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FILE NO: 55430.000045

February 18, 2005

**BY HAND**

The Honorable Magalie R. Salas, Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: Joint Compliance Filing of New York Independent System Operator, Inc., PJM Interconnection L.L.C., and Public Service Electric and Gas Company.  
Docket No. EL02-23-00\_ (Phase II)**

Dear Ms. Salas:

In compliance with Ordering Paragraph C of Commission Opinion No. 476,<sup>1</sup> and the Presiding Administrative Law Judge's *Order Establishing Procedures* ("ALJ's Order"), in the above-captioned proceeding, the New York Independent System Operator, Inc. ("NYISO"), PJM Interconnection, L.L.C. ("PJM"), and Public Service Electric and Gas Company ("PSE&G") (together, the "Filing Parties"), respectfully submit this joint compliance filing. As was required by Opinion No. 476, the Parties<sup>2</sup> have negotiated a comprehensive operating protocol to govern the implementation of the two disputed transmission contracts in this proceeding. Because the NYISO and PJM will be jointly responsible for administering the protocol,<sup>3</sup> it is being submitted

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<sup>1</sup> *Consol. Edison Co. of New York v. Pub. Serv. Elec. and Gas. Co., et al.*, 108 FERC ¶ 61,120 (2004).

<sup>2</sup> The Parties include the Filing Parties and Consolidated Edison Company of New York, Inc. ("ConEd").

<sup>3</sup> *See, e.g., Opinion No 476* at P 70 ("we are placing responsibility for the transfer of ConEd's power under the two contracts on the two ISOs").

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as an attachment to the NYISO's Market Administration and Control Area Services Tariff ("Services Tariff") and as a PJM rate schedule.

Subject to the reservations noted below,<sup>4</sup> the Filing Parties believe that the proposed protocol represents a workable approach to implementing the disputed contracts. With the same qualification, the Filing Parties request that the Commission should act quickly to accept their joint compliance filing.

### **I. List of Documents Submitted**

The Filing Parties submit the following documents:

1. This filing letter;
2. A map depicting the transmission lines that are at issue in this proceeding ("Attachment I");
3. The NYISO version of the proposed *Operating Protocol for the Implementation of Commission Opinion No. 476* ("Protocol") ("Attachment II");
4. Clean and redlined versions of a revised sheet from the table of contents to the NYISO Services Tariff ("Attachment III");
5. The PJM version of the Protocol ("Attachment IV");
6. The Parties' *Joint Stipulation* concerning disputed issues ("Attachment V"); and
7. a form of *Federal Register* Notice ("Attachment VI").

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<sup>4</sup> As is noted below: (i) no Party is waiving any rehearing or appeal rights that it may have with respect to Opinion No. 476 or any other Commission issuance in Docket No. EL02-23 (*See* Part III below), (ii) certain issues continue to be disputed by one or more Parties (*See* Attachment V); and (iii) ConEd and PSE&G have reserved the right to comment on or to protest certain features of the proposed protocol.

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## II. Copies of Correspondence

Copies of correspondence concerning this filing should be served on, and the Filing Parties respectfully request that the Secretary include on the official service list, the following:<sup>5</sup>

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<sup>5</sup> Because this is a joint compliance filing, and because each Filing Party has its own counsel, the Filing Parties respectfully ask that the Commission waive the requirements of 18 C.F.R. § 385.203(b)(3) (2004) to allow all of the named individuals to receive service.

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### **III. Reservation of Rights**

Although the Parties have worked together in good faith to comply with Opinion No. 476, they have done so with the understanding that all aspects of the Protocol are subject to, and may need to be revised or extinguished in order to accommodate, the results of ongoing Commission and judicial proceedings related to Docket No. EL02-23. All of the Filing Parties agree that the Protocol implements the directives set forth in Commission Opinion No. 476 without resolving issues that are still pending before the Commission or in federal court. No Party is waiving any rehearing or appellate rights that it may have by submitting this compliance filing.

In addition, ConEd and PSE&G have reserved the right to make separate filings commenting on or protesting individual components of the proposed Protocol. *See also* Attachment V. By contrast, the NYISO and PJM are sponsoring the Protocol as submitted and will not comment on it. The NYISO and PJM may, however, submit responses to any comments or protests that may be filed by ConEd or PSE&G.

### **IV. Background**

This proceeding concerns the interpretation of two transmission agreements between ConEd and PSE&G that were executed in 1975 and 1978 (the “400 MW contract” and the “600 MW contract,” respectively). These two agreements are referred to collectively herein as the “600/400 MW contracts.” Together, the 600/400 MW contracts entitle ConEd to transfer up to 1,000 MW from points west of New York City through the PSE&G transmission system for re-delivery into New York City from the Southwest. The Commission has determined that the contracts provide for differing levels of transmission service, with the 600 MW contract more firm than the 400 MW contract.

The 600/400 MW contracts were developed before the advent of wholesale market competition, open-access transmission service, and locational marginal pricing. Although their implementation has been the responsibility of the NYISO and PJM, there has never been a clear understanding of how the ISOs/RTOs should administer the 600/400 MW contracts in the context of the advanced electricity markets that now exist in the NYISO and PJM regions, which has led to much controversy. As Opinion No. 476 recounts,<sup>6</sup> ConEd and PSE&G have been

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<sup>6</sup> *See* Opinion No. 476 at PP 13-28.

