

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

New York Independent System Operator, Inc. Docket Nos. ER06-506-002
and ER06-506-003

ORDER ON REHEARING AND COMPLIANCE

(Issued June 15, 2006)

1. On April 17, 2006, the New York Independent System Operator, Inc. (NYISO) and the New York Transmission Owners¹ (collectively, Joint Filing Parties) filed a request for clarification or, in the alternative, rehearing of the Commission's order issued on March 17, 2006.² In this order, we grant in part and deny in part the Joint Filing Parties' request for rehearing, as discussed below. We also accept in part and reject in part the compliance filing that the Joint Filing Parties' submitted on April 17, 2006 in response to the March 17 Order, and order a further compliance filing.

A. Background

2. On January 18, 2006, as amended on January 19, 2006, the Joint Filing Parties jointly submitted a compliance filing proposing revisions to the Large Generator Interconnection Procedures (LGIP) and Large Generator Interconnection Agreement (LGIA) contained in NYISO's Open Access Transmission Tariff (OATT) to incorporate,

¹ The New York Transmission Owners are: Central Hudson Gas & Electric Corporation; Consolidated Edison Company of New York, Inc.; LIPA; New York Power Authority; New York State Electric & Gas Corporation (NYSEG); Niagara Mohawk Power Corporation d/b/a National Grid; Orange and Rockland Utilities, Inc.; and Rochester Gas and Electric Corporation (RG&E).

² *New York Independent System Operator, Inc.*, 114 FERC ¶ 61,271 (2006) (March 17 Order).

with certain modifications, the standard procedures and technical requirements for the interconnection of large wind generators adopted by the Commission in Order Nos. 661³ and 661-A.⁴

3. The Joint Filing Parties' filing was proffered under the Commission's "independent entity variation" standard for independent transmission providers.⁵ The Joint Filing Parties asserted that all of the proposed independent entity variations were based on New York's reliability needs.

4. The March 17 Order accepted in part and rejected in part the Joint Filing Parties' proposed modifications to the LGIP and LGIA, and rejected the Joint Filing Parties' proposal to allow non-independent transmission owners to maintain their own reactive power criteria. The Commission stated that doing so would vest too much authority in individual transmission owners and not enough with NYISO.⁶ The Commission further stated that allowing non-independent transmission owners to maintain their own reactive power criteria would also provide the individual transmission owners with decisional authority over the reactive power criteria that must be met by wind plants proposing to build in the service territory of each transmission owner.⁷ The March 17 Order also rejected the Joint Filing Parties' proposal to require all wind plants to possess reactive power capability, regardless of whether a system impact study establishes that reactive power is needed for a particular facility, and directed the Joint Filing Parties to remove

³ *Interconnection for Wind Energy*, Order No. 661, FERC Stats. & Regs. ¶ 31,186 (2005) (Final Rule).

⁴ *Interconnection for Wind Energy*, Order No. 661-A, FERC Stats. & Regs. ¶ 31,198 (2005).

⁵ In *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 827 (2003), *order on reh'g*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 (2004), *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 (2005), the Commission held that "[w]ith respect to an RTO 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." By contrast, non-RTOs and non-ISOs must justify variations based either on a regional difference approved by the applicable Reliability Council or by showing that the variation is "consistent with or superior to" the requirements of the Final Rule adopted in Order No. 2003. Order No. 2003 at P 826.

⁶ March 17 Order at P 27.

