NOTICE OF APPEAL OF CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. AND ORANGE AND ROCKLAND UTILITIES, INC.

In accordance with Article 5 of the ISO Agreement and Section 1.02 of the NYISO's "Procedural Rules for Appeals to the ISO Board," Consolidated Edison Company of New York, Inc. ("Con Edison") and Orange and Rockland Utilities, Inc. ("O&R," and collectively, the "Companies") hereby file this notice of appeal of the Management Committee's ("MC's") decision at its June 27, 2008 meeting to approve the New York Regional Interconnect's ("NYRI's") System Reliability Impact Study ("SRIS") for its proposed 400 kV transmission line with a rated power flow of 1,200 MW from Marcy, New York to New Windsor, New York (the "Project"). This was listed on the MC agenda as item number 6.

SUMMARY

As shown herein the NYRI SRIS has serious technical deficiencies. These deficiencies have led to the incorrect conclusion that this Project will not degrade the reliability of the New York State transmission system, when the facts are otherwise. Specifically, the NYRI SRIS fails to comply with the NYISO's technical requirements for such studies and is based on outdated and inaccurate information. As a result the SRIS ignores the fact that the Project degrades the transfer limit of the UPNY/Con Ed interface by 534 MW. Moreover, the NYRI Project would degrade the reliability and value of Con Edison's transmission assets in contravention of the ISO Agreement. Accordingly, the Companies respectfully request that the ISO Board overturn the decision of the MC and reject the NYRI SRIS.

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ARGUMENT

I. NYRI's SRIS Fails to Comply With the Requirements Contained in the NYISO OATT and the NYISO's Relevant Criteria and Procedures

Section 7.3 of Attachment X to the NYISO's Open Access Transmission Tariff ("OATT") provides that "[t]he Interconnection System Reliability Impact Study shall evaluate the impact of the proposed interconnection on the reliability of the New York State Transmission System."¹ The NYISO's *System Reliability Impact Study Criteria and Procedures* ("SRIS Procedures") provide that one of the four key objectives of an SRIS is to "[a]ssess the impact of the proposed project on transmission transfer limits, considering thermal, *voltage* and stability limitations, and estimate the increase or decrease in the Transfer Capability of affected transmission interfaces."² (Emphasis added). The NYRI SRIS does not satisfy these requirements. Specifically, the NYRI SRIS is technically deficient because it failed to accurately calculate voltage limits on the UPNY/ConEd interface for the following significant reasons:

- It used an incorrect and artificially low pre-contingency voltage level for New York City and for the Lower Hudson Valley in setting up the base case study.
- It failed to utilize the Gilboa 135 MVAR capacitor bank even though the capacitor bank was in the base case.
- 3. It incorrectly modeled O&R transformer number 455 as retired.
- 4. It incorrectly modeled Central Hudson's 345/115 transformers resulting in significant circulating VARs.

¹ NYISO OATT, First Revised Sheet No. 776.

² SRIS Procedures, p. 2.

5. It excluded the 240 MVAR Athens capacitor bank at Millwood from the base case data. These facilities are currently under construction and scheduled to be in service by end of 2008.

As a result of these technical deficiencies, NYRI's SRIS failed to properly assess the impact of its Project on the New York State transmission system, and particularly its impact on the voltage limit of the UPNY/Con Ed interface. Indeed, despite the fact that the SRIS Procedures mandate that an SRIS assess transfer limits, the NYRI SRIS even acknowledges that, with respect to voltage transfer limits, "no effort was made to optimize transfers in order to maximize transfer limits."³ A voltage transfer limit is the maximum flow, net of a 5% margin, which can be sustained through an interface before there is a voltage collapse under the most severe contingency. Inasmuch as NYRI did not attempt to maximize the transfers, it simply neglected to calculate the voltage transfer limit. Therefore, any conclusion NYRI draws on reliability impacts that have to do with the voltage transfer limit on the UPNY/Con Ed interface is completely unsupported. The NYRI SRIS is clearly technically deficient, not in accordance with the NYISO SRIS Procedures and should be rejected.⁴

³ NYRI SRIS, p. 72.