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litigating the meaning of the 600/400 MW contracts since 2002. Disagreements over their respective obligations go back considerably further.

The contracts address several interties between the two utilities' systems, and thus, between the NYISO and PJM (*See* Attachment I). Specifically, these are: (i) the "J and K" transmission lines, which go from ConEd's Ramapo substation in Rockland County, New York to PSE&G's Waldwick substation in New Jersey; (ii) the "A line," which goes from PSE&G's Linden Switching Station in Union County, New Jersey to ConEd's Goethals substation on Staten Island (via submarine cable under the Arthur Kill channel); (iii) and the "B and C lines," which go from PSE&G's Hudson Generating Station in Jersey City, New Jersey to ConEd's Farragut Switching Station in Brooklyn, New York (via submarine cable under Upper New York Bay). Flows over each of these lines are partially controllable by Phase Angle Regulators ("PARs"). Taken together, the 600/400 MW contracts provide for ConEd to deliver up to 1,000 MW of power to Ramapo, and for PSE&G to re-deliver the same amount from Ramapo to Farragut or Goethals on behalf of ConEd.

The Commission offered preliminary implementation guidance in its Phase I decision,<sup>7</sup> which was largely upheld by Opinion No. 476. Opinion No. 476 required the Parties to develop an operating protocol to govern the NYISO's and PJM's future administration of the 600/400 MW contracts. It provided some specific directives, while leaving other issues for the Parties to address in the first instance.

Requests for rehearing of Opinion No. 476 are pending. Appeals of the Phase I decision have been deferred pending the issuance of a rehearing order on Opinion No. 476. Nevertheless, the Parties have worked diligently to comply with Opinion No. 476 by developing a Protocol that incorporates the Commission's directives.

The Parties have held numerous meetings since August to craft a mutually agreeable proposal. All of the Parties have committed significant time and resources to the effort. The NYISO and PJM played the lead drafting and technical roles. ConEd and PSE&G were involved at every stage, reviewing drafts, offering revisions, and raising issues of concern to them. Their input is reflected throughout the Protocol. The Parties also had a valuable conference with Presiding Judge Benkin in December. His assistance, and candid recommendations, helped the Parties to resolve a number of difficult issues and to move closer together.

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<sup>7</sup> *Consol. Edison Co. of New York v. Pub. Serv. Elec. and Gas. Co., et al.*, 101 FERC ¶ 61,282 (2002).

## V. Description of the Proposed Operating Protocol

### A. Overview

The Filing Parties submit that the proposed Protocol closely adheres to Opinion No. 476's specific findings. Under its provisions:

- (i) a "desired flow"<sup>8</sup> methodology will be used to schedule service under the 600/400 MW contracts,<sup>9</sup>
- (ii) the NYISO and PJM will be responsible for maintaining the real-time desired flow at the ABC interface and at the JK interface within defined bandwidths<sup>10</sup> for periods when neither, or both, are facing the need to redispatch (or operating "off-cost");<sup>11</sup>
- (iii) the NYISO and PJM will follow specific procedures in the event that they cannot maintain flows within the desired bandwidths, due to facility outages, or insufficient PAR angle capability resulting from one or more of the A, B, C, J, or K PARs being at their maximum tap setting together with one of the ISOs/RTOs being unable to redispatch in response to transmission constraints to support deliveries;
- (iv) the NYISO and PJM will direct the operation of the A, B, C, J, and K PARs, thereby exercising control over them (ConEd and PSE&G will continue to physically operate the PARs but will do so at NYISO's and PJM's behest);<sup>12</sup>

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<sup>8</sup> Under the desired flow methodology, in addition to the 600/400MW contract schedules, the NYISO and PJM agree on transmission distribution factors to estimate how much of the flows on the lines result from loop flow and third-party transactions over the JK and ABC interfaces to calculate the resulting expected net flow. They then attempt to maintain actual flows within a range close to the calculated desired flow.

<sup>9</sup> See Opinion No. 476 at P 64 ("transfer service under the contracts should be scheduled similarly to the desired flow regime for the 5018 line . . .").

<sup>10</sup> The use of a desired flow methodology with bandwidths addresses the Commission's conclusion that the "power delivery contemplated by the two contracts is much closer to contemporaneous than over time." *Id.* at P 44.

<sup>11</sup> See n. 29 below for the definition of "off-cost."

<sup>12</sup> See Opinion No. 476 at P 70.

(v) the A, B, C, J, and K lines will be available for third party uses on an open-access basis;<sup>13</sup>

(vi) ConEd will schedule service under the 600/400 MW contracts on a day-ahead<sup>14</sup> basis (but will have an opportunity to make real-time changes);

(vii) PJM will provide reasonable advance notice of when it expects to have to redispatch to support deliveries under the 600/400 MW contracts;<sup>15</sup>

(viii) PJM will redispatch, at PSE&G's expense (except as noted below), to support flows under the 600 MW contract;<sup>16</sup>

(ix) the NYISO, rather than PJM, will redispatch to support the 600 MW contract when a "comparison of alternatives" analysis demonstrates that it would be appropriate to do so and to the extent that taking this action would not raise power prices in New York;<sup>17</sup>

(x) PJM will create a special category of service for the 400 MW contract, which will have higher priority than non-firm customers willing to pay congestion, but will not be required to redispatch to support the 400 MW contract except to the extent that ConEd pays to "firm it up;"<sup>18</sup>

(xi) the NYISO and PJM will establish the distribution of flows over the A, B, C, J, and K lines for their own day-ahead markets and will cooperate to determine a single real-time distribution of flows for the real-time market;<sup>19</sup> and

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<sup>13</sup> *Id.* at P 85.

