

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

<b>KeySpan Ravenswood, Inc.</b>	)	
	)	
<b>Complainant</b>	)	
	)	
v.	)	<b>Docket No. EL01-50-000</b>
	)	
<b>New York Independent System Operator, Inc.</b>	)	
	)	
<b>Respondent</b>	)	

**ANSWER OF  
NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.  
TO AMENDED COMPLAINT OF KEYSpan-RAVENSWOOD, INC.**

Pursuant to Rules 206(f) and 213 of the Federal Energy Regulatory Commission’s (“Commission”) Rules of Practice and Procedure,<sup>1</sup> and consistent with the Commission’s *Notice of Extension of Time* issued on September 24, 2001,<sup>2</sup> the New York Independent System Operator, Inc. (“NYISO”) hereby answers the amended complaint filed by Keyspan-Ravenswood, Inc. (“KeySpan”) in the above referenced proceeding on September 7, 2001 (“Amended Complaint”).

The NYISO continues to believe that its existing station power policies are consistent with the Commission’s precedent, just and reasonable, and do not impede wholesale competition. Similarly, the NYISO believes that it appropriate for its station power policies to be articulated in a technical bulletin, rather than its tariffs. The NYISO therefore does not, at this time, concede that any changes to its station power policies are required. The NYISO is, however, willing to modify its policies, or to submit

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<sup>1</sup> 18 C.F.R. §§ 385.206(f) and 213 (2001).

<sup>2</sup> Although the September 24 *Notice* directed the NYISO to file this answer by October 8, this pleading is timely filed because October 8 was a federal holiday.

tariff changes, if the Commission clearly states that they are necessary in order to fully comply with the recent orders defining the scope of the Commission’s station power jurisdiction.<sup>3</sup>

Nevertheless, the NYISO objects to Keyspan’s attempt to unilaterally amend the NYISO’s Market Administration and Control Area Services Tariff (“Services Tariff”) and impose its own preferred station power policies on the NYISO and its stakeholders. If the Commission decides that changes must be made, the NYISO requests that it be permitted to work with its stakeholders to develop policies that will work smoothly in the NYISO context, not forced to adopt, without review, policies adopted for the PJM Interconnection, L.L.C. (“PJM”). This would allow time for the NYISO, and its stakeholders, to consider all of the ramifications of the PJM policies and to propose any revisions necessary to ensure reliable New York Control Area (“NYCA”) transmission operations, efficient wholesale energy market administration and proper coordination with various NYISO systems, *e.g.*, metering and billing.

## **I. Communications**

Copies of all pleadings and other correspondence in connection with this proceeding should be addressed to:

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<sup>3</sup> See *PJM Interconnection, L.L.C., et al.* 94 FERC ¶ 61,251 (2001) (“March 14 Order”), *order denying reh’g; PJM Interconnection, L.L.C., et al.* 61,333 (2001) (“June 1 Order”). See also *PJM Interconnection, LLC*, 95 FERC ¶ 61,470 (2001) (“June 28 Order”).

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## II. Answer

The March 14 Order resolved three other proceedings in which, as in KeySpan's original complaint, the Commission was asked to exercise jurisdiction over Station Power. The Order rejected all three requests and held that:

[A] generator may net its station power requirements against the generating facility's gross output whenever the generating facility's gross output exceeds or equals its station power requirements, that is, when the generator is self-supplying its station power requirements. However, when a generating facility's station power requirements exceed its gross output (such as during an extended outage) and the source of the station power is a third party, the provision of station power generally is a sale of electric energy for end use that is not subject to this Commission's jurisdiction.<sup>4</sup>

The same distinction between generator output and station power requirements when output is negative is made in the current version of NYISO Technical Bulletin No. 34 and continues to be valid today.<sup>5</sup> At the same time, Technical Bulletin No. 34 does not necessarily represent the NYISO's final view of station power issues, it merely reflects the NYISO's initial distinction at the inception of its operations between self-supplied station power and station power provided by a retail supplier. Because the NYISO does not believe that its existing rules are hindering wholesale competition in New York State it does not think it necessary to change these rules. Conversely, because the NYISO does not believe that the changes proposed by Keyspan would necessarily harm wholesale competition, and

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<sup>4</sup> March 14 Order at 61,882.

<sup>5</sup> The Amended Complaint is incorrect to assert that Technical Bulletin No. 34 represents nothing more than the NYISO's "musings." See March 14 Order at 9. Instead, technical bulletins are essentially draft NYISO manuals, which the Commission has recognized as a legitimate tool for setting forth NYISO policies. The prefatory note that Keyspan cites as describing the purpose and intent of Technical Bulletin No. 34 appears on all NYISO technical bulletins.

because it has no interest in the financial and jurisdictional controversies associated with station power,<sup>6</sup> the NYISO would not object in principle if the Commission concludes that changes are necessary.

