

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

Keyspan-Ravenswood, Inc.)	
Complainant)	
)	
v.)	Docket No. EL02-59-000
)	
New York Independent System Operator, Inc.)	
Respondent)	

**ANSWER OF NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.
OBJECTING TO KEYSpan-RAVENSWOOD, INC.’S REQUEST TO CHANGE
THE IN-CITY INSTALLED CAPACITY MITIGATION MEASURES.**

Pursuant to Rules 206(f) and 213 of the Commission’s Rules of Practice and Procedure,¹ the New York Independent System Operator, Inc. (“NYISO”), hereby respectfully submits this Answer to the *Complaint of Keyspan-Ravenswood, Inc. Requesting Limited Changes to In-City Installed Capacity Mitigation Measures and Request for Fast-Track Processing* (“Complaint”) dated February 15, 2002. The NYISO files this Answer in addition to its Preliminary Answer Objecting to Fast Track Processing filed on February 19, 2002. For the reasons stated below, the NYISO requests that the Commission dismiss the Complaint without prejudice.

¹ 18 C.F.R. § 385.206(f) and (213) (2001).

I. Communications

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II. Answer

The NYISO respectfully requests that the Commission deny Keyspan-Ravenswood, Inc.'s ("Ravenswood") request to modify two aspects of the mitigation measures for the Installed Capacity (ICAP) market in New York City, as applied to the owners of generating plants divested by Consolidated Edison Company of New York, Inc. ("Con Edison") (hereinafter "Divested Generation Owners"), for three reasons: (1) Ravenswood did not fully pursue resolution of this matter through the NYISO stakeholder committee process, (2) Ravenswood's requested changes to a properly functioning complex market should be studied and their potential impact fully understood prior to implementing the changes, and (3) Ravenswood's proposal revises a market mitigation measures Order issued by the Commission prior to the New

² The NYISO respectfully requests waiver of 18 C.F.R. § 385.203(b)(3) to permit service on counsel for the NYISO in both New York and Washington, D.C.

York City market entry of numerous entities and the inception of the NYISO, without affording these entities an opportunity to take part in such revisions. For these reasons, the NYISO asks that the Commission deny without prejudice Ravenswood's requests for changes to the In-City ICAP market mitigation measures, to allow a full consideration of those issues by the NYISO and all interested stakeholders.

1. Stakeholder Committee Process

The NYISO operates the electric system in the New York Control Area ("NYCA") through the administration of the NYISO Services Tariff ("Services Tariff") and markets, as approved by the Commission. New York market participants take an active role in the development and evolution of the Services Tariff and market designs. Through the stakeholder committee process, market participants identify, present, debate, and resolve important market and tariff issues.³ Only after a market participant has fully pursued this process, including presentation of and final action on an issue at each appropriate committee level in the NYISO governance and stakeholder committee structure, should a market participant turn to the Commission.⁴

The changes Ravenswood contemplates require Services Tariff changes, which are considered and approved through the Business Issues Committee, the Management Committee, the NYISO Board, and, ultimately, the Commission. *See Agreement Between New York*

³ The NYISO does not have a vote in the committee process, but it attends meetings and advises the various committees on matters of system administration.

⁴ Under emergency circumstances it may be appropriate for a market participant to turn to the Commission without first attempting to resolve matters through the stakeholder process. As demonstrated by the proper functioning of the New York Installed Capacity market, such emergency circumstances do not currently exist.

Independent System Operator and Transmission Owners, § 3.03; *Independent System Operator Agreement*, § 19.01; *ISO Open Access Transmission Tariff*, § 9A.0; *Management Committee By-Laws*, § 9.01.7. The kinds of changes Ravenswood seeks are appropriately vetted through the stakeholder process because the impact of these changes could affect multiple aspects of the NYISO's functions (here, for example, reliability and market mitigation).