<sup>14</sup> *Id.* at P 96.

<sup>15</sup> *Id.* at P 103.

<sup>16</sup> *Id.* at PP 106, 126-29.

<sup>17</sup> *Id.*

<sup>18</sup> *Id.* at P 138.

<sup>19</sup> *Id.* at PP 153, 159.

(xii) the NYISO and PJM will be authorized to perform joint market monitoring investigations, relating to service under this Protocol, in appropriate circumstances.<sup>20</sup>

In addition, the Protocol complies with Opinion No. 476's directives with respect to impairments and outages that might impede flows under the 600/400 MW contracts. The Protocol includes lists of known and projected critical outages and impairments. It requires ConEd and PSE&G to notify the NYISO and PSE&G respectively when attaching new generation to their systems under existing interconnection rules. It also specifies that the NYISO and PJM will deal with impairment and outage issues through their planning processes.

The Protocol in many places reflects the independent judgments of the NYISO and PJM technical staffs, after receiving input from ConEd and PSE&G, on questions such as how much scheduling flexibility to allow, how, and how often, to perform certain calculations, the appropriate size of bandwidths, how to address unscheduled flows, and other technical questions. Additional elements, such as the proposed limits on daily and monthly PAR moves, were based, in part, on ConEd and PSE&G's knowledge of their equipment capabilities.

Finally, one of the Parties' most important design objectives was that the Protocol be sufficiently clear and detailed for system operators to follow its procedures in real-time without having to regularly make subjective decisions. The Protocol is intended to set forth unambiguous rules that the NYISO and PJM will be able to effectuate without having distracting contract-related disagreements in the midst of real-time operations. The Commission should not require changes that would inject uncertainty into the Protocol or complicate its implementation.

## **B. General Provisions**

The Protocol's first section sets forth general statements and rules that are largely self-explanatory.

Section 1.3 specifies that the NYISO's and PJM's existing emergency procedures will take priority over the rules established by the Protocol in the event of a system emergency. Opinion No. 476 did not address the relative priority of emergency procedures but the Parties readily agreed that they should take precedence over the Protocol in order to ensure the reliability of the power system. Section 1.3 also describes an emergency procedure under which the NYISO and PJM may agree to alleviate PJM emergencies attributable to PSE&G outages by delivering 400 MW to the NYISO at Goethals for re-delivery to PSE&G at Hudson. This

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<sup>20</sup> *Id.* at P 215.



“reverse wheel” provision incorporates an emergency mechanism that was always part of the 400 MW contract.<sup>21</sup> Such emergency transfers would not be counted for purposes of the “Real-Time Market Desired Flow” calculation described below.

Section 1.5 provides for the Parties to periodically revisit the Protocol to review whether it is working as intended and to make any necessary adjustments. These reviews will be more frequent in the first months after the Protocol is implemented. As the text of Section 1.5 indicates, the Filing Parties recognize that the Protocol’s procedures are new and may need to be revised in response to unforeseen problems. Section 1.5 is the Protocol’s “default” review procedure and applies to the entire document, except for those places where a different review procedure is specified.<sup>22</sup>

Any changes to the Protocol that are initiated under Section 1.5 would be filed with the Commission before taking effect. The Commission should authorize the Parties to make any such revisions as compliance filings because they, like this filing, would be made to carry out the directives of Opinion No. 476. They would also be developed, as was this compliance filing, exclusively by the Parties. As a practical matter, permitting the Parties to make necessary revisions through compliance filings would allow them to act more rapidly to correct problems by avoiding the delays that could come from requiring broad non-Party stakeholder review before filing.<sup>23</sup>

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<sup>21</sup> *Id.* at P 9.

<sup>22</sup> See Protocol Appendix 2 (NYISO and PJM to revise list of primary and secondary facilities on an annual basis) and Appendix 3 (NYISO and PJM to conduct annual reviews of other possible impacts on the desired flow and to review the appropriateness of the “A,” “B,” “C,” and “D” distribution factors in the desired flow calculation in response to major topology changes or outages). The Parties have proposed to leave these specific revisions regarding technical matters addressed in Appendix 2 and Appendix 3 solely to the NYISO and PJM for technical and/or confidentiality reasons. The Parties believe it is appropriate not to require compliance filings before changes are made to the listings of facilities in Appendix 2 and the distribution factors under Appendix 3 because they relate to technical matters at a level of operational detail that is normally not required to be included in tariffs or rate schedules under the Commission’s long-established “rule of reason.” They also involve changes that may need to be made especially quickly in order to preserve reliability or avoid market disruptions, which is another reason to avoid imposing a filing requirement.

