

121 FERC 61,036
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

October 18, 2007

In Reply Refer To:
New York Independent System
Operator, Inc.
Docket Nos. ER07-995-000,
ER07-995-001

Hunton & Williams LLP
Attn: Michael E. Haddad
Counsel for New York Independent System Operator, Inc.
1900 K Street, NW
Washington, DC 20006

Dear Mr. Haddad:

1. On June 4, 2007, New York Independent System Operator, Inc. (NYISO) submitted a request for waiver of limited portions of the revised Coordinate Interchange business practice standard developed by the Wholesale Electric Quadrant (WEQ) of the North American Energy Standards Board (NAESB) (June 4 Filing).¹ Notice of NYISO's filing was published in the *Federal Register*, 72 Fed. Reg. 33,482 (2007), with comments, protests and interventions due on or before June 25, 2007. The New York Transmission Owners filed a timely motion to intervene. On August 8, 2007, NYISO filed a revision to the June 4 Filing to accurately specify the components of the WEQ Standards for which it seeks waiver (August 8 Filing). Notice of the August 8 Filing was published in the *Federal Register*, 72 Fed. Reg. 46,619 (2007), with comments, protests, and interventions due on or before August 29, 2007. None was filed.

¹ NYISO is requesting this waiver on behalf of itself and the New York Transmission Owners, whose OASIS responsibilities are administered by NYISO. The New York Transmission Owners are Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., Long Island Power Authority, New York Power Authority, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc. and Rochester Gas and Electric Corporation.

Background

2. On April 25, 2006, the Commission issued Order No. 676,² which amended the Commission's regulations under the Federal Power Act to incorporate by reference certain standards promulgated by NAESB's WEQ.³ On June 1, 2006, NYISO submitted a request for waiver of certain NAESB business practice standards (June 1 Filing), including certain portions of the WEQ-004 Coordinate Interchange standard. Specifically, NYISO's June 1 Filing sought waiver of WEQ-004-8.1 and WEQ-004 Appendices A, B, and D, among other standards.
3. In an order issued on November 16, 2006,⁴ the Commission granted in part and denied in part the request by NYISO for waiver of certain NAESB business practice standards. Among other matters, the NYISO Waiver Order granted NYISO a waiver of the requirements of WEQ-004-8.1 and WEQ-004 Appendices A, B, and D.
4. On April 19, 2007, the Commission issued Order No. 676-B, which incorporated by reference certain revisions by NAESB to the Coordinate Interchange business practice standards first incorporated by reference by the Commission in Order No. 676.⁵ Like Order No. 676, Order No. 676-B contained provisions for an entity to seek a waiver from its requirements.
5. Following the issuance of Order No. 676-B, NYISO submitted its June 4 Filing, in which it argues that its existing waiver of portions of the Coordinate Interchange standard WEQ-004 should be extended for the same reasons it was originally granted. NYISO's June 4 Filing explains that the same circumstances that convinced the Commission to grant NYISO a waiver of the WEQ-004 business practice standards established in Order No. 676 continue to hold true. In this regard, NYISO states that the WEQ-004 business practice

² *Standards for Business Practices and Communication Protocols for Public Utilities*, Order No. 676, 71 Fed. Reg. 26,199, FERC Stats. & Regs. ¶ 31,216, *order on reh'g*, Order No. 676-A, 116 FERC ¶ 61, 255 (2006).

³ Order No. 676, FERC Stats. & Regs. ¶ 31,216 at 30,362 (P 1) and 30,366 (P 19).

⁴ *New York Independent System Operator, Inc.*, 117 FERC ¶ 61,197 (2006) ("NYISO Waiver Order").

⁵ *Standards for Business Practices and Communication Protocols for Public Utilities*, Order No. 676-B, 72 Fed. Reg. 21,095, FERC Stats. & Regs. ¶ 31,246 (2007).

standards were designed for business and transmission models that employ physical transmission reservations. NYISO explains that it continues to operate a bid-based locational-based marginal pricing (LBMP) market that does not employ physical transmission reservations. NYISO further explains that, in the LBMP market, when NYISO schedules energy based on market participants' offers and bids for buying and selling energy, the transmission capacity necessary to effectuate transactions is implicitly reserved. NYISO asserts that because its customers do not reserve transmission service, WEQ-004-8.1 and WEQ-004 Appendices A, B, and D⁶ are not applicable in the context of its bid-based LBMP market. NYISO notes that, in the NYISO Waiver Order, the Commission agreed and granted NYISO a waiver from the requirements of WEQ-004-8.1 and WEQ-004 Appendices A, B, and D.

6. NYISO also asserts that because WEQ-004 Appendices A and B business practice standards have not been revised by NAESB, the waiver previously granted by the Commission in the NYISO Waiver Order with respect to these appendices should remain effective. However, to the extent that the Commission concludes that public utilities are required to seek waiver of any component of the entire WEQ-004 standard, even those portions that were not revised by NAESB, then NYISO requests waiver of these appendices as well.

7. In its August 8 Filing, NYISO explains that subsequent to submitting the June 4 Filing, it came to NYISO's attention that the components of the WEQ-004 standard had been renumbered during NAESB's revisions to that standard. NYISO submitted the August 8 Filing in light of the renumbering to accurately state which components of the WEQ-004 standard for which it seeks waiver.

8. In the August 8 Filing, NYISO requests waiver of: (1) current WEQ-004-11.1(a); (2) WEQ-004-3; (3) WEQ-004-3.1; (4) WEQ-004-8.2; (5) WEQ-004 Appendix A (formerly Appendix B); and (6) current WEQ-004 Appendix C (formerly Appendix D). WEQ-004-11.1(a) requires a requesting "Purchasing-Selling Entity" to provide and modify the necessary transmission capacity to cover increased energy flows. NYISO states that this standard is inapplicable in the NYISO's markets because it is intended to apply to systems featuring physical transmission reservations. NYISO explains that WEQ-004-3, WEQ-004-3.1, and WEQ-004-8.2 all contain language from former Appendix A; as such, NYISO requests waiver of these three subsections for the same reasons the Commission granted waiver of former Appendix A. NYISO notes that current Appendices A and C were not substantively revised by Order No. 676-B, but NYISO seeks waiver of current Appendix A and C out of an abundance of caution.

⁶ In the most recent WEQ Standards, Appendix D has become Appendix C.

9. The Commission grants NYISO's revised request for waiver of WEQ-004-11.1(a), WEQ-004-3, WEQ-004-3.1, WEQ-004-8.2, WEQ-004 Appendix A and WEQ-004 Appendix C. These revised WEQ business practice standards continue to pertain to systems that employ physical transmission reservations, a feature that is not applicable to NYISO's bid-based LBMP market. Since the revisions to these WEQ business practice standards adopted by the Commission in Order No. 676-B do not change the nature of the standards (*i.e.*, that they apply to physical transmission reservation systems, not bid-based LBMP markets), and NYISO expressly maintains that it does not presently offer transmission service based on a reservations system, the Commission grants the requested waiver.

By direction of the Commission.

Kimberly D. Bose,
Secretary.