

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

**New York Independent System  
Operator, Inc.**

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**Docket No. ER06-506-000**

**JOINT MOTION FOR LEAVE TO RESPOND, AND RESPONSE OF  
THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC. AND  
THE NEW YORK STATE TRANSMISSION OWNERS**

Pursuant to Rules 212 and 213 of the Federal Energy Regulatory Commission's ("Commission") Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213 (2005), the New York Independent System Operator, Inc. ("NYISO") and the New York Transmission Owners, *i.e.*, Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., LIPA, New York Power Authority ("NYPA"), New York State Electric & Gas Corporation ("NYSEG"), Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid"), Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation ("RG&E"), collectively referred to as the "Joint Filing Parties"), individually and collectively move to request leave to respond and hereby respond to the motion to intervene and protest of the American Wind Energy Association ("AWEA") and the Alliance for Clean Energy New York ("ACENY") (collectively referred to as the "Protestors") in the above-captioned proceeding.<sup>1</sup>

The Protestors ask that the Commission reject the proposed independent entity variations pertaining to power factor, dynamic support, and power curtailment requirements, as well as interconnection study procedures, that were included in the Joint Filing Parties' compliance

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<sup>1</sup> The NYISO and the New York Transmission Owners reserve the right to individually or collectively file supplemental comments in this proceeding.

filing in this proceeding.<sup>2</sup> They make this request without recognizing New York-specific factors that justify the requested variations.

Specifically, the Protestors do not acknowledge that: (i) the proposed power factor and dynamic support variations simply continue a reactive power variation previously approved by the Commission for New York; (ii) the proposed power factor and dynamic support variations stem from the historic design conditions integral to each of the transmission districts that comprise the overall NYISO system; (iii) the proposed power factor and dynamic support variations have been supported not only by the NYISO but also by the New York State Reliability Council (“NYSRC”) and the New York State Public Service Commission (“NYPSC”); (iv) all three of the proposed variations are needed to meet reliability requirements; (v) the proposed variations are critical in light of the very large influx of new wind generation entering New York that is likely to result in approximately ten percent of New York State’s generating capacity being wind-powered in the near future; (vi) the reactive power and power curtailment capability variations are supported by an in-depth study commissioned by the New York State Energy and Research Development Authority (“NYSERDA”) on the kinds of rules needed to successfully integrate such a large amount of new wind capacity into the New York State Transmission System;<sup>3</sup> (vii) the proposed power factor and dynamic support variations will not impose excessive costs on wind plants because all generators are eligible for voltage support

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<sup>2</sup> *Joint Order No. 661 and Order No. 661-A Compliance Filing of the New York Independent System Operator, Inc. and the New York Transmission Owners*, Docket No. ER06-506-000 (Jan. 18, 2006) (“Compliance Filing”).

<sup>3</sup> See New York State Energy Research and Development Authority, *The Effects on Integrating Wind Power on Transmission System Planning, Reliability and Operations* (March 4, 2005) <[http://www.nyserda.org/publications/wind\\_integration\\_report.pdf](http://www.nyserda.org/publications/wind_integration_report.pdf)> (“NYSERDA Study”).

payments under the NYISO tariff and wind generators are also eligible for up to \$885 million in additional compensation under New York's renewable energy policies; and (viii) New York has an Independent System Operator with no incentive to discriminate against wind developers and Transmission Owners that have divested most of their generation and thus are not in competition with wind developers.

In contrast, the Protestors address the New York-specific considerations that underlie the proposed variations superficially or not at all. They have not offered a valid rationale for rejecting proposed variations that are supported by the NYISO and the NYSRC, which are the entities directly responsible for maintaining reliability in New York State. The Commission should therefore reject their arguments and accept all of the proposed independent entity variations.

In support hereof, the Joint Filing Parties respectfully state as follows:

## **I. STATEMENT OF ISSUES**

In compliance with Order No. 663,<sup>4</sup> the Joint Filing Parties identify the following issues that are addressed in this answer:

1. Should the Commission grant the Joint Filing Parties' request to accept this response to the protest of AWEA and ACENY? The Joint Filing Parties submit that the answer is yes. It is imperative that the Commission have an accurate, full and complete record upon which to base its decision. The Commission has authorized pleadings such as the instant response which corrects the record. *See, e.g., New York Independent System Operator, Inc.*, 99 FERC ¶ 61,246 at 62,040 (2002); *Morgan Stanley Capital Group, Inc. v. New York Independent*

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<sup>4</sup> *Revision of Rules of Practice and Procedure Regarding Issue Identification*, 112 FERC ¶ 61,297 (2005).