<sup>23</sup> See, e.g., Article 19.01 of the NYISO’s *Independent System Operator Agreement* <[http://www.nyiso.com/services/documents/filings/pdf/iso\\_agreement/iso\\_agreement.pdf](http://www.nyiso.com/services/documents/filings/pdf/iso_agreement/iso_agreement.pdf)>.

**C. Appendix 1 -- “Process Flow”**

Appendix 1 is the heart of the Protocol. It provides a step-by-step description of how the Parties will schedule and effectuate deliveries under the 600/400 MW contracts, starting two days-ahead of a given operating day and ending with in-day, hour by hour operation. Appendix 1’s rules were specifically designed to implement Opinion No. 476’s requirements.

In the two days-ahead timeframe, PJM will post constraint forecast information so that ConEd, and all other market participants, will be on notice of potential congestion that might require PJM to operate off-cost. Both the NYISO and PJM will also post information concerning expected facility outages that might impede ConEd’s ability to elect the maximum 1,000 MW flow under the 600/400 MW contracts. All of this information will be advisory only. The Filing Parties agree that these notice provisions, which will provide the best information available at the time, satisfy Opinion No. 476’s “reasonable notice” requirement.<sup>24</sup>

Under the day-ahead scheduling provisions, ConEd will submit separate day-ahead contract elections to the NYISO and PJM by each day-ahead market’s (“DAM”) usual deadlines. This is a necessity because the two markets run on different schedules, with the NYISO’s closing before PJM’s opens. In the NYISO DAM, ConEd shall submit a single election for the 600/400 MW contracts. By contrast, in PJM, ConEd shall submit separate elections for the two contracts. For its 400 MW contract election, ConEd will specify any combination of the three “willing to pay congestion” options that are available to PJM customers.

The NYISO and PJM shall each establish aggregate day-ahead desired flow schedules for the separate interfaces comprised of the A, B, and C lines and the J and K lines (the “ABC interface” and the “JK interface.”) They will each likewise establish the distribution of flows across the A, B, C, J, and K lines for their own day-DAMs. Both will run their DAMs, post day-ahead prices, and produce day-ahead schedules under the 600/400 MW contracts, using the information submitted into their respective markets.

If there is congestion in the PJM DAM that affects flows under the 600 MW contract, PJM will redispatch at PSE&G’s expense, except as noted below. PJM will also provide PSE&G with offsetting Fixed Transmission Rights (“FTRs”). If PJM congestion impacts flows under the 400 MW contract, PJM shall redispatch (at ConEd’s expense) for the portion of the

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<sup>24</sup> See Opinion No. 476 at P 103.

contract flow for which ConEd indicated it was willing to pay congestion.<sup>25</sup> However, in recognition of the unique status of the 400 MW contract as less than firm, but “more firm” than service to non-firm customers,<sup>26</sup> PJM will reduce ConEd’s congestion charges by providing an after the fact credit to ConEd. The credit that ConEd receives will be paid from excess congestion revenues that PJM still holds after paying congestion credits to all of its firm service customers. In this manner, ConEd’s cost to flow energy under the 400 MW contract at times (when there are insufficient remaining excess congestion revenues to offset ConEd’s congestion payments) may be more than the cost that firm customers experience, but the overall cost will be less than the incremental costs that non-firm customers (who receive no such credits) experience.<sup>27</sup> Because, as discussed below, the entire 1000 MW will be included in PJM’s simultaneous feasibility analysis for FTRs, ConEd is likely to receive significant credits to its congestion payments under this procedure. If, and to the extent that, ConEd opts to “convert” the 400 MW contract to firm service by purchasing firm transmission service under PJM’s Open Access Transmission Tariff, ConEd will receive congestion credits in the same manner as other firm transmission customers.<sup>28</sup>

During in-day operations, ConEd will have the option to request real-time modifications from its day-ahead contract schedule. ConEd will be responsible for paying any balancing charges associated with such changes in both the New York and PJM control areas.

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<sup>25</sup> Computation of redispatch costs will be the difference between the locational marginal prices at the JK and ABC pricing points. Appendix 1 at P 15 and n.5. *See also Opinion No. 476* at P 93 (“Concerning computation of congestion costs and redispatch costs, . . . PJM can use the physical LMP price nodes at the J and K Lines and the A, B and C Feeders. We will require the parties to include such computation of costs in the forthcoming operating protocols.”).

<sup>26</sup> *See Opinion No. 476* at P 105.

<sup>27</sup> *See Id.* (“[T]he parties, in developing the forthcoming operating protocols, should have the first opportunity to determine the methodology for reflecting the Commission’s determination that service under the 400 MW contract is more firm than service to non-firm customers when computing the incremental costs of redispatch for ComEd to avoid curtailment under the 400 MW contract. . . . [W]e will not specify in this order the precise calculation of incremental costs of redispatch but will give the parties the first opportunity to make such a determination.”).

<sup>28</sup> Appendix 1 at n.6. Any such conversion to firm service through purchase of firm service under the PJM Tariff will be credited for payments ConEd has made to PSE&G for non-firm service under the 400 MW contract.