When Ravenswood raised its proposals at two separate committees, the NYISO and market participants identified the AMP/ICM Task Force ("AMP/ICM" or "Task Force") as the appropriate venue for initial discussion of these issues.⁵ The AMP/ICM was established by the NYISO's Scheduling and Pricing Working Group (a subcommittee of the Business Issues Committee) as an advisory process to provide stakeholders with an opportunity to provide input as the NYISO undertook the task of consolidation and refinement of its market mitigation measures prior to the NYISO's compliance filing in response to the Commission's November 27, 2001 Orders.⁶ Capacity markets were not at issue in the dockets in which the November 27 Orders were issued. The Task Force met eight times between December, 2001 and February, 2002.

⁵ In a letter dated January 22, 2002 addressed to William Museler, President and CEO of the NYISO, Ravenswood detailed the proposal found in its Complaint and requested immediate action by the NYISO. Mr. Museler responded in a letter dated January 24, 2002, stating that he had referred Ravenswood's concerns to the AMP/ICM Task Force and urging "Keyspan-Ravenswood to continue its active participation in our working groups and to contribute to bring issues forward, even beyond this particular filing."

⁶ Two orders issued by the Commission on November 27, 2001 require the NYISO to file a compliance filing in March 2002 (i) harmonizing all New York market mitigation measures, and incorporating measures now found in Con Edison's tariff into the NYISO's Services Tariff; and (ii) implementing enhancements to the NYISO's Automated Mitigation Procedure ("AMP"). See *New York Independent System Operator, Inc.*, 97 FERC ¶ 61,241 (2001); *New York Independent System Operator, Inc.*, 97 FERC ¶ 61,242 (2001).

Ravenswood presented an outline of its proposal to the AMP/ICM Task Force on February 8, 2002, the seventh of eight scheduled Task Force meetings and a mere week before filing its Complaint. The AMP/ICM, engaged with multiple issues for the comprehensive market mitigation filing, took time to listen to Ravenswood's presentation and conducted a follow-up question and answer debate at the February 8th meeting. Due to the pendency of the compliance filing deadline, and concerns expressed at the meeting by market participants about Ravenswood's proposal, the Task Force was unable to resolve the issues raised by Ravenswood's request that day. Because there was no consensus among market participants about the proposals, the AMP/ICM Task Force set the Ravenswood issue aside, and the NYISO agreed to revisit the issue in meetings following the compliance filing.⁷ Ravenswood has failed to see the stakeholder process through to a conclusion.

In its deliberations, the Task Force has explored many potential changes to the Services Tariff, and many of those changes will be reflected in NYISO's compliance filing. Nothing precludes the NYISO and its stakeholders from proposing and adopting other changes following the filing, after they have been fully considered in the normal stakeholder process for tariff revisions. Ravenswood's requests for modifications in the ICAP market fall in this category. The Commission should not allow an impatient market participant to circumvent the stakeholder process; rather, the Commission should insist that Ravenswood submit its proposals to the rigors

⁷ While the Task Force was originally convened only through the date of the compliance filing, market participants and the NYISO have determined that various market mitigation issues, such as Ravenswood's proposal, warrant continued meetings after the filing date. The NYISO thus announced at the Task Force's February 8 meeting that it would schedule further meetings, and specifically identified Ravenswood's proposal for the post-filing agenda. As of the date of this filing, Ravenswood's proposal is listed as an agenda item for the next AMP/ICM Task Force meeting, scheduled for March 14, 2002. The issue will be taken up there if Ravenswood or others choose to pursue it.

of stakeholder and NYISO review to ensure that any resulting modifications represent informed decisions about market rules and structures.