*System Operator, Inc.*, 93 FERC ¶ 61,017 at 61,036 (2000); *New York Independent System Operator, Inc.*, 91 FERC ¶ 61,218 at 61,797 (2000); *Central Hudson Gas & Electric Corp.*, 88 FERC ¶ 61,138 at 61,381 (1999).

2. Should the Commission reject the Protestors' arguments and accept the reliability-based independent entity variations proposed by the Joint Filing Parties? The Joint Filing Parties submit that the answer is yes, because the Protestors fundamentally misunderstand New York State's reliability needs and the state of wind generation in New York State. The proposed variations are legitimate and necessary. The Protestors have offered no evidence that would call the NYISO's independence, or the Joint Filing Parties' motives, into question.

3. Should the Commission accept the Joint Filing Parties' proposed independent entity variations with respect to reactive power, *i.e.*, power factor and dynamic support, rules? The Joint Filing Parties submit that the answer is yes. The Protestors' attack on these variations rely on misrepresentations and generalized assertions that overlook New York specific conditions. The Joint Filing Parties proposal would merely continue a previously granted independent entity variation, *See New York Independent System Operator, Inc.*, 108 FERC ¶ 61,159 (2004), that is rooted in the underlying design of the New York State Transmission System, supported by the NYSERDA Study, and endorsed by the NYSRC. The proposed variations would also be consistent with a position previously taken by NYPSC.

4. Should the Commission accept the Joint Filing Parties' proposed independent entity variation from its generic SCADA/curtailment rules? The Joint Filing Parties submit that the answer is yes because the NYSERDA Study expressly recommended that all wind plants be required to have power curtailment capability. The Joint Filing Parties agree that it would be desirable to make market design changes that allowed power curtailment decisions to be based

on purely economic factors, but it will be some time before any such changes could go into effect and New York's reliability needs must be met in the interim.

5. Should the Commission accept the Joint Filing Parties' proposed independent entity variations from its generic interconnection study procedure rules for wind generators? The Joint Filing Parties submit that the answer is yes because, as they explained in the Compliance Filing, the generic rules will force the NYISO to study too many projects offering too little information which will threaten its ability to conduct accurate and useful studies. The Commission should also reject the "compromise" suggested by the Protestors which would do nothing to address the Joint Filing Parties' concerns.

## II. BACKGROUND

On January 18, 2006, the Joint Filing Parties submitted the Compliance Filing pursuant to Order Nos. 661 and 661-A.<sup>5</sup> The Joint Filing Parties submitted revised versions of Order No. 661's *pro forma* appendices, which establish specific technical criteria for the interconnection of large wind generators. These new appendices would be included in the NYISO's Large Facility Interconnection Procedures ("LFIP") as Appendix 7 and in the NYISO's Large Generator Interconnection Agreement ("LGIA") as Appendix H. The proposed revisions to the *pro forma* appendices were submitted pursuant to the Commission's "independent entity variation" standard for independent Transmission Providers.

On February 8, 2006, the Protestors submitted a motion to intervene and protest in which they challenged the proposed independent entity variations with respect to the *pro forma*

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<sup>5</sup> *Interconnection for Wind Energy*, Order No. 661, FERC Stats & Regs. ¶ 31,186 (2005); *order on rehearing and clarification*, Order No. 661-A, 113 FERC ¶ 61,353 (2005).

appendices. The NYSRC submitted comments in support of the Joint Filing Parties' filing. The NYPSC submitted a motion to intervene.

### III. REQUEST FOR LEAVE TO ANSWER

The Joint Filing Parties recognize that the Commission generally discourages answers to protests. The Commission has, however, allowed such responses when they help to clarify complex issues, provide additional information that will assist the Commission, correct inaccurate statements, or are otherwise helpful in the development of the record in a proceeding.<sup>6</sup> This Response is needed to correct the Protestors' mischaracterizations and misstatements with respect to the need for independent entity variations from the *pro forma* interconnection rules, the state of wind generation in New York, and their misrepresentation of past NYPSC and North American Electric Reliability Council ("NERC") positions on the need for wind facilities to have reactive power capability in New York State.

