

June 20, 2008

VIA EMAIL AND HAND DELIVERY

Mr. James Alcombright
Secretary, NYISO Management Committee
New York Independent Operator
10 Krey Boulevard
Albany, New York 12144

Re: Case 06-T-0650 - Application of New York Regional Interconnect Inc. for a Certificate of Environmental Compatibility and Public Need Pursuant to Article VII for a High Voltage Direct Current Electric Transmission Line Running Between National Grid's Edic Substation in the Town of Marcy, and Central Hudson Gas & Electric's Rock Tavern Substation Located in the Town of New Windsor

Dear Mr. Alcombright:

Attached is the Reply of New York Regional Interconnect Inc. ("NYRI") to the motion of Con Edison and O&R regarding NYRI and NYISO Staff's appeal of the May 22, 2008 action of the Operating Committee denying approval of the System Reliability Impact Study for the NYRI Project.

NYRI requests that this information be included in the meeting material for the June 27, 2008 Management Committee meeting.

Please call me if you have any questions.

Very truly yours,

COUCH WHITE, LLP
Leonard H. Singer
Leonard H. Singer

LHS/dp

Enclosure

cc: Mr. Peter Lemme NYISO (via e-mail w/encl.)
Ms. Karen Gach NYISO (via e-mail w/encl.)
Mr. Steve Corey NYISO (via e-mail w/encl.)

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REPLY OF NYRI TO MOTION OF CON EDISON AND O&R IN OPPOSITION TO APPEAL

The following is the reply of New York Regional Interconnect Inc. (“NYRI”) to the Motion of Con Edison and O&R in Opposition to Appeal, dated June 16, 2008 (“Con Edison Motion”).

A Transfer Capability Decrease is not Equivalent to a Reliability Impact

-- The Con Edison Motion incorrectly states that a decrease in the thermal transfer limit of the UPNY/ConEd interface of approximately 500 MW is a sufficient basis to reject the NYRI SRIS. (Con Edison Motion at 1.) The SRIS Report shows that this interface is voltage limited, not thermal limited and, therefore, the NYRI Project will not reduce the transfer limit of this interface. Furthermore, Con Edison is stating that a transfer capability decrease is equivalent to a reliability impact. This is not the case and is in direct contradiction to the “NYISO Reliability Impact Study Criteria and Procedures,” page 4, paragraph 2, under “Technical Assumptions,” which states¹:

2. Any potential adverse reliability impact identified by the SRIS that can be managed through the normal operating procedures of the NYISO and/or CTO will not be identified as a degradation of system reliability or noncompliance with the NERC, NPCC, or NYSRC reliability standards. It is assumed that the owners and operators of the proposed facilities will be subject to, and shall abide by, the applicable NYISO and/or CTO’s operating procedures.

As stated in the SRIS report, the NYRI facility will be turned over to NYISO for control. The nature of an HVDC line is that it can be dispatched to a scheduled flow, and the flow has a high degree of controllability. NYISO operating procedures and software are fully capable of managing NYRI operation. Since the NYRI line is a controllable resource subject to NYISO dispatch it will not result in an adverse reliability impact. The impact of any resource affecting transfer limits is purely economic; if the resource causes transfer limits to decrease such that congestion occurs, the sending end LMP’s will drop, causing the sending resource to back down or invest in relieving the limit.

Moreover, the true measure of reliability impact is Loss of Load Expectation (“LOLE”). Other facilities in series with the UPNY/ConEd interface limit are more

¹http://www.nyiso.com/public/webdocs/services/planning/other_nyiso_interconnection_documents/sris_criteria_and_procedures_revised_052301.pdf

limiting.² LOLE evaluations are part of the annual reliability assessment, not the SRIS study procedures.

A review of the historic day ahead congestion patterns published by NYISO shows that the UPNY/ConEd interface has only been limiting 15 days in the 1095 days of 2005 through 2007 (1.37% of the time). Even accepting the premise that NYRI decreases the UPNY/ConEd limit by 500 MW, which it does not, this reduced capability is in the range of historic day-ahead transfer limit variation. Obviously, the UPNY/ConEd limit is not a major congestion cause, and by extension, is not a reliability threat

The NYRI SRIS was Properly Performed and Evaluated

-- The Con Edison Motion incorrectly states the NYRI SRIS did not properly evaluate the impact of the NYRI Project on the reliability of the existing transmission system. (Con Edison Motion at 1.) Con Edison does not identify any valid error or omission in the SRIS report other than taking issue with the conclusion that the project will not adversely impact the reliability of the system. Con Edison fails to even mention that the NYISO Staff thoroughly reviewed the NYRI SRIS report and concluded that it was done properly and in accordance with all applicable requirements, and concluded that the NYRI project will not have an adverse impact on the transmission system.

