

Implementing the Northport-Norwalk Intertie as a Scheduled Line

Prepared for the
Business Issues Committee

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The Northport-Norwalk Intertie/1385 Cables

- ◆ The 1385 Cables are PAR controlled underwater cables between Norwalk CT and Northport NY (Long Island)
- ◆ They are referred to as the “Northport-Norwalk intertie” in the OATT, ISO Agreement and ISO-TO Agreement
- ◆ The Cables are currently modeled as part of the total NY/NE AC interface
- ◆ The NYISO is proposing to implement the Northport-Norwalk intertie as a Scheduled Line

Northport-Norwalk Scheduled Line

- ◆ Will be scheduled independent of the existing NY/NE AC interface, the CSC and Neptune.
- ◆ LBMP computed at the Proxy Generator Bus associated with the Northport-Norwalk Scheduled Line will be independent of LBMP at existing NY/NE AC interface, the CSC and Neptune.
- ◆ Will support import, export, and wheel-through transactions.
 - *The initial capacity of the line is expected to be set in the 100 MW to 150 MW range. The NYISO expects that the posted TTC/ATC will be the same for Imports and Exports.*
- ◆ NYISO transactions will be bid/scheduled in the same manner as other external Proxy Generator Buses that are not subject to an Advance Reservation process.
- ◆ Implementation planned for June 2007.

Relevant Tariff Provisions

- ◆ Sections 5.2(D) of the OATT, 3.12 of the ISO/TO Agreement and 11.02 of the ISO Agreement all provide:
 - *LIPA is the only party “authorized to submit schedules to the ISO for transmission on the Northport-Norwalk Intertie”;* and
 - *LIPA “shall electronically certify to the ISO pre-approved customers and transactions.”*
- ◆ In addition, Section 5.2(D) of the OATT provides:
 - *“The ISO shall schedule all such pre-approved transactions.”*

Reason for LIPA

Pre-Approval Requirement

- ◆ LIPA's facilities are financed by two types of tax exempt bonds:
 - *In order to protect the tax exempt status of bonds issued by LIPA as an instrumentality of the State of New York, LIPA must comply with the IRS's "Output Regulations."*
 - *In addition, prior to its acquisition by LIPA, LILCO was the beneficiary of tax exempt "Local Furnishing Bonds" that were issued by NYSERDA. Some of the LILCO Local Furnishing Bonds are still outstanding. A second/different set of requirements must be satisfied to maintain the tax exempt status of the Local Furnishing Bonds.*

Northport-Norwalk Scheduled Line—Supporting Tariff Changes

- ◆ The NYISO must:
 - *Identify the Northport-Norwalk intertie as a Scheduled Line in Section 2.161a of the Services Tariff and Section 1.39d.02 of the OATT;*
 - *Add a defined term “Northport-Norwalk Scheduled Line” to the Services Tariff and the OATT;*
 - *Clarify or eliminate the sentence in Section 5.2(D) of the OATT stating that the NYISO “shall schedule” all transactions that are pre-approved by LIPA.*

Northport-Norwalk Scheduled Line—Supporting Tariff Changes, cont.

- ◆ The NYISO is working with LIPA to determine if it is also necessary to revise the limitation on the authority to submit schedules over the Northport-Norwalk intertie that appears in the OATT, ISO Agreement and ISO-TO Agreement.
 - *Goal is to allow 3rd parties to submit bids to and receive schedules from the NYISO, while protecting the tax exempt status of LIPA's bonds*
 - *LIPA proposes to provide a letter that pre-approves all day-ahead and real-time transactions that are submitted to and scheduled by the NYISO over the Northport-Norwalk Scheduled Line, as LIPA has done for the rest of the Long Island Transmission District*
 - *Prescheduled transactions are not permitted on Scheduled Lines*
 - *If necessary, modifications to the relevant provisions of the ISO-TO Agreement require either (a) the approval of all of the Transmission Owners and the NYISO, or (b) a 206 filing.*

ICAP and TCCs

- ◆ The initial implementation of the Northport-Norwalk Scheduled Line will permit the scheduling of energy in the Day-Ahead and Real-Time Market over that facility.
- ◆ LIPA and the NYISO both agree that issues related to importing Installed Capacity over the Northport-Norwalk Scheduled Line and/or the granting of Transmission Congestion Contracts (TCCs) for transmission upgrades that are related to the Northport-Norwalk Scheduled Line shall be brought to the working groups for discussion and shall be the subject of (at minimum) a BIC vote prior to their implementation.

Response to TCC Questions

- ◆ The NYISO's Tariffs do not appear to contain any specific language granting LIPA expansion TCCs over the 1385 Cables or from Northport to the Long Island zone.
 - *Generic authority for the NYISO to determine the TCCs created via a particular transmission upgrade appear on Sheet Nos. 137 and 181 of the OATT.*
- ◆ The NYISO must exercise caution in reissuing expansion (or any other type of) TCCs.
 - *To ensure that reissued TCCs do not interfere with existing rights, it would be appropriate/prudent to wait for the next Capability Period auction and hold back the capacity that was created by the expansion.*
 - *The NYISO is pursuing a more robust expansion TCC program in response to FERC's LTFTR Order.*

Market Monitoring

- ◆ The NYISO's Market Advisor has made a preliminary determination that, so long as the NYISO is able to receive day-ahead and real-time bids from all market participants and determine schedules over the Northport-Norwalk Scheduled Line, it should not be necessary to apply the Non-Competitive Proxy Generator Bus Rules or the Special Pricing Rules to the Northport-Norwalk Scheduled Line.