This Response should be accepted because it will help the Commission resolve the issues raised by the Protestors and ensure the accuracy of the record in this proceeding. Otherwise, the Protestors' comments could result in a flawed and inadequate record upon which the Commission may rely. The Joint Filing Parties therefore respectfully request that the Commission grant them leave to respond and accept this Response.

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<sup>6</sup> See, e.g., *New York Independent System Operator, Inc.*, 99 FERC ¶ 61,246 at 62,040 (2002) (accepting answers to protests that helped to clarify issues and did not disrupt the proceeding); *Morgan Stanley Capital Group, Inc. v. New York Independent System Operator, Inc.*, 93 FERC ¶ 61,017 at 61,036 (2000) (accepting an answer that was "helpful in the development of the record...."); *New York Independent System Operator, Inc.*, 91 FERC ¶ 61,218 at 61,797 (2000) (allowing an answer deemed "useful in addressing the issues arising in these proceedings...."); *Central Hudson Gas & Electric Corp.*, 88 FERC ¶ 61,138 at 61,381 (1999) (accepting otherwise prohibited pleadings because they helped to clarify complex issues).

Finally, to the extent that the Commission concludes that this response has been filed one-day-out of time, the Joint Filing Parties submit that good cause exists for the Commission to exercise its discretion and accept the filing. The Joint Filing Parties were prepared to file on February 23, the fifteenth day after the filing of the Protest, but decided to wait an extra day in an attempt to reach agreement with the Protestors on a compromise with respect to interconnection study issues. Unfortunately, no agreement was reached. The Protestors have authorized the Joint Filing Parties to say that they do not object to this one-day delay.

#### **IV. ANSWER**

##### **A. The Proposed Independent Entity Variations Are Legitimate**

The Protest inaccurately states that the proposed independent entity variations must be rejected because the NYISO's transmission-owning member systems are "in charge."<sup>7</sup> This is a strange and baseless assertion which should be rejected. The New York Transmission Owners are in no way "in charge" of the NYISO. As the Commission is well-aware, the NYISO is governed by a fully independent, non-stakeholder Board of Directors that does not answer to any outside party. The Commission has repeatedly confirmed that the NYISO is an independent entity and has previously accepted independent entity variations from generic interconnection rules that the NYISO has proposed.<sup>8</sup>

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<sup>7</sup> Protest at 4.

<sup>8</sup> For example, the Commission recently proposed to find that the NYISO satisfied the requirements of new Section 210(m)(1)(A) of the Public Utility Regulatory Policies Act. In so finding, the Commission stated that the NYISO (and certain other ISOs and RTOs) "provide non-discriminatory open access transmission services and independently monitor auction-based wholesale markets for day-ahead and real-time energy sales." *New PURPA Section 210(m) Regulations Applicable to Small Power Production and Cogeneration Facilities*, Notice of Proposed Rulemaking, Docket No. RM06-10-000 (Jan. 19, 2006). See also *New York Independent System Operator, Inc.*, 108 FERC ¶ 61,159 at P 4 (2004) (stating that the NYISO was an Independent Transmission Provider); Order No. 2003 at P 827 ("With respect to an RTO (continued...)

The Protestors' argument that the proposed variations are somehow illegitimate because Transmission Owners played a role in developing them, or will be involved in implementing them, has no merit. The Commission has already approved independent entity variations from its Order No. 2003<sup>9</sup> interconnection rules that were jointly filed by ISOs or RTOs and their member transmission owners.<sup>10</sup> A good example is the existing New York variation that allows the New York Transmission Owners to establish their own system-specific reactive power criteria, *i.e.*, the very variation that the Protest attacks. The Joint Filing Parties' pending request to continue this variation for wind plants, which is based on conditions and long established practices in New York, clearly cannot be "inappropriate" when the Commission previously accepted it as an independent entity variation.<sup>11</sup> Indeed, all of the proposed independent entity variations are appropriate because they are based on the NYISO's independent, expert assessment of the special characteristics of the New York State Transmission System.<sup>12</sup>

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or ISO, at the time its compliance filing is made, as discussed above, we will allow it to seek 'independent entity variations' from the Final Rule pricing and non-pricing provisions."); *Central Hudson Gas & Electric Corp., et al.*, 88 FERC ¶ 61,229 (1998) (concluding that the NYISO's proposed governance structure was in accordance with Order No. 888 independence principles).

