

April 21, 2008

By Electronic Filing

Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: *Interconnection Queuing Practices*, Docket No. AD08-2-000
Status Report of the New York Independent System Operator, Inc. on
Interconnection Queuing Issues**

Dear Ms. Bose:

On March 20, 2008, the Federal Energy Regulatory Commission (“Commission”) issued its “Order on Technical Conference” in the above-reference proceeding (“March 20 Order”).¹ In the March 20 Order, the Commission required that all Regional Transmission Organizations (“RTOs”) and Independent System Operators (“ISOs”) file a status report providing certain information concerning their interconnection queues. Accordingly, the New York Independent System Operator, Inc. (“NYISO”) submits the following status report.

I. Background

Through Order No. 2003, the Commission required the standardization of interconnection procedures and agreements applicable to Large Generating Facilities.² The NYISO’s Standard Large Facility Interconnection Procedures (“LFIP”) were approved by the Commission and went into effect on August 6, 2004 as Attachment X of the NYISO Open Access Transmission Tariff (“OATT”). The LFIP, while largely following the *pro forma* procedures from Order No. 2003, retained the NYISO’s cost allocation process under Attachment S of the OATT. As part of that cost allocation process,

¹ *Interconnection Queuing Practices, Order on Technical Conference*, 122 FERC ¶ 61,252 (2008).

² *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 (2003), *order on reh’g*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 (2004), *order on reh’g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh’g*, Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 (2005), *affirmed sub nom. Nat’l Ass’n of Regulatory Util. Comm’rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007).

which is a type of clustering, the NYISO conducts the Interconnection Facilities Study for a group, or “Class Year,” of projects, identifying the System Upgrade Facilities³ required to interconnect new facilities reliably and allocating the cost of those facilities among the Class Year members.⁴ This Class Year study is the final step in the interconnection study process.

II. Interconnection Queue Statistics

a. Size of the NYISO Interconnection Queue

The March 20 Order requests information regarding the current size of the interconnection queue. Currently, the NYISO’s interconnection queue contains 138 separately-queued projects.⁵ This represents more than 26,000 MW of proposed generation and 5,820 MW of proposed transmission. Twenty-four projects are currently in the early stages of the interconnection process and have yet to execute an Interconnection Study agreement. Seventeen projects are currently performing an Interconnection Feasibility Study. Twenty-eight projects are currently in the Interconnection System Reliability Impact Study stage. Eleven projects are currently completing their Interconnection Facilities Studies as members of Class Year 2007. Two small generator projects are currently undergoing a non-Class Year Facilities Study. Fourteen projects have completed the interconnection study process as members of Class Year 2006 and are negotiating or have recently executed an interconnection agreement.⁶ Three small generator projects are currently negotiating interconnection agreements.

The NYISO has experienced an unprecedented increase in the number of Interconnection Requests submitted since the LFIP went into effect in August of 2004. Specifically, the NYISO received 47 Interconnection Requests during 2005. Thirty of the 47 remained in the queue (17 withdrew). Twenty-four projects were added to the queue in the first quarter 2005 alone. The NYISO received 35 Interconnection Requests during 2006 (25 remained in the queue, 10 withdrew) and 38 in 2007 (31 remained in the queue, 7 withdrew). Of the 120 Interconnection Requests received in 2005 through 2007, 75 (62.5%) were for wind generation projects.

³ “System Upgrade Facilities” is defined in Attachment S. In pertinent part, the definition reads: “In the case of proposed interconnection projects, System Upgrade Facilities are the modifications or additions to the existing New York State Transmission System that are required for the proposed project to connect reliably to the system in a manner that meets the NYISO Minimum Interconnection Standard.” Attachment S at Fourth Revised Sheet No. 659.

⁴ Capitalized terms not otherwise defined have the meaning ascribed to them in the OATT.

⁵ The information provided herein only reflects Interconnection Requests submitted under Attachments X and Z to the NYISO OATT. Attachment Z contains the Small Generator Interconnection Procedures. The statistics regarding the queue are approximations based on information as of April 15, 2008.