For their real-time markets, the NYISO and PJM will jointly compute a single Real-Time Market Desired Flow (“RTMDF”) target for the ABC interface, and a single RTMDF for the JK interface using the methodology described in Appendix 3 of the Protocol. If neither control area is off-cost, or if both are, then the NYISO and PJM will attempt to hold actual aggregate ABC interface flows within a +/- 100 MW bandwidth of the ABC RTMDF, and the actual aggregate JK interface flows within a +/- 100 MW bandwidth of the JK RTMDF. The NYISO and PJM will also determine the desired distribution of flows over the A, B, C, J, and K lines using the methodology set forth in Appendix 7 of the Protocol.

Finally, paragraphs 20 and 21 of Appendix 1 institute the “comparison of alternatives” mechanism that Opinion No. 476 directed be used to mitigate redispatching costs under the 600 MW contract.<sup>29</sup> The mechanism will trigger if either the NYISO or PJM will be “off-cost,” as defined under Appendix 10 of the Protocol,<sup>30</sup> or is expected to be off cost for two or more consecutive hours, and the other entity will not. Under these conditions, the entity that is not facing off-cost operations will redispatch to allow the entity that is facing off-cost operations to transfer up to 300 MW to the less-constrained system. The transfers will continue until both entities are no longer facing off-cost operations, or the entity that originally was not facing off-cost operations reaches the point where it would be forced off-cost, or the 300 MW maximum is reached.

Using the Appendix 10 definition of “off-cost” will avoid redispatching to switch flows back and forth between the NYISO and PJM systems in response to small price differences or with excessive frequency. This is consistent with good utility practice and traditional operating procedures. Moreover, limiting transfers to 300 MW, and stopping transfers at the point where the entity that is not facing off-cost operations is about to go off-cost, will prevent the comparison of alternatives methodology from resulting in increases to the prices charged to other New York and PJM loads.

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<sup>29</sup> See Opinion No. 476 at PP 108, 126.

<sup>30</sup> Appendix 10 of the Protocol defines “off-cost” operations, in PJM’s case, as a condition where the weighted locational nodal price at Hudson and Linden is reasonably expected to exceed the weighted nodal price at Waldwick by \$5 or more. In the NYISO’s case, “off-cost” operations occur when the special weighted nodal price that the NYISO will calculate under the Protocol at Farragut and Goethals is reasonably expected to exceed the weighted nodal price at Ramapo by \$5 or more. An ISO/RTO is running “off-cost” when it must redispatch to address congestion.

**D. Appendix 2 -- “Transmission Constraints and Outages Associated with the Contracts”**

Part A of Appendix 2, “Constraints,” presents a representative, but non-exclusive, list of potential transmission constraints that could cause the NYISO or PJM to have to operate off-cost in order to support deliveries under the 600/400 MW contracts. It is included in the Protocol for informational purposes only.

Part B, “Outages,” lists transmission and generation outages that could potentially affect redispatch costs, or impose physical limits on deliveries, under the 600/400 MW contracts. The Filing Parties were able to prepare this list without first performing a major new critical bulk power facility outage study, as Opinion No. 476 appears to have contemplated.<sup>31</sup> The Filing Parties have, however, provided for the NYISO and PJM to review the facilities list, and to make revisions as necessary without first seeking Commission approval,<sup>32</sup> to reflect operating experience and changes in system conditions.

The Filing Parties have proposed that the outage of any of the A, B, C, J, or K lines will result in ConEd’s Day-Ahead Elections and/or Real-Time Election being limited to a value no greater than the remaining thermal capability of the ABC or JK interfaces, whichever is more limiting. This rule effectuates language in the 600/400 MW contracts that allows ConEd or PSE&G to curtail contract deliveries in the face of “critical” physical outages.

Appendix 2.B goes on to identify other facilities whose outage could affect deliveries or redispatch costs under the 600 MW contract or the 400 MW contract. The Filing Parties’ expectation is that the outage of any one facility on the Appendix 2.B list will not prevent PJM from redispatching to support the 600 MW contract. Outages of two or more of the listed facilities could prevent PJM from delivering all or part of the 600 MW with or without redispatch. With respect to the 400 MW contract, the outage of any one listed facility could affect redispatch costs under, or the delivery of all or portions of, the 400 MW contract.

Identified generating units whose outage could be relevant under the 400 MW contract will only be considered to be “out” if they suffer a forced outage or are subject to a PJM-approved maintenance outage. Otherwise, the identified generating units will be deemed to be

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<sup>31</sup> See, e.g., *Id.* at P 168.

<sup>32</sup> See n. 21 above.

available to be committed and to provide redispatch and to support deliveries under the 600/400 MW contracts.

**E. Appendix 3 -- “Real-Time Market Desired Flow Calculation”**

Appendix 3 lays out the formulae that the NYISO and PJM will use to calculate the real-time desired flows at the ABC and JK interfaces. As Opinion No. 476 required, they are based on the formula used to calculate desired flows for the 5018 line,<sup>33</sup> but with modifications that the NYISO and PJM agreed were appropriate to the context of the 600/400 MW contracts.