<sup>9</sup> *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, 68 Fed. Reg. 49,845 (Aug. 19, 2003), FERC Stats. & Regs. ¶ 31,146 (2003), *order on reh'g*, Order No. 2003-A, 69 Fed. Reg. 15,932 (Mar. 26, 2004), FERC Stats. & Regs. ¶ 31,160 (2004), *order on reh'g*, Order No. 2003-B, 70 Fed. Reg. 265 (Jan. 4, 2005), FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh'g*, Order No. 2003-C, 70 Fed. Reg. 37,661 (June 30, 2005), FERC Stats. & Regs. ¶ 31,190 (2005).

<sup>10</sup> *See, e.g., New York Independent System Operator, Inc.*, 108 FERC ¶ 61,159 (2004) (conditionally accepting the joint Order Nos. 2003 and 2003-A compliance filing of the NYISO and the New York Transmission Owners.) .

<sup>11</sup> *See New York Independent System Operator, Inc.*, 108 FERC ¶ 61,159 (2004)

<sup>12</sup> *See* Order No. 2003 at P 827 (concluding that the independent entity variation "is a balanced approach that recognizes that an RTO or ISO has different operating characteristics (continued...)



**B. The Proposed Variations Have Nothing to Do with Cost or Cost Allocation Concerns**

The Protestors also suggest, without offering any evidence, that the Joint Filing Parties' proposed variations are illegitimate because they are rooted in concerns over "cost and cost allocation."<sup>13</sup> Although it is unclear exactly what the Protestors mean, the fact that they make this allegation betrays their misunderstanding of the NYISO and the New York system. All generators are compensated for reactive power under NYISO rate schedules that are not at issue here. Therefore, load pays for and, in no way avoids, the costs of reactive power related reliability requirements imposed on wind generators. Moreover, as a not-for-profit entity with no commercial interests, the NYISO has no incentive to disfavor wind plants for "cost or cost allocation" reasons. Its only objective is to ensure that its tariff includes interconnection rules that are consistent with New York's reliability needs without unnecessarily burdening wind, or any other type of resource. The NYISO has consistently supported efforts to attract new generating resources to New York State. It supports the proposed variations at issue here because they are essential to maintaining reliability.

Similarly, because the New York Transmission Owners have divested virtually all of their generation they have no competitive reason to discriminate against wind projects.

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depending on its size and location and is less likely to act in an unduly discriminatory manner than a Transmission Provider that is a market participant. The RTO or ISO shall therefore have greater flexibility to customize its interconnection procedures and agreements to fit regional needs."'). This same rationale applies to independent entity variations under Order No. 661. *See* Order No. 661 at n.41 and accompanying text (stating that independent entity variation was applicable with respect to wind interconnection, and citing Order No. 2003).

<sup>13</sup> Protest at 5.

Furthermore, because wind plants are paid for providing voltage support in New York,<sup>14</sup> the Transmission Owners have no incentive to impose unnecessary reactive power requirements that they and their customers will bear.

In truth, it is the Protestors who are unduly focused on cost, rather than reliability, issues. The entire basis of the Protest is their desire to avoid reliability requirements that they fear will increase their operating costs. Although the Protestors also claim that the proposed variations will impose excessive costs on consumers, the Commission should not defer to their view when the NYISO and the NYSRC support the proposed variations and the NYPSC has not questioned them.

**C. The Proposed Independent Entity Variations Are Essential to Reliability in New York State**

Each of the transmission districts that comprise the NYISO system were designed and constructed on an independent basis utilizing different design assumptions that reflected the specific characteristics of the underlying region. These various transmission districts, therefore, reflect the significant differences in characteristics related to load density and geography among other things. These differences have led to slightly different reactive power requirements that have been recognized by the NYISO, the NYSRC, the NYPSC and, in its previous order accepting an independent entity variation for reactive power, the Commission.

Rather than addressing these very real New York specific reliability concerns, the Protestors' attempt to undermine the reliability case for the Joint Filing Parties' proposed independent entity variations by claiming that they are not directly tied to the "New York

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<sup>14</sup> See Rate Schedule 2 of the NYISO's Market Administration and Control Area Services Tariff.