⁶ The statistics concerning the projects completing the study process as members of Class Year 2006 exclude one project removed from the interconnection queue by order of the Commission. *See Hudson Transmission Partners, LLC v. New York Independent System Operator, Inc.*, 120 FERC ¶ 61,179 (2007), *order on reh’g*, 122 FERC ¶ 61,024 (2008).

b. Current Timeframes for Processing Interconnection Requests

The March 20 Order requests information regarding the timeframes for processing Interconnection Requests. Accordingly, the NYISO has reviewed the timeframes for projects that have recently completed, or will complete shortly, the interconnection study process. This data should provide a reasonable indication of how long it has taken projects to progress from the submission of an Interconnection Request to the completion of the Interconnection Facilities Study. The NYISO collected this data for the projects that completed their Interconnection Studies as members of Class Year 2006 and those projects that are currently members of Class Year 2007. As discussed in detail below, all projects subject to the LFIP complete their Interconnection Facilities Study, the last required interconnection study, as a member of a Class Year.

Class Year 2006 initially consisted of 20 projects. The Class Year 2006 Interconnection Facilities Study was completed in July 2007. Of the 20 original projects, 14 accepted their cost allocations and proceeded to an interconnection agreement. Those 14 projects completed the interconnection study process in an average of 38 months. Four projects took at least 49 months to complete the study process. Seven projects completed the process in under 29 months.

Class Year 2007 currently consists of 11 projects. While that study is not yet completed, a reasonable estimate is that the study will be completed in August 2008. Assuming an August 2008 completion date, these projects will have completed the interconnection study process in an average of 36 months. One project took over 52 months to complete the study process. Four projects completed the process in approximately 27 months.

As can be seen from these statistics, the amount of time it takes to complete the interconnection study process varies among projects. Often, the time taken to complete the process is extended by Developer elections concerning Class Years or by regulatory issues outside the NYISO's process. Specifically, projects that drop out of a Class Year by not accepting their cost allocation extend their time in the Interconnection Queue. For example, one project in Class Year 2007—the project estimated to take over 52 months to complete the study process—was a member of Class Year 2006, but elected to not accept that cost allocation and, instead, entered Class Year 2007. Additionally, the projects that take longer to satisfy the regulatory milestone, necessary to qualify for a Class Year, will usually take longer to complete the interconnection study process. These aspects of the NYISO's Class Year process are discussed in Section V, below.

III. Nature and Extent of Any Problems that Have Led to Any Delays

The combined effect of implementing a more involved interconnection study process coupled with the substantial growth in the number of projects in the queue has resulted in some delay in the completion of some Interconnection Studies required under the LFIP. The unprecedented increase in the number of Interconnection Requests submitted to the NYISO is the largest single cause of any delays in processing such requests. The sheer volume of Interconnection Requests taxes both administrative and technical resources available to the NYISO. The NYISO has sought, however, to

minimize the impact of any such delays on project Developer schedules, and to reduce the frequency of such delays, by taking the steps described in Section IV, below.

Complicating the processing of pending Interconnection Requests are the frequent requests from Developers to modify their proposed projects. These requests require evaluation from NYISO staff and consultation with the connecting Transmission Owners. Even if the proposed changes are found by the NYISO not to be material, the requests utilize the NYISO's technical resources and often cause delay in the completion of the requesting Developer's study.

Furthermore, the *pro forma* technical requirements and detailed base case requirements contained in the tariff do not allow the NYISO to tailor an interconnection study to a particular project.⁷ The tariff includes detailed requirements for each interconnection study, including specific requirements for projects to be reflected in the base case for the study and the scope of the study. While such detailed requirements ensure that every project is evaluated consistently, it also may require analysis when all reasonable engineering judgment indicates that such analysis is unnecessary.

