

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION
104 FERC ¶ 61,233

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

New York Independent System Operator, Inc. Docket Nos. ER03-1050-000
ER97-1523-078
OA97-470-070
ER97-4234-068

New York Independent System Operator, Inc. Docket Nos. ER97-1523-076
OA97-470-068
ER97-4234-066

ORDER ACCEPTING COMPLIANCE FILING AND TARIFF REVISIONS

(Issued August 29, 2003)

1. In an order issued on March 13, 2003,¹ the Commission required the New York Independent System Operator, Inc. (NYISO) to revise its procedures for allocating costs resulting from Thunderstorm Alert (TSA) procedures. The Commission directed the NYISO to report the steps it has taken to ensure that costs related to TSA procedures are allocated to New York City load. In this order, the Commission accepts NYISO's tariff amendment made in compliance with the March 13 Order, effective May 1, 2003. This order benefits New York State customers by assuring that the costs of the TSA procedures are assigned to those who benefit from them.

Background

2. As we explained in the March 13 Order, the NYISO initiates TSA procedures in the event of an impending or actual thunderstorm in the traditional service territory of Consolidated Edison of New York, Inc. (Con Edison), *i.e.*, New York City. The TSA procedures, a Local Reliability Rule established by the New York State Reliability

¹New York Independent System Operator, 102 FERC ¶ 61,284 (2003) (March 13 Order).

Council, are necessary due to the vulnerability of New York City's system to such weather conditions.

3. When the TSA procedures are invoked, the NYISO operates the downstate portion of New York State's bulk power system as if a first contingency has occurred. This requires the NYISO to reduce the real-time transfer capability on the Con Edison overhead system and to increase the generation running both in New York City and Long Island. The running of more expensive generation in both New York City and Long Island, and the backing down of cheaper generation in upstate New York, results in higher costs. While these costs were formerly the sole responsibility of Con Edison, since the formation of the NYISO they have been borne by customers statewide.

4. The March 13 Order rejected the NYISO's allocation of the TSA costs statewide as unjust and unreasonable, because the specific reliability benefits of the procedures inure solely to New York City load. We therefore directed that TSA procedure costs should be allocated solely to that load.

5. On April 14, 2003, the NYISO submitted a report in response to the March 13 Order, describing its new TSA cost allocation methodology, as well as the timetable for its implementation. The report explained that it should be possible to determine TSA-related costs by comparing the flows over the interfaces between upstate New York and the Con Ed transmission district scheduled in the Day-Ahead Market, to the flows associated with binding constraints which may occur over those interfaces in the Real Time Market during a TSA. By calculating the costs to relieve the TSA-caused constraints on these interfaces, the NYISO would quantify the TSA-related costs to be directly assigned to loads in Con Ed's traditional service territory. The NYISO further stated that its existing software can make such load flow comparisons with relatively minor modifications.

6. The NYISO indicated that it would conduct an expedited stakeholder process to collect input and to review the technical details of this proposed allocation methodology, described above. Once the stakeholder process was completed, the NYISO stated that it would submit appropriate tariff revisions.

7. On July 2, 2003, the NYISO filed revisions to its Market Administration and Control Area Services Tariff (Services Tariff) in order to implement the new TSA cost allocation methodology. The NYISO requests an effective date of May 1, 2003, which coincides with the start of the thunderstorm season in New York State, and is also the date that the NYISO's market participants expect the revised allocation methodology to

take effect. NYISO states that it submitted its proposed TSA cost allocation method for stakeholder review in May 2003, and that there were no objections.

8. The proposed TSA cost allocation methodology is comprised of four components. First, the binding constraints that occur in Real-Time during a TSA event will be determined, including the "shadow prices"² and Real-Time power flows for each interval during the TSA activation. Second, the NYISO will utilize the established Day-Ahead schedule for injections and withdrawals and the Day-Ahead transmission representation to determine what the power flows would have been, absent the TSA activation. Third, the difference between the scheduled Day-Ahead flows and the Real-Time flows will be multiplied by the shadow price for the binding constraint in each interval during a TSA to determine the total cost of the TSA. Fourth, the NYISO will subtract identified TSA-related costs from the pool of Real-Time congestion balancing costs that would otherwise be recovered on a state-wide basis and assign them to New York City area loads.

Notice, Interventions, Protests and Answer

9. Notice of NYISO's April 14, 2003 filing was published in the Federal Register, 68 Fed. Reg. 19,803 (2003), with protests and interventions due on or before May 5, 2003. A timely motion to intervene and protest was filed by the Public Service Electric and Gas Company, PSEG Power LLC, and PSEG Energy Resources & Trade LLC (collectively, PSEG). Multiple Intervenors,³ New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation (collectively, Energy East Companies), and the New York Transmission Owners⁴ also filed timely motions to intervene. On June 6, 2003, the NYISO filed an answer to the protest submitted by PSEG.

