

111 FERC ¶ 61,347
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeem G. Kelly.

New York Independent System Operator, Inc.
New York Transmission Owners

Docket No. ER04-449-003

ORDER DENYING REHEARING AND GRANTING REQUEST FOR
CLARIFICATION

(Issued June 2, 2005)

1. This order addresses requests for rehearing of the Commission's August 6, 2004, Order¹ conditionally accepting the large generator interconnection procedures and large generator interconnection agreement filed by the New York Independent System Operator, Inc. (NYISO) and the New York Transmission Owners (Transmission Owners) in compliance with Order No. 2003.² This order benefits customers because it clarifies the interconnection process and will facilitate transmission and generation infrastructure in the State of New York.

I. Background

2. On January 20, 2004, as amended on April 26, 2004, the NYISO and Transmission Owners (jointly, the Joint Filing Parties) amended the NYISO's Open Access Transmission Tariff (OATT) with the Large Generator Interconnection Procedures (LGIP) and a Large Generator Interconnection Agreement (LGIA) modeled

¹ *New York Independent System Operator, Inc.*, 108 FERC ¶ 61,159 (2004) (August 6 Order).

² Standardization of Generator Interconnection Agreements and Procedures, Order No. 2003, 68 FR 49845 (Aug. 19, 2003), FERC Stats. & Regs. ¶ 31,146 (2003) (Order No. 2003), *order on reh'g*, Order No. 2003-A, 69 FR 15932 (Mar. 26, 2004), FERC Stats. & Regs. ¶ 31,160 (2004) (Order No. 2003-A), *order on reh'g*, Order No. 2003-B, 70 FR 265 (Jan. 4, 2005), FERC Stats. & Regs. ¶ 31,171 (2005) (Order No. 2003-B), *reh'g pending*.

after the *pro forma* LGIP and LGIA adopted in Order No. 2003. However, in several places, the Joint Filing Parties modified the *pro forma* LGIP and LGIA to reflect regional differences and current NYISO practices. For instance, Order No. 2003's *pro forma* LGIP and LGIA require Transmission Providers to offer Interconnection Customers two levels of interconnection service: Network Resource Interconnection Service (NRIS) and Energy Resource Interconnection Service (ERIS). NRIS requires the Transmission Provider to integrate the generating facility into its transmission System in the same manner as it integrates its own generators. ERIS is a lesser level of interconnection service. However, consistent with current NYISO practice, the Joint Filing Parties proposed only one level of interconnection service. The Joint Filing Parties also noted that they have initiated a stakeholder process to examine how and to what extent the NYISO's OATT should offer a second level of interconnection service incorporating a deliverability requirement and are working on developing a consensus stakeholder position on this issue.

3. The August 6 Order reiterated that giving Interconnection Customers the choice between multiple levels of interconnection service was a "crucial" component of Order No. 2003, but that ISOs have different operational characteristics and are permitted additional flexibility in complying with Order No. 2003.³ Because of this, the Commission granted the Joint Filing Parties' request for additional time to continue the stakeholder process.⁴

II. Requests for Rehearing and/or Clarification

4. Timely requests for clarification and/or rehearing of the August 6 Order were filed by Keyspan-Ravenswood, LLC (Ravenswood); Independent Power Producers of New York, Inc. (IPPNY); the Long Island Power Authority (LIPA); and the NYISO and Transmission Owners (collectively, the Joint Filing Parties). Each of the parties requesting rehearing and/or clarification discuss the August 6 Order's requirement that the NYISO offer a second level of interconnection service analogous to Order No. 2003's Network Resource Integration Service (NRIS). Additionally, IPPNY requested rehearing and/or clarification regarding the definition of "District Reliability Standards". Answers to these rehearing requests were filed by Niagara Mohawk Corporation (Niagara Mohawk) and the Joint Filing Parties.

³ See August 6 Order at PP 24-28.

⁴ The parties have since requested, and been given, additional time to complete the stakeholder process.

A. Second Level of Interconnection Service

5. The Joint Filing Parties state that the Commission erred in mandating that the NYISO include a deliverability component in the interconnection service to be offered in New York. They state that a deliverability requirement may not be necessary or appropriate in New York, and recommend allowing NYISO and its stakeholders to come to a reasoned conclusion about whether an interconnection service similar to NRIS should be offered, and if so, how it should be integrated into the NYISO's OATT.

6. Ravenswood contends that the Commission's concept for developing NRIS within an ISO does not neatly fit into the NYISO market design because it entails the integration of a generating facility as if it were a "Network Resource" and that the term "Network Resource" has no meaning in the New York Control Area. Moreover, it notes that the NYISO already gives Interconnection Customers sufficient options by using minimum interconnection standards, varying interconnection cost allocation methodologies, and locational capacity requirements. Ravenswood seeks clarification and/or rehearing that these three components, along with the NYISO's collective market design, provide a suitable method for complying with the Commission's Network Resource requirement.

7. IPPNY requests that the Commission clarify on rehearing that the NYISO's collaborative stakeholder process should be allowed to determine not only how to integrate a deliverability component into the NYISO's interconnection service, but whether one should be implemented at all. IPPNY further requests that if the New York market participants agree to adopt a deliverability requirement, the Commission should clarify that deliverability need only be satisfied on a locality basis as opposed to a State-wide basis. IPPNY advises that no New York market participant in the generator sector requested that a deliverability requirement be implemented in New York.

8. LIPA, on the other hand, requests clarification that the August 6 Order requires that NYISO adopt a second level of interconnection service that incorporates an element of deliverability. LIPA states that New York presently has a deliverability requirement for merchant transmission projects seeking Unforced Capacity (UCAP) Deliverability Rights. LIPA states that the deliverability requirement is needed for this service. LIPA also advocates the locality approach and states that control-area wide deliverability is not necessary given the NYISO locational capacity market.