The NYISO's role in the evaluation of proposed small generators has also recently been expanded with the addition of the NYISO's Small Generator Interconnection Procedures ("SGIP").⁸ The SGIP has introduced another layer of interconnection process requirements and issues to an already complex and resource-intensive process.

IV. Initiatives the NYISO has Undertaken to Address Queuing Issues

Since the LFIP went into effect, the NYISO has continuously sought to identify and implement initiatives to improve the efficiency of the interconnection study process. Soon after the LFIP went into effect, the NYISO restructured its planning department to create a group dedicated to processing Interconnection Requests. Within that new group, the NYISO has added additional personnel. This includes personnel dedicated to the significant administrative and coordination efforts required under the LFIP and SGIP, as well as technical staff.

The NYISO has also expanded its use of outside consultants and often requests individual Transmission Owners to perform portions of Interconnection Studies. The NYISO hires such consultants, but also permits Developers to hire consultants directly. This has been necessary since the volume of work required by the Interconnection Studies far exceeds the NYISO's ability to perform all of that work in house. The flexibility to use outside technical resources is one of the options explicitly provided for in the LFIP.⁹ In order to maintain the quality and consistency of the Interconnection Studies, the NYISO has implemented several controls applicable to work performed

⁷ See LFIP, Sections 6.2 and 7.3.

⁸ *Standardization of Small Generator Interconnection Agreements and Procedures*, Order No. 2006, FERC Stats. & Regs. ¶ 31,180, *order on reh'g*, Order No. 2006-A, FERC Stats. & Regs. ¶ 31,196 (2005), *order granting clarification*, Order No. 2006-B, FERC Stats. & Regs. ¶ 31,221 (2006).

⁹ See LFIP, Section 13.4.

by consultants and Transmission Owners. Such controls, while necessary, must also utilize the administrative and technical resources of the NYISO.

Additionally, the NYISO has completed a comprehensive review of certain specific administrative processes required under the LFIP. As a result, the NYISO identified certain process improvements measures, within the current tariff requirements, that have allowed the NYISO to expedite the scheduling of Scoping Meetings for projects entering the Interconnection Queue.

The NYISO has completed a study, and is currently updating the study, that provides potential Developers, particularly wind Developers, with additional information about the operational limits and congestion on the transmission system. In 2005, the NYISO jointly completed a study with the New York State Energy Research and Development Authority entitled, "The Effects of Integrating Wind Power on Transmission System Planning, Reliability, and Operations: System Performance Evaluation." That study evaluated the ability of the New York Control Area's transmission infrastructure to support installed wind generation up to 3,300 MW. That study is now being updated to evaluate the impact of higher levels of wind generation on the transmission system by load zone. This information should provide assistance to Developers when siting their projects.

V. The NYISO's Experience with Clustering: The Class Year Facilities Study

The March 20 Order (at P 9) indicates that RTOs and ISOs should report on their experience with clustering Interconnection Studies and how such clustering has impacted any backlogs in processing Interconnection Requests. The NYISO has had a form of clustering in place since 2001, when the Commission approved Attachment S to the NYISO OATT. Attachment S contains detailed procedures to allocate the costs of new interconnection facilities among a group of proposed projects, known as a Class Year. When the NYISO submitted its compliance filing in response to Order No. 2003, the study performed under Attachment S was expanded to what is essentially a clustered Interconnection Facilities Study.

Additional details of the Class Year process, as well as its impact on the NYISO's ability to efficiently process Interconnection Requests, are discussed below.

a. Description of The Class Year Facilities Study

Under the LFIP, proposed generation and merchant transmission projects undergo up to three studies: the Feasibility Study, the System Reliability Impact Study, and the Facilities Study. The Interconnection Facilities Study is performed on a Class Year basis for a group of eligible projects pursuant to the requirements of Attachment S.