Exception” in new Section 215(i)(3) of the Federal Power Act (“FPA”).<sup>15</sup> While this is literally true, it misses the point. The Joint Filing Parties mentioned the New York Exception to emphasize that Congress has explicitly recognized that New York State has greater reliability needs than many other parts of the country. This supports the Joint Filing Parties’ case for independent entity variations even though they were not specifically required by Congress.

That said, the Commission should be aware that the NYPSC recently adopted the NYSRC’s reliability rules as the official New York State reliability rules for purposes of Section 215(i)(3).<sup>16</sup> The NYSRC is responsible for promoting and preserving reliability in New York State through the development of reliability rules with which the NYISO complies in its administration and operation of the bulk power market. As is discussed below in Section D.1, the NYSRC has filed comments in this proceeding supporting the Joint Filing Parties’ proposed independent entity variation with respect to reactive power requirements.

In addition, the NYPSC, which has strongly encouraged the development of wind resources in New York by adopting a successful Renewable Portfolio Standard (“RPS”) program,<sup>17</sup> has not objected to the proposed variations. As is discussed below, the NYPSC told

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<sup>15</sup> The Protestors erroneously cite to Section 315(i)(3) of the Energy Policy Act of 2005, but the correct citation is to FPA Section 215(i)(3) to which the Compliance Filing referred. New Section 215(i)(3) provides that “the State of New York may establish rules that result in greater reliability within that State, as long as such action does not result in lesser reliability outside the State than that provided by the reliability standards.”

<sup>16</sup> See State of New York Public Service Commission, Case 05-E-1180, *In the Manner of the Reliability Rules of the New York State Reliability Council and the Criteria of the Northeast Power Coordinating Council* (Feb. 9, 2006).

<sup>17</sup> See <<http://www.dps.state.ny.us/03e0188.htm>> (describing the development of the RPS and providing links to all of the NYPSC orders and documents relating to it.)

the Commission last year that all wind resources should have reactive power capability, just as the Joint Filing Parties propose.

Finally, the proposed variations are based on the NYISO's independent technical assessment of reliability needs and its ability to perform accurate interconnection studies. The NYISO considered the reality that approximately 3,300 MW of new wind capacity is expected to come online in New York by 2008 and that there are already 5,000 MW of proposed wind projects in the NYISO interconnection queue. This means that it is realistic to expect that within the next few years wind resources will supply ten percent or more of New York State's load at any given time. Clearly, wind will play a larger role than it will in many other states and the reliability consequences of exempting wind plants from necessary reliability requirements are much greater. The NYISO's technical judgment was also informed by the NYSERDA Study, which concluded that a large amount of wind generation could be integrated into the New York State grid provided that its recommendations were met.<sup>18</sup> These recommendations included requiring all wind generators to meet reactive power requirements<sup>19</sup> and have power curtailment capability.<sup>20</sup>

#### **D. Each of the Proposed Independent Entity Variations Are Justified**

##### **1. Exempting Wind Generators from Power Factor and Dynamic Support Requirements Is Not Justified and Would Adversely Effect Reliability**

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<sup>18</sup> See NYSERDA Study at 1.1, 2.16.

<sup>19</sup> *Id.* at 2.16. See also *id.* at 1.3 (noting study assumption that all wind turbines would have "continuously controllable reactive power capability (0.95 power factor at point of interconnection.))

<sup>20</sup> *Id.* at 2.3.

The Protestors' complaint that the proposed independent entity variation would require all wind generators to meet "potentially unnecessary" local Transmission Owner reactive power requirements is incorrect.<sup>21</sup> They ignore all relevant reliability considerations in New York and prefer that it be forced to adopt the generic rule exempting wind generators from reactive power standards absent a case-specific demonstration of need. The Commission should reject this because the proposed independent entity variations for power factor and dynamic support are rooted in the reliability needs and regional characteristics of the New York State Transmission System, as confirmed by the NYSERDA Study, and are supported by the NYSRC. They are also consistent with positions taken by the NYPSC.