In particular the NYISO and PJM agreed that variable “A” in the two equations, the adjustment factor that accounts for the overall NYISO-PJM schedule regarding the use of the A/B/C and J/K interfaces by third-party open access transactions, should be set at 13%. Both the NYISO and PJM believed that this value would reasonably address the Commission’s requirement to account for open-access service over the A, B, C, J and K lines, while also effectuating deliveries under the 600/400 MW contracts.

The NYISO and PJM also agreed to set the values for the “B,” “C,” and “D” distribution factors, which are intended to capture the effects of power flows between Ohio and New York, flows between PJM and systems to its West, and the Lake Erie loop flow, to an initial value of zero. Both the NYISO and PJM believe that, because of their limited effects and the permissible operating bandwidths contained in the Protocol, these power flows do not need to be accounted for in the desired flow calculation associated with the 600/400 MW contracts.

Additionally, Appendix 3 includes a mechanism that will allow the above factors to be revised in the event that system topology changes, or critical facility outages, such as the facilities identified in Appendix 2, warrant, without a Commission filing.

Similarly, Appendix 3 states that other system conditions that might conceivably affect the desired flow, such as internal NYISO or PJM generation dispatch, will not be included in the desired flow calculation but instead are accounted for through the operating bandwidths established in Appendix 1. The Protocol provides for the re-assessment of these judgments if circumstances warrant.

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<sup>33</sup> See Opinion No. 476 at P 64. The 5018 line runs from New York’s Ramapo substation to the Branchburg Substation, in Bergen County, New Jersey.

**F. Appendix 4 -- “Market Monitoring Procedures”**

Opinion No. 476 directed that the Operating Protocol must “include authorization for the market monitoring units of PJM and NYISO to conduct such investigations as may be necessary to ensure that gaming, abuse of market power, or similar activities do not take place with regard to power transfers under the two contracts.”<sup>34</sup> It added that “investigations by market monitoring units that go into the region of the other ISO should be undertaken jointly with the other market monitoring unit.”<sup>35</sup> Finally, the NYISO and PJM were required to review their tariffs and take steps to ensure that they had authority to comply with these dictates.<sup>36</sup>

On September 1 2004, the NYISO and PJM made reciprocal compliance filings in Docket Nos. EL02-23-004 and -005, which would empower them to share confidential information under specified terms and conditions in connection with joint investigations. These compliance filings are pending at the Commission.

Proposed Appendix 4 establishes the market monitoring units’ mandate to conduct investigations, and establishes the means by which the market monitoring units will obtain information from their respective ISOs/RTOs and, when necessary, from each other. The market monitors will have access to information that is necessary through the NYISO and PJM operations processes and will make information concerning generation outages and financial transmission rights in the ConEd and PSE&G areas available to each other, upon a written request demonstrating the need for such information. Appendix 4 also addresses confidentiality limitations pertaining to the sharing of information.

**G. Appendix 5 -- “Impairments Impacting Delivery”**

Opinion No. 476 concluded that PSE&G’s ability to fulfill its responsibilities under the 600/400 MW contracts had been impaired in the past, but declined to impose a remedy for past periods.<sup>37</sup> The Commission chose instead to focus on the future by requiring the Parties to identify all impairments so that they can be remedied through the Protocol.<sup>38</sup> The Parties were

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<sup>34</sup> See Opinion No. 476 at P 215.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> Opinion No. 476 at PP 57-59, 148.

<sup>38</sup> *Id.* at 148.

therefore required to: (i) list all known and projected impairments; (ii) “include procedures under which ConEd or PSE&G will notify its respective ISO before attaching new generation”; and (iii) include procedures for identifying possible impairments caused by proposed attachments, with respect to the 600/400 MW contracts, and for acting upon determinations of impairment.<sup>39</sup>

Proposed Appendix 5 begins with a statement that impairment issues will be addressed through the NYISO and PJM planning processes, rather than as a short-term problem that would be addressed through Day-Ahead or real-time market procedures. It complies with Opinion No. 476’s directive to list “known and projected impairments” by explaining that there are currently no impairments that would preclude the NYISO or PJM from providing transmission service under the 600 MW contract. Moreover, it was agreed that, given the redispatch options available to the NYISO and PJM, and the terms and conditions of the Protocol, there should not be any impairment of deliveries under the 400 MW contract.

Appendix 5 satisfies Opinion No. 476’s notification requirement by specifying that ConEd and PSE&G will give notice of new interconnections to their transmission systems pursuant to the terms of the ISO/RTO interconnection procedures for their regions. Similarly, Appendix 5 meets the requirement to have procedures for identifying future impairments by cross-referencing a number of interconnection and planning arrangements that have been created in the ISO/RTO era. One of these arrangements, the Northeast ISO/RTO Planning Coordination Protocol executed by the NYISO, PJM, and ISO New England Inc., deals specifically with the coordination of interconnection requests in one ISO/RTO system that have the potential to affect another. Given the existence of these relatively new mechanisms, which were not in place at the time that past impairments occurred, the Parties determined that it was unnecessary to include additional procedures to address impairments in the Protocol.

The one exception is the provision dictating that future planning studies conducted by the NYISO and PJM will include 1,000 MW of deliveries under the 600/400 MW contracts independent of the amount of off-cost operation required to meet applicable reliability criteria. PJM will also include the 1,000 MW of contract deliveries in its simultaneous feasibility analyses for FTRs. This provision will ensure that the entire 1000 MW of the 600/400 MW contract deliveries can be expected to be feasible from a future planning perspective subject to applicable reliability criteria.

