a neighboring ISO should be compensated as a result of the out-of-merit movement. Excluding the MWh adjustment from LBMP revenues for the purpose of calculating minimum generation, start-up and energy bid payments ensures that a Generator that participates in the Pilot Program will be financially better off than a similarly situated Generator that does not participate.

In the event that the NYISO redispatches Generators pursuant to a request by PJM under this Pilot Program, proposed Services Tariff Section 5.1.1.5(b) specifies that the NYISO will invoice PJM for all MWh adjustments and any applicable minimum generation, start-up and Energy Bid price costs that are not covered by LBMP revenue for the 24 hour day, or not covered by the marginal price, as appropriate. Pursuant to proposed Section 5.1.1.5(b), PJM would recover such payments from its Market Participants and pay NYISO an amount equal to the invoiced total.

In the event that PJM redispatches generation pursuant to a request by the NYISO under the Pilot Program, the NYISO proposes to include in its monthly accounting and billing a payment to PJM for the costs of such redispatch determined pursuant to proposed Services Tariff Section 5.1.1.4. The NYISO proposes to amend Rate Schedule 1 of its OATT in order to permit the recovery of the costs of such redispatch. Amounts paid to generators in PJM and invoiced to the NYISO pursuant to proposed Section 5.1.1.5(a) would be recovered from all Loads, on a Load weighted share basis.

Thus, payments made to generators pursuant to the Pilot Program will be entirely reimbursed by the ISO that requests dispatch and no financial burden will be imposed on Market Participants in the redispatching Control Area.

Under proposed Services Tariff Section 5.1.1.5(c), generation adjustments pursuant to the Pilot Program would be accompanied by a separate emergency energy transaction and an

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<sup>6</sup> See Services Tariff § 4.23. NYISO Minimum Generation and Start-Up Bids parallel PJM's no-load and start up bids. *Compare* Services Tariff § 2.106 with the Operating Agreement of PJM Interconnection, L.L.C., Schedule 1, § 1.10.1A(d)(iii).

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adjustment in the Control Area interchange between PJM and the NYISO. This feature of the NYISO's proposal differs from the PJM proposal.<sup>7</sup> It was developed by the NYISO and its Market Participants after it was determined that the additional energy or energy reduction called for under the Pilot Program should impact actual energy flows and change the Desired Net Interchange ("DNI") between the New York and PJM Control Areas. Moving a Generator out-of-merit without initiating a corresponding emergency energy transaction could change the LBMPs internal to the NYISO and adversely impact Generators and Loads in unintended ways. Compensation for the separate energy transaction would be at the rates for emergency purchases and sales which have been approved by the Commission.

#### **V. Stakeholder Approval**

The tariff revisions proposed herein have been approved by the NYISO Management Committee and by the NYISO's independent Board of Directors. Accordingly, pursuant to the provisions of Sec. 19.01 of the NYISO's Independent System Operator Agreement, this filing is submitted under Sec. 205 of the Federal Power Act.

#### **VI. No Costs Relating to Discriminatory Employment Practices**

The NYISO has no expenses or costs that have been alleged or judged to be illegal, duplicate, or unnecessary costs that are demonstrably the product of discriminatory employment practices.

#### **VII. Federal Register Notice**

A form of *Federal Register* Notice is provided as Attachment V hereto. A diskette of the Notice is also provided in WordPerfect format.

Respectfully submitted,

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Counsel for

<sup>7</sup> NYISO staff has informed PJM staff of this proposed change and is not aware of any objection.

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New York Independent System Operator, Inc.

Arnold H. Quint  
Ted J. Murphy  
Hunton & Williams  
1900 K Street, N.W., Suite 1200  
Washington, DC 20006

October 26, 2001

cc: Ms. Alison Silverstein, Advisor to Commissioner Wood, Rm. 11B-3,  
Tel. 202/208-0388  
Ms. Mary C. Morton, Advisor to Commissioner Brownell, Rm. 10F-09,  
Tel. 202/208-0642  
Mr. Michael D. Alexander, Advisor to Commissioner Breathitt, Suite 11C,  
Tel. (202) 208-0377  
Mr. Wilbur C. Earley, Advisor to Commissioner Massey, Suite 11-D,  
Tel. (202) 208-0100  
  
Mr. Daniel L. Larcamp, Director Office of Markets, Tariffs and Rates, Room 8A-01,  
Tel. (202) 208-2088  
Ms. Alice M. Fernandez, Director Office of Markets, Tariffs and Rates-East  
Division, Room 82-15, Tel. (202) 208-0089  
Ms. Andrea Wolfman, Lead Counsel for Market Oversight and Enforcement,  
Room 9E-01, Tel. (202) 208-2097  
Mr. Stanley Wolfe, Office of the General Counsel, Room 102-37,  
Tel. (202) 208-0891  
Mr. Michael Bardee, Lead Counsel for Markets, Tariffs and Rates, Room 101-09,  
Tel. (202) 208-2068

## ATTACHMENT I



## ATTACHMENT II

ATTACHMENT III

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

New York Independent System Operator, Inc.            )            Docket No. ER02-\_\_\_\_-000

NOTICE OF FILING

Take notice that on October 26, 2001, the New York Independent System Operator, Inc. (“NYISO”) submitted proposed tariff amendments to implement Interregional Transmission Pilot Program for generation redispatch in emergency conditions between the NYISO and the PJM Interconnection, L.L.C.. The NYISO has requested a waiver of the Commission’s usual sixty day notice requirement so that the proposed amendments may become effective as expeditiously as possible. .

Any person desiring to be heard or to protest this filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426, in accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure (18 C.F.R. §§ 385.211 and 385.214). All such motions or protests should be filed on or before \_\_\_\_\_. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this application are on file with the Commission and are available for public inspection.

David P. Boergers  
Secretary

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each party designated on the official service list compiled by the Secretary in Docket No. ER01-1942-000, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 2010 (2001).

Dated at Washington, DC this 26<sup>th</sup> day of October, 2001.

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Ted J. Murphy  
Hunton & Williams  
1900 K Street, N.W.  
Washington, DC 20006-1109  
(202) 955-1500