In order for a project to enter a given Class Year, the project must satisfy two milestones by March 1 of that year.¹⁰ First, the project must have a tariff-compliant Interconnection System Reliability Impact Study that has been approved by the NYISO's Operating Committee. Second, the

¹⁰ Attachment S at Fourth Revised Sheet No. 674.

project must satisfy a “regulatory” milestone which indicates progress towards obtaining necessary environmental permits or approvals. While the applicable regulatory milestone depends on the nature of the project, satisfying the milestone demonstrates that a significant step in project development has been completed. Notably, eligibility for a Class Year is not limited to the strict first-come, first-served constraints of an Interconnection Request’s Queue Position.

Under Attachment S, the NYISO conducts an Annual Transmission Reliability Assessment (“ATRA”) each year to identify the System Upgrade Facilities required for all generation and merchant transmission projects that are included in a given “Class Year” cluster. Each project in a particular Class Year shares in the then currently available electrical capability of the transmission system and each is allocated a share of the cost of System Upgrade Facilities based on the *pro rata* impact of its project.

Once a project receives its cost allocation, it can decide whether or not to accept this cost allocation within a specified period. A project that accepts its cost allocation must post security in the full amount of its allocated share and moves onto an interconnection agreement. A project that posts security, but subsequently drops out of the queue, will forfeit this security to the extent necessary to prevent costs allocated to other projects from increasing. A project that does not accept its cost allocation may remain in the queue and enter a subsequent Class Year, with certain limitations.

b. Impact of the Class Year Facilities Study Process

There are two main components of the Class Year process that have proven advantageous in the administration of the interconnection queue. The first is the requirement that projects meet two milestones before entering the Class Year. This allows projects to move through the interconnection process at different speeds. As soon as a project satisfies the two milestones for Class Year entry, it can move forward to the Interconnection Facilities Study, regardless of the relative Queue Position of its Interconnection Request or status of projects above it in the queue.

Second, the requirement to post security at the completion of the Class Year Interconnection Facilities Study provides Developers some level of certainty regarding their System Upgrade Facilities costs and minimizes the likelihood that one project’s cost could increase as a result another project dropping out after the Interconnection Facilities Study is complete.

VI. Status of Queue Reform

The NYISO has internally identified several areas within the LFIP or Attachment S that could be improved through tariff amendments. These proposals will be brought through the NYISO stakeholder process. They include, but are not limited to (1) clarifying the Interconnection Request form to streamline the process of obtaining required data from Developers, (2) modifying base case requirements for Interconnection Feasibility Studies and System Reliability Impact Studies to allow for the increased use of “off-the-shelf” base cases, (3) eliminating unnecessary analysis now called for under Attachment S, and (4) establishing clear metrics for identifying and removing speculative

projects. Additionally, the NYISO is currently working with the New York Transmission Owners and stakeholders to develop the tariff amendments necessary to implement a second level of interconnection service in New York.¹¹ Minimizing the impact of these new provisions on the efficiency of processing Interconnection Requests is a significant consideration in the development of these amendments.

The NYISO intends on working with its stakeholders to review and identify additional tariff modifications that will improve the interconnection study process. These discussions are scheduled to begin in June. The NYISO anticipates that these discussions will lead to a tariff filing under Section 205 of the Federal Power Act in the fall of 2008.

Please contact the undersigned with any questions regarding this letter.

Respectfully submitted,

/s/ Karen Georgenson Gach

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cc: Shelton Cannon
Larry Gasteiger
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¹¹ These amendments, consisting primarily of changes to Attachments X and S, will implement the Deliverability Consensus Plan approved by the Commission by order issued March 21, 2008. See *New York Independent System Operator, Inc., New York Transmission Owners, et al.*, 122 FERC ¶ 61,267 (2008). The NYISO and the New York Transmission Owners are required to file those tariff sheets by May 20, 2008.

CERTIFICATE OF SERVICE

I hereby certify that I have electronically served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with 18 C.F.R. § 385.2010 (2007).

Dated at Rensselaer, New York this 21st day of April, 2008.

/s/ Karen Georgenson Gach
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