⁴ At the MC, NYRI indicated that because its Project is a Direct Current controllable line, any reliability impacts from its Project could be addressed by dispatching down its line through the use of "normal operating procedures." But, the NYISO does not have a normal operating procedure to deal with this situation nor has it conducted a formal study to determine if redispatching the line is feasible. Indeed, it is more likely that the Project would not be able to be dispatched down. For example, assume that on a Day Ahead basis the NYRI line is dispatched fully loaded and that In-Day the line needs to be deloaded for reliability reasons. In that case, the NYISO would need to increase generation downstream from the line to continue to serve downstream load. But, if those generating units were not committed Day Ahead, they would not be available to the NYISO to use. Thus, the only way to get additional generation downstream would be to use operating reserves, which is an unacceptable solution.

II. The NYRI SRIS Improperly Failed To Consider the 240 MVAR Capacitor Bank in the Analysis

As indicated above, the NYRI SRIS failed to include in the model the proposed 240 MVAR Athens capacitor bank at Millwood in its analysis. This capacitor bank will provide an important source of voltage support in the Lower Hudson Valley and should have been considered in the analysis. The significance of this capacitor bank was recognized by the NYISO staff report that reviewed the NYRI SRIS. In that report, the NYISO Staff stated that:

The 240 MVAr shunt capacitor bank to be installed at the Millwood 345 kV substation, as studied in a System Impact Study ("SIS") under Interconnection Queue #217A, was not modeled in the [NYRI] study cases because that SIS was not completed at the time of commencing this study. The capacitor bank will be modeled in any future Facilities Studies and transfer limit analysis will be redone, as this equipment would likely have an effect on UPNY-ConEd transfer limits.⁵

The information related to the Millwood capacitor bank was made available to

NYRI in October 2006, one month after the scope of the NYRI SRIS was approved by the Operating Committee ("OC") and approximately a year and a half prior to the approval of the SRIS by the MC. Yet, because this information became available shortly after the SRIS scope was approved, it was not considered in the SRIS.⁶

Failing to consider a key piece of information from a study because it was made available one month after the study scope was approved but approximately 18 months prior to the approval of the actual study is unreasonable on its face. It is not as if the existence of the Millwood project became known just prior to the MC vote on the SRIS. Rather, information concerning this capacitor bank was available to NYRI approximately

⁵ NYISO Review of the System Reliability Impact Study for New York Regional Interconnection (Interconnection Queue # 191) (December 13, 2007), p. 8.

⁶ The NYRI SRIS Scope was approved by the OC on September 4, 2006 while the Athens SRIS was approved by the OC on October 12, 2006.

a year and a half ago.⁷ The information was available for all but one month during the conduct of the study and it should have been used.

Some parties have argued that once a study scope has been approved, revisions cannot be required, because doing so would interrupt the study process and create uncertainty for developers. However, the objective of the SRIS process is to evaluate the impact of a project on system reliability. Rigid adherence to an incomplete and outdated study will interfere with the achievement of this objective and can, and, in this case, will lead to the degradation of reliability on the New York State transmission system. NYRI's failure to use information that was available for all but one month of the time frame that the study was being conducted (and for over a year and a half prior to the MC's approval of the SRIS) is inexcusable.

III. The NYRI Project Degrades Reliability

As discussed above, the NYRI SRIS is technically deficient and is based on outdated data. As a result, the NYRI SRIS failed to properly evaluate the impact of NYRI's project on the reliability of the existing transmission system. This improper and incomplete analysis failed to recognize that the Project would degrade the reliability of the Con Edison transmission system. Specifically, while the NYRI SRIS correctly shows that the NYRI project would decrease the thermal limit on the UPNY/ConEd interface by 534 MW, the SRIS, because of the deficiencies discussed above, incorrectly concluded that such an impact would not adversely affect the reliability of Con Edison's transmission system. Further, it appears that the NYRI SRIS incorrectly assumed that the degradation of this thermal limit is inconsequential because the currently controlling limit

