

**NYISO PROPOSAL FOR NEW CAPACITY ZONE CRITERIA**  
**COMMENTS SUBMITTED ON BEHALF OF**  
**THE NEW YORK TRANSMISSION OWNERS, LIPA AND NYPA (the “TOs”)**

**Background**

In October of 2007, the Consensus Deliverability Plan was filed with FERC. Paragraph 19 of the Consensus Deliverability Plan provided that: The NYISO staff and market participants will work collaboratively to develop over the next three years criteria for the potential formation of additional locational ICAP zones.

In an order issued on June 30, 2009, the Commission noted that three years from the filing of the Consensus Deliverability Plan will be October 5, 2010. FERC directed the NYISO to make a filing by that date, which should “address the implications and effects of a new capacity zone or zones on the tariff provisions and market rules governing Capacity Resource Interconnection Service”.<sup>1</sup>

On August 30, 2010, NYISO staff made a presentation on a proposal for the development of criteria for additional capacity zones. The presentation contemplated the approval of criteria for additional capacity zones by the NYISO stakeholders and the NYISO Board, and submission of the criteria to FERC in a filing on October 5, 2010. NYISO staff requested comments on its presentation by September 7, 2010.

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<sup>1</sup> Order on Rehearing, Clarification, and Compliance, Docket Nos. ER04-449-018, ER04-449-019, June 30, 2009, paragraph 53.

## **TO Comments**

The formation of additional capacity zones was a subject of controversy when the Consensus Deliverability Plan was developed. While no consensus was achieved with respect to the formation of an additional capacity zone, there was a consensus that in order to determine whether an additional capacity zone is warranted, the NYISO would need to first establish the criteria that would be used to make such a determination. For whatever reasons, the analysis necessary to develop those criteria has not occurred in any substantial way over the past three years. While the NYISO's August 30 presentation may serve the useful purpose of initiating an analysis of the appropriate criteria for the formation of additional capacity zones, it is only a first step. In fact, the NYISO's presentation raises more questions than it answers and demonstrates that NYISO stakeholders need to address a number of fundamental issues, including the basic objectives for the formation of additional capacity zones, and the relationship of those objectives to reliability needs and economic efficiency. In addition, as noted in its June 30, 2009 order, FERC expects the NYISO to file not only the criteria but also an analysis of the implications of additional capacity zones on tariff provisions and market rules governing Capacity Resource Integration Service.

While the TOs appreciate that the NYISO may be reluctant to inform FERC that more time is needed to develop additional capacity zone criteria, we see no reasonable alternative to that course of action. An attempt to file proposed criteria for additional capacity zones that have not been adequately vetted in the stakeholder process and that do not have significant stakeholder support would be inconsistent with both the provisions in the Consensus Deliverability Plan and

with the expectations of FERC as expressed in its June 30, 2009 order. Furthermore, the filing of criteria at this point is certain to lead to extensive and wasteful litigation at FERC.

The TOs, therefore, recommend that the NYISO inform FERC that NYISO staff and the NYISO stakeholders have not developed criteria for the formation of additional capacity zones and an additional reasonable period of time is needed to develop those criteria. The period of time requested should be realistic, given the complexity of the issues related to the formation of additional capacity zones. We suggest that the NYISO request a period of no less than six months.

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