The NYISO's principal interest in this proceeding is to avoid the overly hasty imposition of new tariff language that might diminish its ability to securely operate New York State's transmission grid and wholesale energy markets. The NYISO's preliminary technical assessment suggests that the proposed changes will not pose problems and that the NYISO's grid accounting and billing systems could accommodate the Amended Complaint's proposed changes, provided that necessary software changes were made and the appropriate metering was in place. Nevertheless, if the Commission decides that changes should be made, the NYISO should be permitted to work with its stakeholders to ensure that any changes are workable in New York.

The Amended Complaint would not allow this opportunity for review because it presumes that any change which is suitable for PJM must necessarily be equally suitable for the NYISO. This presumption is not necessarily correct. For example, although the Commission has accepted PJM's proposal to waive ancillary services charges for the transmission of station power on the ground that the costs of implementing such a system would exceed the revenues,<sup>7</sup> the same would not necessarily be true of the NYISO, which has larger, and more numerous ancillary services markets. Similarly, although PJM and its stakeholder have chosen to adopt a monthly net billing regime the Commission has not mandated the use of a one month netting period, and such a period may or may not be best for New

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<sup>6</sup> The NYISO understands that parties which have a stake in these issues are likely to vigorously oppose (or support) Keyspan's position. Under the circumstances, the NYISO believes that the Commission should decide these issues based on the pleadings submitted by such parties -- rather than simply accepting Keyspan's position because the NYISO (the named respondent) is neutral on these issues.

<sup>7</sup> See June 28 Order at 62,687.

York.<sup>8</sup> It is likewise not immediately obvious that transmission service to self-supply station power from one generating unit to another should only be subject to non-firm transmission charges given the differences in the way that PJM and the NYISO provide transmission service.

Allowing a reasonable period of time to consider these issues would not be inconsistent with the June 1 Order. While the June 1 Order rejected a proposal that would have made New York's station power rules to fundamentally different from PJM's by doing away with self-supply, it did not require that PJM and the NYISO have identical station power rules in every respect. Absolute uniformity of station power rules may be appropriate after a single Northeast RTO is established<sup>9</sup> but care should be taken during the interim to ensure that inappropriate rules are not grafted onto the NYISO system. Keyspan's proposal to impose rules developed by PJM and its stakeholders, based solely on PJM-specific considerations could have exactly this result. Thus, if the Commission determines that the NYISO should change its policies, or incorporate them into the Services Tariff, it should permit the NYISO and its stakeholders to implement this mandate rather than adopting Keyspan's proposed tariff amendments wholesale. The NYISO does not expect that the process would be lengthy, and suspects that most, and perhaps all, of the concepts developed by PJM could be successfully implemented in New York. The NYISO would conduct this review in an expedited manner, consistent with its other priorities, if the Commission directed it to do so.

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<sup>8</sup> Indeed, the Commission initially endorsed an hourly netting rule, but specified that longer periods could be reasonable, and might even be preferable. *See* March 14 Order at 61,892.

<sup>9</sup> The NYISO respectfully reminds the Commission that it has sought rehearing of the various July 12 Orders mandating the formation of a single Northeastern RTO and is not waiving any legal rights in this proceeding. *See, e.g., Request for Rehearing of New York Independent System Operator, Inc.*, Docket No. RT01-95-000 (August 10, 2001).

### **III. Compliance with Rule 213(c) of the Commission's Rules of Practice and Procedure**

#### **A. Disputed Factual Allegations**

- The NYISO denies that its current treatment of Station Power, whereby generators receiving Station Power from a transmission owning utility must purchase it under the utility's retail tariff, is unjust and unreasonable.
- The NYISO denies that it is inappropriate to set forth its Station Power policy in a Technical Bulletin, rather than in the Services Tariff.

#### **B. Law Upon Which This Answer Relies**

- *PJM Interconnection, L.L.C., et al.*, 94 FERC ¶ 61,251 (2001) (explaining that the Commission does not have jurisdiction over Station Power service that is provided to a generator by a third party and allowing flexibility in the choice of netting periods.)
- *PJM Interconnection, L.L.C., et al.*, 95 FERC ¶ 61,333 (2001) (indicating that PJM and New York should not have fundamentally dissimilar station power practices but not specifying that their rules must be identical in every way.)

#### **C. Admissions and Denials of KeySpan's Material Allegations**

- The NYISO denies that its current treatment of Station Power is unjust and unreasonable.
- The NYISO denies that it has inappropriately set forth its Station Power policies in Technical Bulletin No. 34.

#### IV. Conclusion

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc. asks that the Commission uphold its existing Station Power policies or, in the alternative, allow it a reasonable time to work with its stakeholders to ensure that any revisions imposed by the Commission are designed and implemented in a way that does not harm reliability or competition in New York State.

Respectfully submitted,

NEW YORK INDEPENDENT  
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October 9, 2001

\*Admitted in State of Washington

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**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 in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure 18 C.F.R. § 2010 (1999).

Dated at Washington, D.C. this 9<sup>th</sup> day of October, 2001.

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