⁷ The Athens Millwood capacitor bank project is currently under construction, with an in-service date scheduled for December 2008.

on the UPNY/ConEd interface is its voltage limit. But, the UPNY-ConEd interface is not voltage limited, rather, it is limited by its thermal capability, which is the highest possible physical transfer level for the transmission lines that comprise the interface. This fact would have been evident to NYRI had the NYRI SRIS calculations incorporated the modeling deficiencies mentioned above and had NYRI calculated the UPNY/Con Ed voltage transfer limit.

Had NYRI properly conducted its SRIS by addressing the technical deficiencies outlined above, it would have recognized that the UPNY/Con Ed interface is not voltage limited. In fact, this conclusion can be arrived at by just incorporating the first four of the above-mentioned mentioned modeling deficiencies. The incorporation of the Millwood capacitor bank is not necessary to conclude that the interface is not voltage limited.

This means that in order to have properly assessed the impact of the NYRI Project on the reliability of the Con Edison transmission system, the NYRI SRIS should have focused on the Project's significant impact on the UPNY/Con Ed thermal limit as opposed to erroneously focusing on the Project's inconsequential impact on the UPNY/Con Ed voltage limit. A correct focus would have shown that this decrease in the UPNY/Con Ed thermal limit causes a reliability degredation because it effectively reduces the transfer capability of Con Edison's transmission system by 534 MW. Moreover, while voltage limits may be relieved by the addition of relatively inexpensive components such as capacitor banks, correction of a thermal limitation requires the addition of relatively expensive new transmission lines or conductors.

The deficiencies of the NYRI SRIS led it to conclude that the Project would have no adverse impact on reliability. However, the reality is otherwise. A properly

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performed SRIS would show that NYRI's Project is detrimental to the reliability of the

Con Edison and New York State bulk power system.

IV. The NYISO Has A Fiduciary Obligation to Protect Con Edison's <u>Transmission Assets</u>

Given all these deficiencies in the SRIS and the fact that the Project degrades the reliability of the New York State transmission system, the SRIS should not be approved. Moreover, Section 6.01 of the ISO Agreement provides that the

ISO shall have a fiduciary responsibility to the Incorporating parties to protect the transmission assets over which the ISO assumes control and/or direction and to protect the Incorporating Parties from any liability or potential liability that may arise from their ownership of such transmission assets.⁸

The ISO Agreement defines the "Incorporating Parties" as the eight original

transmission owners, including Con Edison and O&R, which established the NYISO.

As shown herein, the NYRI Project will degrade the thermal limit over the

UPNY/Con Ed interface by 534 MW, which will have a deleterious impact on the reliability of Con Edison's transmission system. Moreover, this decrease in thermal capability will negatively impact the financial value of Con Edison's transmission assets. An approved SRIS will enable NYRI to continue on its path of implementing a Project that will harm the value of Con Edison's assets. The NYISO has a fiduciary obligation to protect Con Edison's transmission assets from harm. The Board should carry out its fiduciary obligation by rejecting the NYRI SRIS.

CONCLUSION

Therefore, for the reasons set forth above, the Companies respectfully request that the NYISO Board overturn the MC's decision to approve the NYRI SRIS and require that

⁸ ISO Agreement, p. 46.

the NYRI SRIS be redone consistent with the recommendations contained herein. The Companies also respectfully request that they be given an opportunity to present an oral argument to the Board on this matter.

Dated: July 14, 2008

Respectfully submitted,

Consolidated Edison Company of New York, Inc. and <u>Orange and Rockland Utilities, Inc.</u>

By: <u>/s/ Neil H. Butterklee</u> Neil H. Butterklee, Esq. Consolidated Edison Company of New York, Inc. 4 Irving Place Room 1815-s New York, N.Y. 10003 Telephone: (212) 460-1089 <u>butterkleen@coned.com</u>