2. The NYISO has a Properly Functioning Installed Capacity Market

The potential effects of Ravenswood's proposal on the NYISO markets has not been explored through the committee process, and the NYISO has not yet made a final determination regarding the benefits or detriments of the proposed alterations on the complex ICAP market. However, the NYISO believes that adopting the proposals without fully studying their ramifications could endanger a tried and tested Installed Capacity market. Given the tight In-City Capacity market and the In-City requirements in place, any change in the current program that is not properly developed could create a reliability issue.⁸ As part of the stakeholder process, a comprehensive market analysis should be conducted prior to reaching a decision on the benefits or detriments of the Ravenswood proposal. Ravenswood has not presented that kind of analysis, and the NYISO — absorbed in the effort to prepare the comprehensive filing in the short time since Ravenswood made its presentation to the Task Force — has not undertaken one.

Ravenswood's representation that the NYISO has effectively driven it to file this complaint misses the mark. As stated above, the NYISO has provided a forum for Ravenswood to present its proposal. The NYISO has not taken a position on the merits of Ravenswood's proposal or dismissed the proposal from the committee process. The committee process may not meet the time goals of Ravenswood, which requests these changes for the March 28, 2002 Summer Capability strip auction. The NYISO has committed to discussing the issues in further

⁸ The Installed Capacity market in New York operates as intended. The market rules function well. The infrastructure that the market depends upon for supply, comprised of "iron in the ground" operable generating units, does not change quickly, contributing to a stable market.

Task Force meetings. There is no emergency that would warrant more precipitous action. Only at the end of that process, after Ravenswood has fully tested its proposal through the NYISO committee structure, should Ravenswood be permitted to bring these proposals to the Commission (assuming that it does not achieve its desired result in the NYISO stakeholder committee process).

3. Ravenswood’s Proposal Would Impact Numerous Entities by Altering a Mitigation Plan Implemented Prior to the Current Phase of Deregulation in the New York Electricity Market.

In its Complaint, Ravenswood is asking the Commission to (i) change the In-City mitigated unit price cap to a bid cap, thereby permitting Divested Generation Owners to receive the market clearing price for Unforced Capacity in place of the price cap if the auction clearing price is in excess of the cap (set at \$112.95 per kW-year for Unforced Capacity); and (ii) allow Divested Generation Owners to enter into bilateral contracts for the sale of Unforced Capacity, rather than requiring them to offer to sell all such Unforced Capacity into the NYISO-administered Installed Capacity auctions. *See* NYISO Services Tariff § 5.13.1.

The current In-City Installed Capacity market mitigation measures were proposed by Con Edison and approved by Order of the Commission.⁹ These measures were in place prior to the NYISO’s inception, and pre-date the sale of Con Edison’s units to the Divested Generation Owners and the entry of new load serving entities into the New York City electricity market. The current In-City market mitigation measures impact the administrative and business practices of those entities. While adjustments in market administration to implement Ravenswood’s proposals may not prove difficult, the proposal, if adopted, will retroactively change the

⁹ *Consolidated Edison of New York, Inc.*, 84 FERC ¶ 61,287 (1999).

conditions of the ConEd divestiture transactions and may alter the economic position of other market participants. Revising these measures without providing ample opportunity for each market participant and the NYISO to present views and demonstrate the merits or detriments of Ravenswood's proposal would not be equitable.¹⁰ The Commission should allow each affected market participant to fully express its views and explore the potential effects of these changes to determine if the current system, Ravenswood's proposal, or some alternate measure, represent the best workable design of the In-City Installed Capacity Market.

Accordingly, the NYISO respectfully requests that the Commission deny Ravenswood's Complaint without prejudice and order Ravenswood to pursue the processes afforded to it, and all market participants, in the NYISO governance and stakeholder committee structure.

Respectfully submitted,

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¹⁰ The informal and open character of the NYISO stakeholder processes allows for a richer initial development of all viewpoints associated with a proposal and is a cost-effective means of reaching compromise. When an issue fails to be resolved through the committee process, the arguments of the parties before the Commission benefit from the discussions that a pre-FERC process affords interested parties.

March 7, 2002

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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 the above-captioned proceeding, and on the New York State Public Service Commission, 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, D.C. this 7th day of March, 2002.

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