In this regard, the Commission should be aware that the Protestors rely heavily on out-of-context quotations from the NYPSC and NERC that misrepresent those entities' views. The Protestors claim that the NYPSC "called for study and supply of reactive power where needed," during the Commission's 2005 inquiry into reactive power issues.<sup>22</sup> The implication is that the NYPSC does not support requiring all wind plants to satisfy reactive power requirements. The reality is that the NYPSC favored requiring all wind plants to meet such requirements in that proceeding. Specifically, the appendix to the NYPSC's comments offers a clear answer to one of the questions that the Commission was exploring:

Q: Should there be reactive power requirements for non-synchronous generators (wind, solar etc)? If so, what?

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<sup>21</sup> See Protest at 5-9.

<sup>22</sup> Protest at 7.

A: Yes. Active reactive capability should be available at all generator interconnection points. Modern wind machines are capable of reactive support. Active reactive devices can be paired with other non-synchronous generators.<sup>23</sup>

The Protestors similarly misconstrue comments by NERC in the 2005 proceeding to support their contention that NERC believes reactive power requirements are “not generally useful” for wind generators.<sup>24</sup> This is belied by NERC’s request for rehearing of Order No. 661, which challenged the Commission’s decision to only require wind plants to meet reactive power requirements after a case-by-case demonstration. NERC’s concerns were specifically mentioned by Chairman Kelliher in his dissent on the power factor issue.<sup>25</sup>

The Protestors also depend on a variety of general factual claims that may be accurate enough in the context of a generic rulemaking but ring hollow in New York’s specific case. For example, they begin by asserting that “the majority of windfarms are located on radial transmission lines, distant from major load centers.”<sup>26</sup> The NYISO interconnection queue, however, includes many wind projects that are proposing to connect at voltages of 115 KV or greater. None of the twenty two large facility wind farms interconnecting to the NYSEG and RG&E transmission system, none that are interconnecting to the NYPA system, and only four of the seventeen interconnecting to National Grid’s New York transmission facilities are expected

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<sup>23</sup> *Notice of Intervention and Comments of the Public Service Commission of the State of New York*, Appendix A at 4, Docket No. AD05-1-000 (April 4, 2005).

<sup>24</sup> Protest at 6.

<sup>25</sup> See Order No. 661-A (dissent of Chairman Kelliher). The NYISO supported NERC’s filing and also sought rehearing of this aspect of Order No. 661. See *Request for Rehearing of the New York Independent System Operator, Inc.*, Docket No. RM05-4-001 (July 5, 2005).

<sup>26</sup> Protest at 6.

to be on radial lines.<sup>27</sup> This clearly undermines the Protestors' claim that they should be exempted from the normally applicable reactive power rules in New York. Similarly, the Protestors' reference to the Commission's statement that "reactive power planning standards and procurement practices are not transparent . . . and need to be more fully developed to avoid disputes and poor investment decisions"<sup>28</sup> may be valid in other regions but is not true in New York. The NYISO's practices in these areas are transparent and do not expose wind farms to the possibility of undue discrimination.

In addition, the Commission should not accept the Protestors' claim that reactive power requirements will impose excessive costs on wind plants that are not justified by reliability needs. It is true that the Commission generically held that wind plants should not have to bear the cost of meeting reactive power requirements, but this does not decide the question of whether it is reasonable to impose such costs in New York. This issue is also significantly different in the NYISO context, where all generators are compensated for reactive power under rate schedules not at issue here. The proposed variations therefore do not seek to shift costs from load to generators and are based solely on reliability needs, the costs of which are borne by customers. Wind plants will also be eligible for up to \$885 million in additional payments to help cover their incremental costs relative to traditional generating technologies.

When the Protestors contend that the proposed power factor and dynamic support variations are unreasonable, they do not seriously address the fact that New York has greater

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<sup>27</sup> Moreover, the Protestors' use of the term "major load centers" is vague. Any generator tying into the transmission system is, by definition, tied near a major load center, particularly in comparison to the size of the wind farms. In New York, proposed wind facilities typically range between 50-150 MW in capacity, although some are as large as 300 MW.