-- The Con Edison Motion claims that the UPNY/ConEd interface is not voltage limited. (Con Edison Motion at 2.) Con Edison provides no support for this statement and it simply is inconsistent with many other studies and NYISO reports. The latest comprehensive area transmission review of the year 2010, published 2005, lists the UPNY-ConEd limit as being voltage limited at 4,582 MW.³ Other SRIS studies, for example the Waywaywanda and Indian Point upgrade studies have characterized the UPNY-ConEd limit as being voltage based without any objection from Con Edison. Con Edison fails to provide any basis for differentiating the approval of these SRIS reports.

-- The Con Edison Motion incorrectly states that “NYRI fails to realize that the impact of a project on thermal limits is a crucial factor in determining whether a project has a negative impact on system reliability.” (Con Edison Motion at 2.) First, as stated above, it is not just NYRI that concluded that the NYRI project will not have a negative impact on system reliability but the NYISO Staff as well. Second, varying system dispatch can alleviate or correct a thermal limitation. In accordance with the NYISO SRIS Criteria and

² In fact, in the ConEd fault current management plan study report they say “A voltage constrained emergency transfer limit for the UPNY ConEd interface was not calculated, because, quite clearly, imports into the City are limited by the NYC Cable interface for both Normal and Emergency system conditions.” https://www.nyiso.com/public/services/planning/interconnection_studies_process.jsp?study=con_edison_fault_current_mgt_plan, page 23

³http://www.nyiso.com/public/webdocs/services/planning/reliability_assessments/2005_ny_catr_bulk_power Table 2.5 A, page 22

Procedures, *“The technical assumptions used when conducting an SRIS shall support a minimum interconnection standard.... ”* In fact, Con Edison in its appeal of a NYISO OC decision, filed 6/4/2004, acknowledged that “NYISO procedures further state that the SRIS technical assumptions are used to: “support a minimum interconnection standard.” (A copy of Con Edison’s appeal is attached) Con Edison also fails to acknowledge that according to the NYISO SRIS Criteria and Procedures, an SRIS report should provide *“Evaluation of the impact of the proposed project on the interface transfer limits (i.e. Transfer Capability) based on the most limiting of the thermal, voltage, and stability criteria.”* (see footnote 1) and does not prioritize thermal limits as more important.

-- The Con Edison Motion erroneously states that the NYRI SRIS should have included elements that were already under construction or in-service (Con Edison Motion at 3). To the extent Con Edison is suggesting that NYRI should have included projects in the model that are in the queue after NYRI, these, by rule, are not to be included in the SRIS. The NYRI SRIS study scope was approved by TPAS. According to standard practice, analysis is based on a set of base cases that are system snapshots taken at a particular time. If Con Edison’s argument were to be followed in every study and base cases were to be updated when new elements came in service, the process would descend into chaos. The NYISO has recognized that, and it has affirmed in the past that once study models are developed for a project (that include projects ahead of the study project in the Interconnection queue) the same models should be used to complete the study.

-- The Con Edison Motion refers to what it calls “long-term impact” (Con Edison Motion at 3) but fails to cite any applicable SRIS study criteria or requirements that state that an SRIS study must consider long-term impact, whatever that is. The purpose of an SRIS is to compare grid performance with and without a project in service based on an approved scope that includes the system configuration and resources that must be included in the study. There is no requirement, as there should not be, to study what may happen in the long-term if as yet unidentified projects become part of the system. Adopting Con Edison’s suggestion would threaten every other potential project because a utility like Con Edison could simply argue that the SRIS failed to consider a “long-term impact” that the utility subjectively argues might materialize.