⁷ *Id.*

the proposed language requiring all wind plants to maintain reactive power capability.⁸ The Commission focused on the possibility of inherent discrimination against wind plants as a class given that they have different technical characteristics and produce reactive power (which may be unnecessary) only at significant expense.⁹

5. The Commission also rejected the Joint Filing Parties' proposal to create a separate power curtailment capability that would impose a limit on the power output of wind plants and directed the Joint Filing Parties to remove the separate power curtailment provisions from the LGIA.¹⁰ The Commission stated that this requirement was unnecessary since it is already adequately covered by the Automatic Generator Control (AGC) provisions of the LGIA.¹¹

6. The March 17 Order further rejected the modifications proposed by the Joint Filing Parties and the proposed alternative approach suggested by the American Wind Energy Association and the Alliance for Clean Energy New York to modify the *pro forma* process for queue position and obtaining base case data. The Commission stated that the procedures in Appendix 7 of Order No. 661 were adopted to allow wind plants to provide simplified design data and enter the interconnection queue, which is a prerequisite to applicants obtaining the system data they need to complete their detailed electrical design.¹²

7. Further, in the March 17 Order, the Commission also directed the Joint Filing Parties to revise the Power Factor and Design Criteria and the Supervisory Control and Data Acquisition (SCADA) provisions to show an effective date of October 14, 2005 and an effective date of January 18, 2006 for the remaining *pro forma* provisions, as required by Order Nos. 661 and 661-A.¹³

8. Finally, the March 17 Order directed the Joint Filing Parties to submit a compliance filing within 30 days from the issuance of the order.¹⁴

⁸ *Id.* at P 42.

⁹ *Id.* at P 44.

¹⁰ *Id.* at P 55.

¹¹ *Id.*

¹² Order No. 661 at P 99.

¹³ March 17 Order at P 68.

¹⁴ *Id.* at Ordering Paragraph B.

9. On April 17, 2006, the Joint Filing Parties requested clarification or, in the alternative, rehearing of the March 17 Order. The Joint Filing Parties request clarification that the Commission will accept a more stringent power factor requirement if the system reliability impact study (SRIS) shows that reliability dictates that a project needs reactive power. Second, the Joint Filing Parties request clarification that wind projects that have a completed SRIS and have obtained NYISO Operating Committee approval of the SRIS, but have not executed an interconnection agreement, will not have to be restudied. Third, the Joint Filing Parties request clarification that, in its March 17 Order, the Commission did not reduce the curtailment authority of the Joint Filing Parties.

10. Also, on April 17, 2006, the Joint Filing Parties filed revised tariff sheets to comply with the Commission's findings in the March 17 Order. The Joint Filing Parties also included revised tariff sheets incorporating provisions implementing the need for a more stringent reactive power requirement if necessary to ensure the safety and reliability of the transmission system.

B. Notice of Filing and Responsive Pleadings

11. Notice of the Joint Filing Parties' April 17, 2006 compliance filing was published in the *Federal Register*, 71 Fed. Reg. 26,488 (2006), with interventions and protests due on or before May 8, 2006. No interventions or protests were filed.

C. Discussion

1. Request for Clarification and Rehearing

a. Stringent Reactive Power Standards

12. In Order No. 661 the Commission, among other matters, adopted standards for power factor design criteria (reactive power), but required that wind plants meet those standards only if the transmission provider shows, in a system impact study, that reactive power is needed to ensure the safety or reliability of the transmission system.¹⁵ Moreover, in Order No. 661-A, the Commission denied requests that Appendix G to the *pro forma* LGIA require wind plants to possess reactive power capability in all cases, and required this capability only when the system impact study shows that such capability is necessary for safety or reliability.¹⁶

13. On rehearing, the Joint Filing Parties state that, in compliance with the March 17 Order, NYISO will evaluate the need for each wind project to have reactive power,

¹⁵ Order No. 661 at P 26-28; *see* March 17 Order at P 6.

¹⁶ Order No. 661-A at P 6, 41.

and/or dynamic stability, capability at the point of interconnection when it conducts the project's SRIS. They further state that these studies will comply with the directive in Order Nos. 661 and 661-A that a transmission provider determine whether a proposed wind project, absent reactive power capability, would degrade reliability. In addition, the Joint Filing Parties state that NYISO will conduct this analysis in a non-discriminatory manner. They add that, as required in Order Nos. 661 and 661-A, any wind project that is shown to need reactive power capability must, at a minimum, comply with the *pro forma* standard, *i.e.*, +/- 0.95.