<sup>28</sup> Protest at 8, n. 2, citing *Principles for Efficient and Reliable Reactive Power Supply and Consumption*.

reliability needs than most other parts of the country. Their reliance on the Commission's generic findings ignores the NYISO's determination, based on the NYSERDA Study, that all New York wind generators should satisfy reactive power criteria. Their position is also contradicted by the NYSRC, which has commented that adopting the Commission's "case-by-case demonstration" rule would have adverse reliability consequences for New York State.<sup>29</sup> Importantly, the NYSRC expressly recognized that several of the transmission districts in the New York Control Area ("NYCA") have reactive power requirements that are more stringent than the +/- 95% requirement in order to meet the specific reliability needs in those transmission districts. The NYSRC urged the Commission to accept the proposed independent entity variation, on the ground that it properly respects the specific reliability needs of the NYCA. Given all of this, it is misleading for the Protestors to say that there has been no showing that New York's proposed reactive power requirements would be in the public interest.

Note that the new technology in doubly excited or variable speed wind generators has made it easier for wind plants to meet reactive power requirements than it was in the past. Given New York State's reliability needs, the Joint Filing Parties do not believe it is unreasonable to expect wind generators to bear their fair share of costs. It is certainly not "unduly discriminatory" to expect wind plants to comply with the same requirements as all other generators even though it would impose extra costs on them.

The Protestors do not explain why the existing New York independent entity variation allowing New York Transmission Owner to maintain their own minimum reactive power standards should be eliminated. As the Joint Filing Parties explained in their Compliance

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<sup>29</sup> See *Motion to Intervene and Comments of the New York State Reliability Council, L.L.C.* at 4, Docket Nos. ER06-506-000, -001 (Feb. 8, 2006).



Filing,<sup>30</sup> this variation was approved less than two years ago.<sup>31</sup> The circumstances justifying its adoption have not changed. Indeed, the NYISO has concluded that moving to a single statewide requirement would be inappropriate because it would fail to recognize the diversity of load conditions in New York State. A single standard would unreasonably discourage wind generators in some areas while simultaneously promoting projects without due concern for reliability in others. The NYSRC has also endorsed the continuation of this variation.

It would be a mistake for the Commission to cast aside established Transmission Owner reactive power criteria. These standards have been in place since well before the establishment of the NYISO and reflect actual physical system characteristics. The Transmission Owners have made numerous system design and planning decisions based on the assumption that their standards would apply to all interconnecting generators. Moving to a case-by-case demonstration system, or even a single statewide standard, would therefore be extremely disruptive. The NYISO considered this reality when it sponsored New York's independent entity variation for reactive power in the first place. The Commission should not discard the requirements based on arguments by the Protestors that do not even account for New York's specific characteristics.

Order No. 661-A left the door open to the possibility that NERC would develop new reactive power standards for wind plants that would supercede the Commission's generic case-by-case demonstration rule.<sup>32</sup> It is also possible that the NYSRC will follow up on its comments in this proceeding by adopting a new standard for New York State consistent with new FPA

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<sup>30</sup> Compliance Filing at 7.

<sup>31</sup> Compliance Filing at 7, *citing* 108 FERC ¶ 61,159 at P 104 (2004).

<sup>32</sup> *See* Order No. 661-A at P 42.

Section 215(i)(3). Given NERC's ongoing restructuring efforts, however, it is likely to be some time before it will be able to turn its attention to this issue. The NYSRC may likewise be inclined to wait until NERC addresses the issue before considering a New York-specific rule. In the meantime, the Commission should not force New York to operate under reactive power rules that its primary reliability authorities have stated would be inconsistent with reliability. It should instead err on the side of caution and allow established rules to remain in effect at least until NERC completes its structural transformation and has a chance to take a fresh look at wind interconnection issues.

Finally, the Protestors are wrong to claim that the generic rule requiring Transmission Providers to conduct studies demonstrating that individual wind plants need reactive power capability could be readily implemented in New York. The NYISO's System Reliability Impact Study ("SRIS") procedures do not currently address this issue because there has never been any question that wind plants must meet reactive power standards in New York. The Commission's generic rules provide no guidance as to what an SRIS study would have to show to justify requiring individual plants to adopt reactive power capability and the NYISO believes that it would be extremely difficult to establish such criteria. A case-by-case study system would also be sure to add expense, create delays, and even spawn litigation. Wind plants can be expected to challenge NYISO determinations that they must have reactive power capability. These problems would only be exacerbated by the very large number of wind plants that would have to be studied in New York. Thus, even though the Commission has made a generic ruling that its

case-by-case demonstration would not overburden Transmission Providers,<sup>33</sup> it should recognize that this holding is inapplicable to New York.