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<sup>39</sup> *Id.* at PP 148-50.



Finally, Appendix 5 notes that nothing in the Protocol modifies any planning related obligation of ConEd or PSE&G under the 600/400 MW contracts, independent of the ISO/RTO planning and interconnection mechanisms described in the Appendix.

#### **H. Appendix 6 -- “Operation of the PARs”**

Opinion No. 476 affirmed that “control of the PARs . . . must be vested in the ISOs, who must adjust the taps in real-time to produce the desired flow targets that they have set.” It also specified that the “detailed methodology for doing so is to be left to the ISOs, in consultation with PSE&G and ConEd.”<sup>40</sup> Appendix 6 sets forth the detailed procedures for coordinating tap changes on the A, B, C, J, and K PARs in order to control power flows that the Commission envisioned. More generally, it also establishes that the operation of these PARs will be coordinated with the operation of other NYISO and PJM controlled PARs, including those on the 5018 line, and that the 5018 PARs will be operated in a manner that takes account of the Protocol.

The fundamental principle guiding PAR operations is that the NYISO and PJM will work together to preserve reliability, and to maintain the RTMDFs at the ABC and JK interfaces, while simultaneously minimizing wear on the PARs by limiting the number of tap changes. The NYISO and PJM will also take steps to help each other avoid off-cost operations, up to the point where the assisting entity would go off-cost if it provided additional assistance. This procedure is consistent with the established understanding of good utility practice. Appendix 6 formalizes these practices, and includes them in a document that will be on file with the Commission.

As a safeguard to protect the PARs, the NYISO and PJM will attempt to restrict total tap movements (per PAR) to four hundred each month and twenty tap moves in any twenty four hour period. If the twenty move limit is reached on a given day, then the default procedures will be to increase both the ABC and the JK RTMDF bandwidths in 50 MW increments until the twenty move limit is no longer violated. The NYISO and PJM may, however, agree to deviate from this procedure.

If an emergency condition exists, Appendix 6 empowers the NYISO and PJM to request special tap moves and to take coordinated action to alleviate the emergency. As with other rules in the Protocol, the normal guidelines for PAR operations yield to emergency actions taken to maintain or restore system reliability.

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<sup>40</sup> *Id.* at P 94.

Appendix 6 describes three “PAR Movement Scenarios” that illustrate how the NYISO and PJM will coordinate PAR operations during non-emergency conditions. Under “Case 1,” in which actual ABC interface or JK interface flows are within the RTMDF bandwidths no PAR actions will be taken.

“Case 2” describes the various steps that the NYISO and PJM will take where actual interface flows move outside the bandwidths. The nature of their actions will differ depending on whether the NYISO or PJM is operating off-cost, or about to go off-cost, at the time that PAR action becomes necessary. Basically, the NYISO and PJM may freely take tap moves that will not create constraints or lead to off-cost operations on the other’s system, subject to a requirement to obtain the other’s prior concurrence. In addition, Case 2 describes the implementation of the “comparison of alternatives” methodology. Under it, if the NYISO or PJM is either off-cost or about to go off-cost, and the other ISO/RTO is not, then they will deviate from the RTMDF in order to move up to 300 MW of flows away from the off-cost system (although the system providing assistance will not be required to allow tap changes that would cause it to go off-cost.) Case 2 also describes additional special procedures that the NYISO and PJM will use to keep actual flows within the RTMDF bandwidths under exceptional operating conditions.

Case 3 describes steps that the NYISO and PJM may take when anticipated system conditions appear likely to require a single PAR to make multiple tap changes in the near future.

**I. Appendix 7 -- “Distribution of Flows Associated with Implementation of Day-Ahead and Real-Time Market Desired Flows**

Opinion No. 476 rejected requests that the NYISO and PJM be subject to specific directives governing the distribution of contract flows across the A, B, C, J, and K lines. Instead it set forth general principles that the NYISO and PJM should follow in setting the distribution of flows.<sup>41</sup>

Under proposed Appendix 7, the initial presumption would be that flows associated with the 600/400 MW contracts will be distributed evenly among the A, B, and C lines (*i.e.*, 1/3 each) and the J and K lines (*i.e.*, ½ each). To the extent that an outage effects one or more of those lines the initial assumption will be to distribute the contract flows evenly over the remaining facilities. Appendix 7 also includes rules that would allow for departures from the even flow presumption. First, upon a NYISO request, the NYISO and PJM will move flows from the A

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<sup>41</sup> *Id.* at PP 151-59.

line to the B and C lines (or vice versa), provided that PJM will not be required to support a shift greater than 125 MW if it is off-cost or is expected to go off-cost. If power flow distribution changes are made between PJM's DAM and real-time market, ConEd will not be assessed balancing charges that would otherwise apply in PJM. Second, in situations where the ABC and JK actual interface flows cannot be maintained within the RTMDF bandwidths, due to specified system conditions, then actual flows will be adjusted to be as close as possible to the desired flow values. Appendix 7 sets forth a number of examples that illustrate how these rules will work.

