

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

OFFICE OF ENERGY MARKETS AND RELIABILITY

In Reply Refer To:
New York Independent System
Operator, Inc.
Docket No. ER06-310-000
1/27/06

Attn: Ted J. Murphy
Counsel for New York Independent System Operator, Inc.
Hunton & Williams LLP
1900 K Street, N.W.
Washington, D.C. 20006

Dear Mr. Murphy:

On December 9, 2005, on behalf of New York Independent System Operator, Inc. (NYISO), you submitted proposed revisions to Rate Schedule 5 to the NYISO's Market Administration and Control Area Services Tariff and Rate Schedule No. 6 of its Open Access Transmission Tariff. These changes include negotiated compensation provisions for existing Generators providing "Black Start and System Restoration Services" (Black Start and System Restoration Services) in the Consolidated Edison Company of New York, Inc.'s (ConEd) transmission district.¹ NYISO provided no support for the proposed compensation provisions, seeking instead to request waiver of the cost-of-service rate filing requirements, *i.e.*, 18 C.F.R. § 35.13 (c)–(h). Please be advised that your submittal is deficient and additional information is required by the Commission in order to process the filing.

Under section 205 of the Federal Power Act, the Commission must determine that all jurisdictional rates and charges (including negotiated rates) demanded by any public utility are just and reasonable. In this regard, please provide the following information:

¹ Specifically, the proposed rates are: (1) steam turbine units interconnected at the 345 kV level would receive \$350,000/year/unit; (2) steam turbine units interconnected at the 138 kV level would receive \$300,000/year/unit; (3) gas turbine units interconnected at the 345 kV level would receive \$350,000/year/site; and (4) gas turbine units interconnected at the 138 kV level would receive \$300,000/year/site.

- 1) Cost support for the proposed compensation levels of Black Start and System Restoration Services. Please explain what equipment is used in providing Black Start and System Restoration Service in ConEd's transmission district, and provide any available study or analysis reflecting the costs of such equipment. Provide and explain any other cost data that was reviewed to assess the reasonableness of the proposed compensation.
- 2) If the NYISO is unable to substantiate the proposed compensation levels for Black Start and System Restoration Services with cost information, please explain how NYISO determined the reasonableness of the proposed compensation.² Include full details and support.
- 3) How does the proposed compensation compare to the compensation that has historically been paid to the units in ConEd's transmission district? How does the proposed compensation compare to that paid to other New York suppliers of Black Start and System Restoration Services and to that paid to other black start providers outside of New York (e.g., in ISO-NE and PJM)?
- 4) NYISO's proposed compensation for Black Start and System Restoration Services is stated on dollars unit or site and the voltage level at which the generating facility is attached to the New York State transmission system. Why is the compensation for a gas turbine stated on a per site basis and the compensation for a steam unit based on a per unit basis? Why is the voltage level of the connecting transmission line a factor in determining compensation? How much compensation is paid to a station, such as the Astoria Station, which has both steam and gas turbines?
- 5) Please provide a list of the selected eligible existing generators in the ConEd Transmission District. Include the name of the unit, whether it is a steam or gas turbine, and how much black start capability is provided by the unit.
- 6) NYISO proposes that generators commit to providing the Black Start and System Restoration Services for an initial minimum period of three years and for rolling three year periods thereafter. Please explain the rationale for this minimum contract period and roll over period.
- 7) Please explain the difference between the currently effective requirement to provide "embedded cost information based on Form No. 1 or equivalent data" and the proposed revision that requires "cost information ... based upon FERC Form No. 1 or equivalent data". How will such revision ameliorate the disputes over what constitutes

² For example, PJM Interconnection LLC uses a formula rate that includes a capacity deficiency element and various allocation factors. *See* PJM Interconnection, L.L.C., FERC Electric Tariff, Sixth Revised Volume No. 1, First Revised Sheet No. 241.

the “equivalent” of Form 1 data referenced on page 3 of your Transmittal letter?

The information requested in this letter will constitute an amendment to your filing. A notice of amendment will be issued upon receipt of your response. Accordingly, you are directed to submit a form of notice of amendment to the filing pursuant to Section 35.8 of the Commission’s Regulations.

This order is issued pursuant to 18 C.F.R. § 375.307(n)(2) and is interlocutory. This order is not subject to rehearing pursuant to 18 C.F.R. § 385.713 and a response to this order must be filed within 15 days of the date of this letter. Submit seven copies of your response to this deficiency letter. Six copies of your response should be sent to:

Federal Energy Regulatory Commission
Office of the Secretary
888 First Street, N.E.
Washington, D.C. 20426

The seventh copy should be sent to:

Federal Energy Regulatory Commission
Attn: Ted J. Glick
Division of Tariffs and Market Development - East
Office of Energy Markets and Reliability
888 First Street, N.E. (Room 82-69)
Washington, D.C. 20426

Failure to respond to this order within the time period specified may result in a further order rejecting your filing. Pending receipt of the above information, a filing date will not be assigned to your submittal.

Sincerely,

Anna Cochrane, Director
Division of Tariffs and Market
Development – East

cc: Robert E. Fernandez, General Counsel and Secretary
New York Independent System Operator, Inc.
290 Washington Avenue Extension
Albany, New York 12203