The Facilities Study Continues the Assessment

One of the primary purposes of the Facilities Study is to “true up” the modeling assumptions to eliminate the queue precedence assumed in the SRIS. It is in the Facilities Study that some of Con Edison’s concerns are properly addressed by design of the NYISO OATT and the FERC approved interconnection procedures included therein. Con Edison incorrectly states that leaving modeling issues to be resolved in the facilities study “whitewashes the incorrect SRIS conclusions and sends the wrong signal to regulators and market participants.” NYRI, its consultant PowerGEM, and NYISO Staff disagree that the SRIS conclusions were wrong; they are supported by the results of the SRIS under the study

procedures and SRIS guidelines. The truly “wrong signal” being sent by Con Edison and the OC vote being appealed is that NYISO SRIS study rules will not be followed and that studies can be rejected based on unfounded statements and individual market participant commercial interests.

For the reasons stated above and in the appeal of the Operating Committee action, Con Edison’s objections to the NYRI SRIS should be rejected and the SRIS study for the NYRI Project should be approved by the Management Committee.

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ATTACHMENT A

Con Edison's Appeal Of The Operating Committee's Decision To Amend Con Edison's SRIS Study Scope

June 4, 2004

Agenda 08



Background

- In order to meet load growth, Con Edison proposed to build the Mott Haven substation.
- The Mott Haven SRIS study scope was developed by Con Edison consistent with industry standards and approved by the NYISO staff.
 - It used the standard industry representation for power flows over the ABC lines between PJM and NY:
 - 100 MW over the A line
 - 450 MW over the B line
 - 450 MW over the C line
- At its April 29th meeting, the OC approved a PSEG proposal that added an additional scenario:
 - It required that Con Edison model the ABC lines using an additional representation of 333.3 MW for each line.

The Original Scope Was Based On Standard Industry Data

- The 100/450/450 MW representation of power flows over the ABC lines used by Con Edison in the original study scope is the standard representation used by:
 - NYISO, PJM, NPCC, MACC
- The NYISO staff agreed with Con Edison's power flow representation and study scope.
- The scope was acceptable to TPAS.

The Scope Of An SRIS Should Be Limited To Reliability Standards

- The *NYISO System Reliability Impact Study Criteria and Procedures* state that the objectives of an SRIS are to:
 - “Confirm that the proposed new or modified facilities associated with the project comply with applicable reliability standards”
- NYISO procedures further state that the SRIS technical assumptions are used to:
 - “support a minimum interconnection standard”

There Is No Reliability Need For The Amendment

- The proposed Mott Haven substation is electrically remote from the ABC lines.
- The OC did not offer any evidence that the proposed substation will have an adverse reliability impact on the standard power flow over the ABC lines, in support of the amendment to add an alternate power flow distribution.
- Nor did the OC offer any proof that either the standard, or its proposed alternate, power flow distribution over the ABC lines will have a reliability impact on Mott Haven itself.
- Finally, the OC did not offer any evidence of a reliability need in support of its amendment.

Economic & Litigation Scenarios Do Not Belong In An SRIS

- The 1/3, 1/3, 1/3 representation of power flows over the ABC lines is PSEG's litigation position in its on-going litigation with Con Edison at FERC.
- The OC's amendment requires Con Edison to provide PSEG with free engineering analyses in support of PSEG's litigation position against Con Edison.
 - This amendment is at no cost to PSEG.
- A reliability study is not the place to study the economic impacts of a market participant's preferred litigation outcome.
- The OC's amendment is inappropriate.

The Amendment Sets A Bad Precedent

- It is not just Con Edison that is at risk:
 - An SRIS for a generator interconnection would be subject to an amendment by the generator's competitor
 - An SRIS for a merchant transmission project could be amended by a competing developer.
 - In the recent past, PSEG has attempted to amend other SRIS, Scopes (e.g. Conjunction, Liberty VFT Intertie, etc.) with similar requests. Those attempts have been rejected.
 - Con Edison's own SRIS should be entitled to the same deference.
- The SRIS should not be used by other parties to require free studies in support of their litigation positions.
- The reliability focus would be lost

PSEG's SRIS Used The Standard Representation

- When Con Edison was asked by PSEG to do an SRIS for PSEG's interconnection at West 49th Street, the data used was the standard industry representation.
- PSEG agreed with the use of the data.

Conclusion

- Amending an SRIS study scope to include litigation support and extraneous analyses is inappropriate.
- Con Edison requests that:
 - The decision of the Operating Committee to amend Con Edison's study scope be overturned.
 - Con Edison's original SRIS study scope be reinstated.