9. In its answer, Niagara Mohawk asserts that the August 6 Order requires the NYISO to adopt a second level of interconnection service and that none of the requests for clarification and/or rehearing demonstrated that the August 6 order was in error or presented any compelling reasons to modify it.

B. Definition of Applicable Reliability Standards

10. IPPNY requests that the Commission clarify that the definition of “Applicable Reliability Standards” includes only reliability rules that are subject to independent review by the NYISO or New York State Reliability Council (NYSRC).⁵ According to IPPNY, there are many transmission district requirements and guidelines that are not Local Reliability Rules and are not subject to any independent review and approval, thus allowing Transmission Owners the ability to impose onerous new requirements under the guise of maintaining system reliability.

11. On September 22, 2004, the Joint Filing Parties submitted a motion for leave to answer, and an answer on the issue of Applicable Reliability Standards. They assert that the August 6 Order correctly stated that all local reliability rules proposed by a Transmission Owner must go through the NYSRC approval process. The Joint Filing Parties also state that all transmission district-specific reliability rules have been adopted by the NYISO and are posted on the NYISO’s website.⁶ Further, it states that any new or modified Applicable Reliability Standards proposed by a Transmission Owner must be approved by the NYISO.

III. Discussion

A. Procedure

12. The Joint Filing Parties and Niagara Mohawk both filed answers to various requests for rehearing and/or clarification. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2004), prohibits an answer to a rehearing unless otherwise ordered by the decisional authority. We will accept the Joint

⁵ The NYISO's OATT defines Applicable Reliability Standards as:

[T]he requirements and guidelines of the Applicable Reliability Councils, and the Transmission District, to which the Developer's Large Facility is directly interconnected, as those requirements and guidelines are amended and modified and in effect from time to time; provided that no party shall waive its right to challenge the applicability or validity of any requirement or guideline as applied to it in the context of the Large Facility Interconnection Procedures.

⁶ Specifically, the NYISO OATT defines Local Reliability Rule as "a Reliability Rule established by a Transmission Owner, and adopted by the NYSRC, to meet specific reliability concerns in limited areas of the New York Control Area, including without limitation, special conditions and requirements applicable to the New York City metropolitan area."

Filing Parties' and Niagara Mohawk's answers because they have provided information that assisted us in our decision-making process.

B. Second Level of Interconnection Service

13. We deny the various requests for rehearing and clarify as follows. As we stated in the August 6 Order, there are two competing principles at work. The first is that offering a second level of interconnection service with a component of deliverability is a crucial component of Order No. 2003. The second is that the NYISO is a distinctive region and New York's stakeholders should have the flexibility to craft a system appropriate to its specific needs. The Commission recognized this fact when it agreed to provide the stakeholders additional time to work on developing a second level of interconnection service.⁷

14. The Commission declines to prejudge the outcome of those efforts. In *New England Power Pool*,⁸ we faced a similar decision on whether to pre-judge the outcome of another long-term stakeholder process on whether to implement a second level of interconnection service with a deliverability component. While the factual situation is distinct from the situation in New England, the Commission's approach is similar. In both cases we will allow the various stakeholders to address the issues related to implementing a second level of interconnection service with a deliverability component and make a future filing with the Commission. We expect the stakeholders in New York to continue working towards the goal of offering two levels of deliverability service. However, we also recognize that each independent system operator faces unique challenges that require unique solutions.

C. Definition of Applicable Reliability Standards

15. Under the NYISO OATT, there are two types of relevant reliability rules: state-wide rules, and Transmission District-specific rules.⁹ Under the OATT amendments accepted in the August 6 Order, an Interconnection Customer is subject to both sets of rules. There, the Commission noted that all parties agreed on the importance of Transmission District-specific protocols for ensuring reliable operation of New York State Transmission System.¹⁰

⁷ On April 29, 2005, the Joint Filing Parties submitted a draft work plan proposing February 5, 2006 as a reasonable time for completion of their deliverability analysis.

⁸ *New England Power Pool*, 109 FERC ¶ 61,155 at PP 40-50 (2004).

⁹ A "Transmission District" is defined under the NYISO OATT as "the geographic area served by the Investor Owned Transmission Owners and LIPA"

¹⁰ August 6 Order at P 91.

16. In principle, we agreed with IPPNY that all reliability rules should be overseen by an independent body. Order No. 2003 created a special standard to deal with "established (*i.e.*, approved by the Applicable Reliability Council) reliability requirements."¹¹ We were clear that unless the reliability requirements were approved by the Applicable Reliability Council, an independent entity, such as the NYISO, would have to justify any change under its independent entity authority and would not be entitled to a regional reliability variation.

17. However, the Joint Filing Parties' answer appears to address IPPNY's concerns. The Joint Filing Parties state that all Transmission District-specific reliability rules have been converted to NYSRC reliability rules. They also state that all reliability rules, whether Transmission District-specific or state-wide, are reviewed and approved by the NYSRC and the NYISO and are listed on the NYISO's website. Finally, the Joint Filing Parties both state that any new reliability rules, whether state-wide or not, will be subject to approval by the NYISO. These clarifications appear to address IPPNY's concern; therefore we deny IPPNY's request for rehearing of this issue.

The Commission orders:

(A) Requests for clarification over the deliverability standard to be included in a second level of interconnection service are granted as discussed in the body of this order.

(B) All requests for rehearing are denied as discussed in the body of this order.

By the Commission.

(S E A L)

Linda Mitry,
Deputy Secretary.

¹¹ See Order No. 2003 at P 822-24, 826.