14. However, the Joint Filing Parties argue that NYISO's studies may demonstrate that reliability requires an individual wind project to satisfy a more stringent standard than +/- 0.95 at the point of interconnection. In that event, the Joint Filing Parties state that the NYISO will, consistent with Order No. 661-A, file a non-conforming LGIA requiring that wind project to meet the more stringent criteria.¹⁷ The Joint Filing Parties request clarification that the Commission will accept such a non-conforming LGIA when it is based on the results of an SRIS conducted in compliance with the relevant provisions of NYISO's OATT.

15. The Joint Filing Parties argue that clarification of this point is needed because prior Commission orders under Order No. 2003 suggest that modifications to the *pro forma* interconnection agreement will be accepted only in "unique" or "extraordinary circumstances."¹⁸ In this regard, they note that, to date, very few modifications to *pro forma* interconnection agreements have been found to satisfy the Commission's criteria.¹⁹ The Joint Filing Parties have added corresponding language to the tariff provisions they submitted in the compliance filing stating that the SRIS may determine that a more stringent reactive power factor range is necessary to ensure system reliability.

¹⁷ See Order No. 661-A at P 34, where we stated that, "[i]f another standard is necessary for a specific wind plant interconnection to maintain reliability, a non-conforming agreement may be filed with the Commission."

¹⁸ *E.g.*, *Midwest Independent Transmission System Operator, Inc.*, 115 FERC ¶ 61,024 at P 9 (2006), where the Commission stated that, "the Commission recognized in Order No. 2003 that there would be a small number of extraordinary interconnections where reliability concerns, novel legal issues or other unique factors would call for non-conforming agreements. The Commission made clear that the filing party must clearly identify the portions of the interconnection agreement that differ from its *pro forma* agreement and explain why the unique circumstances of the interconnection require a non-conforming interconnection agreement." (Footnotes omitted).

¹⁹ *E.g.*, *Midwest Independent Transmission System Operator, Inc.*, 114 FERC ¶ 61,256 at P 7 (2006) (emphasizing that only a limited number of interconnections would require deviations from the transmission provider's *pro forma* provisions).

Commission Conclusion

16. We will grant the Joint Filing Parties' request for clarification that wind projects may be required to meet a more stringent standard than +/- 0.95 lead/lag.²⁰ However, such a requirement may only be imposed on a case-by-case basis when a properly conducted SRIS finds that such criteria are needed to ensure the safety or reliability of the transmission system.

17. NYISO must file any interconnection agreements for wind projects proposing more stringent reactive power requirements than +/- 0.95 as non-conforming agreements for Commission review and approval. The Commission will review such agreements on a case-by-case basis.²¹ Correspondingly, the Commission will reject the Joint Filing Parties' proposed tariff revisions in their compliance filing providing for more stringent reactive power criteria.

b. Re-study of System Impact Study

18. Joint Filing Parties seek clarification that, for those few wind projects in New York that have already successfully completed, and obtained NYISO's Operating Committee approval of, a SRIS prior to October 14, 2005, but where the studies in question did not evaluate whether the project needed to provide reactive power capability, the Commission is not requiring NYISO to re-open those approved SRISs for re-study. Further, the Joint Filing Parties assert that the March 17 Order's approach has the potential to lead to additional study costs, disputes, and the possibility of interconnection delays for wind generators.

Commission Conclusion

19. This question was anticipated and answered in Order No. 661-A, where the Commission stated that, if additional or expanded studies are needed to determine whether a reactive power requirement is needed, the Commission does not believe that the burden of such additional studies or expanded studies would outweigh the benefits.²² While Order No. 661 did provide a transition period, this transition period only applies to LGIAs.²³ Further, NYISO's tariff states that most SRISs will be completed within 90 calendar days after receipt of the fully executed SRIS Agreement, study payment, and

²⁰ See *supra* note 17.

²¹ Order No. 661-A at P 52.

²² *Id.* at P 44.