## **2. Power Curtailment Capability**

The Protestors assert that the Joint Filing Parties' proposal concerning capabilities for SCADA would create a "'power curtailment capability' in the [Large Generator Interconnection Agreement] that is different from the existing provisions for Automatic Generator Control and congestion management that are embedded in the NYISO market system." The Protestors contend that this proposal is not appropriate for the LGIA and that the NYISO should instead address any power curtailment needs by modifying its market rules.<sup>34</sup>

While it may be determined in the future that market rule changes are needed to ensure that wind generators have financial incentives to limit their power output in certain situations, that determination has not been made and any such changes will not result overnight in any event.<sup>35</sup> Until any such changes are determined to be appropriate and are implemented, the proposed variation is a reasonable interim measure that the NYSERDA Study expressly found to be necessary to the reliable integration of a large number of wind resources in New York. Moreover, even after market-based curtailment rules are in place, New York will still need

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<sup>33</sup> Order No. 661-A at P 44.

<sup>34</sup> Protest at 12.

<sup>35</sup> This is especially true because there are already so many important projects competing for the NYISO's resources. These include, among other things, the introduction of a new billing and settlement system, Commission-required changes to better integrate demand-side resources into the NYISO's real-time markets, and the potential need for significant changes to the long-term firm transmission rights offered by the NYISO. Because the schedule for implementing these projects has not yet been finalized, the Joint Filing Parties urge the Commission not to set a deadline for the introduction of market design changes related to wind plant curtailments at this time.

administrative curtailment rules to address system emergencies. For the reasons set forth above in the Joint Filing Parties' discussion of the proposed independent entity variation on reactive power issues, it would be inconsistent with New York's reliability needs to impose the generic rules in this area.

### **3. Interconnection Study Procedures**

The Compliance Filing proposed certain variations to the special wind interconnection process requirements set forth in the *pro forma* rules. These variations were intended to balance wind developers' legitimate need for access to system information against the danger of complicating interconnection studies by forcing the NYISO to evaluate an overwhelming number of wind proposals that lacked adequate detail. The Protestors challenged the proposed variations and offered a compromise of their own.<sup>36</sup> However, the alleged compromise is ill-defined, completely unsupported and, in fact, fails to address the underlying need for the variation.

The Protestors' argument against the proposed procedural variation is, like many of their other arguments, circular and detached from the New York specific justifications for a variation. The fact that the Commission rejected concerns that the its procedural rules would unduly burden or delay studies on a generic basis in Order Nos. 661 and 661-A does not mean that the they will be workable in the New York context. Moreover, the generic procedural requirements are not well-suited to New York given the sheer number of wind projects that the NYISO will have to study. The NYISO's independent technical assessment is that there will be so many projects offering so little information that the interconnection study process will be under great strain. If

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<sup>36</sup> As was noted above, the Joint Filing Parties and the Protestors tried, but ultimately failed, to reach a different compromise on this issue than the one that is set forth in the Protest.

wind projects are allowed to go forward without providing the necessary information, other generators (including other wind generators) with lower queue positions will have studies performed that are based on inaccurate information and which may lead to inaccurate results, unnecessary costs, and unreasonable delays. None of this will benefit wind developers or the Joint Filing Parties.

The Joint Filing Parties cannot accept the proposed compromise because it is not fully described and is completely unsupported. As the Joint Filing Parties understand it, the Protestors' offer would do virtually nothing to reduce the problems that the Commission's generic procedures pose. It would still force the NYISO to consider a very large number of inadequately detailed projects and enormously complicate the interconnection study process. It is appropriate, indeed imperative, that the Commission accept the Joint Filing Parties' proposed independent entity variation.

#### **IV. MISCELLANEOUS CLARIFICATION**

Finally, the Protestors have asked for an explanation of Attachment V to the Joint Filing Parties compliance filing. The Protestors are correct to observe that Attachment V is not referenced within the text of the filing. It was included in error and should be disregarded by the Commission.

## V. CONCLUSION

WHEREFORE, for the reasons set forth above, the NYISO and the New York Transmission Owners respectfully request that the Commission grant them leave to answer, reject the Protestors arguments, and accept all of their proposed independent entity variations.

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February 24, 2006



**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, DC this 24th day of February, 2006.

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