

**NOTICE OF APPEAL OF
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.,
OF THE OPERATING COMMITTEE’S DECISION WITH RESPECT TO
THE SYSTEM RELIABILITY IMPACT STUDY SCOPE
OF CON EDISON’S PROPOSED MOTT HAVEN SUBSTATION**

I. SUMMARY OF ARGUMENT

Pursuant to Article XV of the of the Management Committee Bylaws, Consolidated Edison Company of New York, Inc. (“Con Edison”) hereby files this notice of appeal of the Operating Committee’s (“OC’s”) decision at its April 29, 2004 meeting to modify the scope of the System Reliability Impact Study (“SRIS”) for Con Edison’s proposed Mott Haven substation.¹

At its April 29th meeting, the OC accepted a proposal by PSEG Energy Resource and Trade (“PSEG”) that modified the scope of the SRIS for Mott Haven. In addition to changing the industry-accepted levels for power flows over the ABC transmission lines between PSEG and Con Edison, PSEG’s SRIS modification at the OC amended the study scope to require that Con Edison conduct additional analyses relating to the litigation position of its affiliate, Public Service Electric and Gas Corporation (“PSE&G”), which is involved in litigation with Con Edison concerning the power flows over these same lines. Interestingly, when PSEG had a SRIS done for its tie into Con Edison’s West 49th station, it used the standard industry representation, not the one that it now requests that Con Edison use.

PSEG’s amendment is also inconsistent with the fundamental purpose of an SRIS, which is to analyze the system impact of proposed projects, and to determine whether they meet minimum reliability requirements. Specifically, the NYISO *System Reliability*

¹ This SRIS was part of Agenda item 7 as motion number 62.03.

Impact Study Criteria and Procedures (“NYISO Criteria”) states that the objectives of an SRIS are to “[c]onfirm that the proposed new or modified facilities associated with the project comply with applicable reliability standards.”²

PSEG should not be allowed to subvert the process of a reliability study in order to have litigation analyses conducted on behalf of its affiliate. Accordingly, the OC’s decision should be reversed and the original Con Edison/NYISO SRIS study scope restored.

II. BACKGROUND

In order to meet anticipated load growth in its service territory, Con Edison proposed to construct a new transmission substation called the Mott Haven substation, which will be supplied via looping Con Edison feeders numbers 71 and 72 in and out of the proposed substation. As part of the process for obtaining an approval of its SRIS for Mott Haven, Con Edison, working with NYISO staff, developed a study scope for the SRIS and presented that scope to the OC on April 29, 2004. The NYISO staff agreed with the scope.

Among other baseline assumptions, the scope included the long-accepted standard PJM-NYISO interchange representation of power flows for the Con Edison/PSEG wheel. This representation consists of 100 MW over the A line, 450 MW over the B line and 450 MW over the C line.

At the April 29th OC meeting, the representative from PSEG sought to amend the scope to require that the SRIS include an alternative to the standard representation of power flows over the A, B, C lines. This alternative would represent each line as having

² NYISO Criteria, page 1.

a power flow of 333.3 MW. Over the objections of the NYISO staff, Con Edison and others, the OC approved this amendment.

III. ARGUMENT

A. The Scope Of An SRIS Should Be Limited To Reliability Concerns

The purpose of an SRIS is to determine whether a proposed project meets applicable reliability requirements. Specifically, the NYISO Criteria states that the objectives of an SRIS are to “[c]onfirm that the proposed new or modified facilities associated with the project comply with applicable reliability standards,” as well as “assess the impact of the proposed project on the reliability of the pre-existing power system.”³ In conducting that assessment, the NYISO Criteria states that the technical assumptions used are to “support a *minimum interconnection standard*.”⁴ (emphasis in original). Thus, while other system dispatch scenarios may be desirable or nice to evaluate, those other scenarios are outside the minimum requirements of this SRIS, or any other SRIS.