²The "shadow price" represents the value of an additional MW of Transfer Capability on a binding constraint at a transmission interface. These costs are posted on the NYISO's OASIS, under "Operational Information" as "Limiting Constraints."

³Multiple Intervenors states that it is an unincorporated associated of more than sixty of New York State's commercial and industrial electricity consumers, which has previously intervened in these proceedings.

⁴The New York Transmission Owners are comprised of Central Hudson Gas & Electric Corporation, Con Edison C, Long Island Power Authority, New York Power Authority, Orange and Rockland Utilities, Inc., and Niagara Mohawk Power Corporation.

10. Notice of NYISO's July 2, 2003 filing was published in the Federal Register, 68 Fed. Reg. 41,788 (2003), with protests and interventions due on or before July 23, 2003. A timely motion to intervene was filed by the New York Transmission Owners.

11. In its protest, PSEG questions the selection of a cost allocation methodology based on the existence of binding constraints associated with TSA events. PSEG states that the shift in generation patterns during a TSA removes binding constraints over interfaces into the Con Edison system, rather than creating them.

12. PSEG believes that a better methodology for determining TSA costs would be to identify the impact on unit dispatch caused by the TSA. By identifying which units were dispatched during the TSA in comparison with the units that would have been dispatched in the Day-Ahead Market, it should be possible to calculate the additional generation costs in the New York City zone and the reduction in generation revenues experienced by generators outside of the New York City zone, caused by the TSA event.

13. PSEG further states that the proposed methodology could provide an incentive for Con Edison to respond to the cost shifting by changing its current procedures for selecting out-of-merit generation to meet TSA events or operating the phase angle regulators (PARs) under its control at settings not previously employed when Con Edison was not financially responsible for the costs of TSAs. PSEG expresses concern that such changes could affect PSEG's performance obligations under contracts governing certain power redeliveries to Con Edison. PSEG therefore urges the Commission to assure that the allocation mechanism does not create incentives for Con Edison to change its mode of operation with respect to facilities within its control.

14. NYISO states in its answer:

The cost of modifying the dispatch of both upstate and New York City generation is reflected in the change in congestion costs that arises from the reduction in transfer limits during a TSA event. This is exactly what the NYISO's proposed TSA cost allocation method will capture. The two principal changes in costs – the increased Real-Time prices paid to generation on the higher cost side of the TSA-related constraint and the reduced Real-Time prices paid by re-dispatched Day-Ahead scheduled generators on the lower

cost side – will be netted against each other to produce the net cost associated with a TSA event.^[5]

NYISO further points out that, contrary to PSEG's assumption, congestion on interfaces linking upstate New York and New York City increases during TSAs, resulting in an increase in congestion costs. Finally, NYISO dismisses PSEG's concerns that Con Edison could shift constraints to further its economic self-interest during TSA events, as the selection of in-city generators for dispatch at such times is within the sole control of the NYISO system.

Discussion

15. The Energy East Companies and Multiple Intervenors are already parties to these proceedings. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,⁶ the timely, unopposed motions to intervene of PSEG and the New York Transmission Owners serve to make them parties to these proceedings. The Commission accepts NYISO's answer to PSEG's protest because it assists our understanding of the issues raised in this proceeding.

16. The Commission finds that NYISO's proposed TSA cost allocation methodology is reasonable and complies with the March 13 Order. Based on the NYISO's description of the effects of the TSA procedures on the transmission system, we agree with the NYISO that PSEG's premise that congestion costs decrease during TSA procedures is incorrect. Furthermore, NYISO states that its proposal takes into account the cost of modifying the dispatch of both upstate and New York City generation, thus meeting PSEG's concerns.

17. The Commission further agrees with NYISO that Con Edison does not have the authority to influence the selection of out of merit generation during a TSA event. The selection of out of merit generation for dispatch during a TSA event is solely within the control and responsibility of NYISO's system operators. In any event, PSEG's concerns about its contract performance with respect to power redeliveries to Con Edison are beyond the scope of this proceeding.⁷ NYISO states that it will continue to monitor all

⁵NYISO Answer at 3.

⁶18 C.F.R. § 385.214 (2003).

⁷Rather, these issues are being considered before the Commission in Docket No. (continued...)

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PAR settings. If the NYISO determines that PAR settings are being used to transfer TSA-related costs away from the Load Serving Entities that should be responsible for them, the NYISO states that it will propose an appropriate response.

18. NYISO requests an effective date of May 1, 2003, the date on which the thunderstorm season begins. No party opposes this effective date. Under the circumstances presented, the Commission grants NYISO's request.⁸

The Commission orders:

NYISO's revisions to its Services Tariff are hereby accepted, effective May 1, 2003.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

⁷(...continued)
EL02-23-000.

⁸See Central Hudson Gas & Electric Corp., 60 FERC ¶ 61,106, reh'g denied, 61 FERC ¶ 61,089 (1992).