²³ *Id.* at P 114.

technical data.²⁴ The Commission does not find such a delay to be unreasonable due to the possible cost implications relating to the requirement for wind facilities to provide reactive power.

c. Curtailment Authority

20. Joint Filing Parties state that the March 17 Order concluded that adequate curtailment authority already exists under the *pro forma* LGIA. After reviewing the LGIA, the Joint Filing Parties now state that they agree with the Commission's conclusion. However, they request clarification that the March 17 Order intended to reference all provisions of the LGIA that deal with curtailment and did not intend to limit that reference to any particular "AGC provision" of the LGIA.²⁵ Joint Filing Parties seek this clarification because the LGIA does not contain specifically identified AGC provisions. Instead, it contains provisions that provide for potential curtailment.²⁶

Commission Conclusion

21. To avoid any confusion on this point, we clarify that the March 17 Order found that it was not necessary at this time to create a separate power curtailment capability in the LGIA that would allow the Reliability Authority to impose a limit on the power output of wind plants because the LGIA already provides adequate authority for needed curtailments of the power output of wind plants. In this regard, we were referring to any and all provisions of the LGIA dealing with curtailments and were not limiting our reference to any particular AGC provision.

2. Compliance Filing

22. In the March 17 Order, the Commission directed the Joint Filing Parties to modify their LGIP and LGIA to restore the language contained in the *pro forma* appendices of Order Nos. 661 and 661-A. Among the required revisions, the Commission directed the Joint Filing Parties to delete provisions that would allow the New York Transmission Owners to impose reactive power requirements on wind plants without regard to whether a system impact study establishes that reactive power is needed for a particular facility.

²⁴ NYISO Open Access Transmission Tariff, FERC Electric Tariff, Original Volume No. 1, Attachment X, First Revised Sheet No. 778.

²⁵ March 17 Order at P 55.

²⁶ *E.g.*, section 10.6.2.

23. As discussed above, the Joint Filing Parties propose tariff revisions stating that NYISO's SRIS will determine if a more stringent reactive power requirement than that specified in the Commission's *pro forma* appendix is needed for individual wind plants.²⁷

24. In addition, based upon a review of the tariff sheets included in the January 18 and 19, 2006 filings in this proceeding, the Joint Filing Parties identified three minor administrative errors which they seek to correct. They state that Revised Sheet Nos. 740D and 811 were filed with incorrect Table of Contents references and they request Commission approval to withdraw these non-substantive revisions from any further consideration. Joint Filing Parties also report that First Revised Sheet No. 936 was filed with an incorrect appendix designation, which they now seek to correct.

Commission Conclusion

25. While, as discussed above, we will reject the tariff provisions providing for more stringent reactive power requirements, we will otherwise accept, as revised, the other revised tariff sheets filed in compliance with the requirements of the March 17 Order.

26. Several of the revised tariff sheets filed by the Joint filing Parties have incorrect effective dates. First Revised Sheet No. 944C was incorrectly filed with an effective date of January 1, 2006. As we stated in the March 17 Order, the correct effective date for the provisions contained on this tariff sheet is January 18, 2006.²⁸ First Revised Sheet Nos. 944E and 944F were incorrectly filed with an effective date of October 18, 2005. The correct effective date for the provisions contained on these tariff sheets is October 14, 2005.²⁹ The Joint Filing Parties are directed to file revised tariff sheets within 30 days of the date of issuance of this order consistent with the Commission's findings in this order.

The Commission orders:

(A) The Joint Filing Parties' request for rehearing is hereby denied in part and granted in part, as discussed in the body of this order.

(B) The Joint Filing Parties' proposed compliance filing is hereby accepted in part and rejected in part, as discussed in the body of this order.

²⁷ Compliance Filing Transmittal Letter at 2.

²⁸ March 17 Order at P 68.

²⁹ *Id.*

(C) The Joint Filing Parties are hereby directed to submit a compliance filing, as discussed in the body of this order, within 30 days of the date of issuance of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.