1. The Original SRIS Study Scope Was Based On Standardized Industry Data

The representation of the power flows over the ABC lines contained in the original SRIS study scope prepared by the NYISO and Con Edison was based on a standard set of data that is used by MACC, ECAR and NPCC in their reliability studies, and concurred with by PJM and the NYISO. It reflects the generally accepted industry view of how power is transmitted over those lines. Given that the SRIS is a reliability study, there is no reason to use anything but the standard industry representation.

³ NYISO Criteria, page 1.

⁴ NYISO Criteria, page 4.

2. Changing SRIS Assumptions by OC Vote Creates An Ill-Advised Precedent

If this change to the standard assumptions used in region-wide reliability studies is allowed to stand, an ill-advised precedent will be created. In the future, stakeholders would be able to cite to this action as support for a vote to approve unjustified changes in a fundamental assumption in a reliability study even if those modifications are contrary to well-accepted industry practice. It is important that such industry-accepted practices form the basis for reliability studies. Such actions could create a reliability concern.

3. An SRIS Is Not The Place To Conduct Economic Scenarios In Support Of A Market Participant's Litigation Position

The amendment proposed by PSEG requires Con Edison to perform additional and unnecessary studies in support of its affiliate's litigation position against Con Edison. In supporting this modification of the SRIS study scope, the PSEG representative indicated that his purpose for requesting this additional analysis was to anticipate a change in the wheel over the ABC lines based on his own sense of the final outcome of the on-going FERC proceedings regarding service over those lines. In fact, the modification put forth by PSEG reflects the litigation position advocated by its affiliate, PSE&G, before FERC in litigation against Con Edison.

A reliability study, like the SRIS, is not the place to conduct additional analyses for market participants so that they can judge the economic impacts of a preferred litigation outcome. The PSEG representative did not even argue that the proposed alternative power flow distribution over the ABC lines would have an impact on Mott Haven or even that Mott Haven would have an impact on the power flow exchange over the ABC lines. In fact, neither the ABC lines nor the proposed project would have a

measurable electrical impact on each other. This is because the Mott Haven project is electrically remote from the ABC lines and, as such, will not be affected by a different set of loadings over these feeders, nor will the Mott Haven project affect the contested Con Edison/PSE&G wheel, regardless of the specific assumptions regarding scheduled flows on the ABC lines.

Therefore, even if the outcome of the litigation over the ABC lines were to be favorable to PSE&G, it would have no bearing on the proposed Mott Haven station. As such, PSEG's additional analyses are inappropriate for this SRIS and are unduly burdensome and costly for Con Edison. This additional analysis is unnecessary and should be excluded from the Mott Haven SRIS.

B. PSEG's Own SRIS Used The Standard Representation For Power Flows Over the ABC Lines

When PSEG had an SRIS performed for its interconnection to Con Edison's West 49th Street station, it used the standard industry representation of power flows over the ABC lines, not the alternate representation that they have advocated that Con Edison use. Yet now, because it helps to advance the litigation position of its affiliate, PSEG suddenly believes that it is crucial that Con Edison be made to study an additional power flow scenario that just so happens to match PSE&G's litigation position. If studying a power flow based on 333.3 MW over each line is so crucial, then why didn't PSEG use that representation for the SRIS on its own project?

PSEG's amendment subverts the SRIS process by turning a reliability study into a litigation support study.

IV. CONCLUSION

For the reasons stated herein, Con Edison respectfully requests that the Management Committee approve the motion attached as Exhibit A, which overturns the decision of the OC and directs that the Mott Haven SRIS be based on the scope originally proposed by Con Edison, and recommended for approval by TPAS.

Dated: May 13, 2004
New York, N.Y.

Respectfully submitted,
**Consolidated Edison Company
of New York, Inc.**

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Con Edison's Motion

The Management Committee hereby grants Con Edison's appeal of the Operating Committee's decision at its April 29, 2004 meeting to amend the study scope for the SRIS of Con Edison's proposed Mott Haven substation. Accordingly, the Operating Committee's vote amending the Mott Haven SRIS study scope is hereby vacated and Con Edison's original study scope for SRIS of its proposed Mott Haven substation is hereby approved.