Subject to the reservations noted elsewhere in this letter, the Filing Parties agree that Appendix 7's approach to distributing flows complies with Opinion No. 476.

**J. Appendix 8 -- "References"**

Appendix 8 consists entirely of screen shots from the NYISO and PJM websites that are referenced, as examples, in other parts of the Protocol. It has been included for illustrative purposes only and is not intended to bind the NYISO or PJM to use identical posting formats or Internet sites in the future.

**K. Appendix 9 -- "Settlements"**

Appendix 9 contains a table summarizing the different rules that apply to the 600 MW contract and the 400 MW. All of the rules are set forth in other parts of the Protocol, *i.e.*, no new rules are established in this Appendix.

**L. Appendix 10 -- "Definitions"**

Finally, Appendix 10 defines a number of terms that are used in the Protocol. Many of these terms are also defined in the body of the Protocol itself but Appendix X compiles them in a single convenient place.

**VI. Joint Stipulation of Disputed Issues**

Ordering Paragraph "C" of the ALJ's Order required the Parties to identify any issues not resolved by the compliance filing in a joint stipulation. It also specified that the joint stipulation indicate whether any of the Parties believed that an evidentiary hearing was necessary to resolve any of the remaining issues.

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In compliance with this requirement, the Parties have included a joint stipulation in this filing as Attachment V. The Parties agree that there is no need for an evidentiary hearing to address any of the disputed issues.

#### **VII. Requested Effective Date**

The Filing Parties respectfully propose that the Protocol be given a June 1, 2005 effective date, provided that the Commission issues an order accepting it by its April 13, 2005 open meeting. The NYISO and PJM will not be able to implement the Protocol immediately after the Commission acts on it because they will need time to make software modifications and to train employees to support the new procedures. The NYISO's and PJM's best estimate is that they will need approximately a month and a half to complete this work. Thus, if a Commission order is delayed beyond the April 13 open meeting, the Filing Parties would seek to defer the effective date of the Protocol to the same extent.<sup>42</sup>

#### **VIII. Service**

Copies of this filing are being served on all parties designated on the official service list maintained by the Secretary of the Commission in this proceeding. Copies are also being served on the New York State Public Service Commission and all of the utility regulatory commissions in the PJM region.

#### **IX. Federal Register Notice**

A form of *Federal Register* Notice is provided herewith. A diskette of the Notice is also provided.

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<sup>42</sup> For purposes of this filing, the Filing Parties have included June 1, 2005 effective dates on the Protocol sheets included in Attachments II and IV.

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**X. Conclusion**

WHEREFORE, for the foregoing reasons, the Filing Parties respectfully request that the Commission accept the proposed Protocol no later than its April 13, 2005 open meeting so that it may become effective on June 1, 2005.

Respectfully submitted,

<hr/> <p>Richard P. Bonnifield, Esq. PSEG Services Corporation 80 Park Place, TSG Newark, NJ 07102</p>	<hr/> <p>Ted J. Murphy Hunton &amp; Williams LLP 1900 K Street, N.W., Suite 1200 Washington, D.C. 20006 Counsel for New York Independent System Operator, Inc.</p>
<hr/> <p>Barry S. Spector Wright &amp; Talisman, P.C. 1200 G Street, N.W. Suite 600 Washington, D.C. 20005 Counsel for PJM Interconnection, LLC</p>	

cc: The Hon. Curtis L. Wagner, Chief Administrative Law Judge  
Ms. Martha Altamar, Chief of Staff, Office of Administrative Law Judges

## **Attachment I**

## **Attachment II**

## **Attachment III**



## **Attachment IV**

## **Attachment V**

## **Attachment VI**

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

**Consolidated Edison Company of New York Inc.**

**Docket No. EL02-23-\_\_\_\_  
(Phase II)**

v.

**Public Service Electric and Gas Company,  
PJM Interconnection, L.L.C., and  
New York Independent System Operator, Inc.**

**NOTICE OF FILING**

Take notice that on February 18, 2005, the New York Independent System Operator, Inc., PJM Interconnection, L.L.C., and Public Service Electric and Gas Company (“Filing Parties”) submitted a joint compliance filing pursuant to the Commission’s August 2, 2004, Opinion No. 476 in Docket No. EL02-23-000 and the Presiding Administrative Law Judge’s January 24, 2005 *Order Establishing Procedures*, in Docket No. EL02-23-003.

The Filing Parties state that copies of the filing were served on the parties on the official service list in the above-captioned proceeding, on the New York State Public Service Commission, and on all of utility regulatory commissions in the PJM region.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed on or before the comment date. Anyone filing a motion to intervene or protest must serve a copy of that document on all parties to the proceeding.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the “eFiling” link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the “eLibrary” link and is available for review in the Commission’s Public Reference Room in Washington, D.C. There is an “eSubscription” link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email [FERCOnlineSupport@ferc.gov](mailto:FERCOnlineSupport@ferc.gov), or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: 5:00 pm Eastern Time on

Magalie R. Salas  
Secretary

**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 Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (2004), as well as on the New York State Public Service Commission and all of the utility regulatory commissions in the PJM region.

Dated at Washington, DC this 18th day of February, 2005.

By: \_\_\_\_\_  
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