

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

New York Independent System Operator, Inc.
Consolidated Edison Co. of New York, Inc.
Astoria Generating Company, L.P.

Docket Nos. ER03-18-001
ER03-18-002

ORDER ACCEPTING COMPLIANCE FILING IN PART

(Issued August 25, 2003)

1. In this order, we accept in part a joint compliance filing by New York Independent System Operator, Inc. (NYISO), Consolidated Edison Co. of New York, Inc. (Con Edison), and Astoria Generating Company, L.P. (Astoria) amending the NYISO Market Administration and Control Area Services Tariff (Services Tariff) to implement Quick Start Reserves Service. This order is in the public interest because it provides Astoria with compensation for service it provides to enhance the reliability of the NYISO transmission system and to meet New York State Reliability Council (NYSRC) reliability requirements.

I. Background

2. Pursuant to the NYSRC's reliability requirements, certain gas turbine generators owned by Astoria are to be set to Quick Start Mode¹ when certain contingency circumstances exist and the running of these generators would resolve the contingency. Con Edison is required to undertake the contingency analysis to determine when Quick Start Mode is required. When in Quick Start Mode, these gas turbines can be brought on line within 15 minutes. Placing these units in Quick Start Mode resolves the reliability contingency violation without starting the units. Additionally, Astoria is required to allow Con Edison the ability to remotely start these generators.

¹Quick Start Mode is the setting of a block of generator units capable of remote start-up by a Transmission Owner so that it can synchronize and reach full output within 15 minutes.

3. By order issued December 3, 2002,² the Commission rejected a proposed tariff filed unilaterally by Astoria concerning compensation for 15 minute Quick Start Reserves Service that Astoria provides to Con Edison and the NYISO reasoning that the NYISO stakeholder process is the appropriate venue for resolving the reliability and reserve issues which the Quick Start Service addresses. However, the Commission held that Astoria was entitled to compensation for this service, and directed the NYISO to convene stakeholder proceedings to establish such a service and to submit tariff revisions establishing Astoria's Quick Start Reserves Service as a product available through the NYISO. The Commission also directed the NYISO to justify who should pay for Astoria's Quick Start Reserves Service.

4. On March 21, 2003, the NYISO, Con Edison and Astoria jointly submitted a proposed tariff revision (Joint Filing) as directed by the December 3 Order. On April 4, 2003, NYISO submitted corrections to the Joint Filing.

II. The Joint Filing

5. The Joint Filing specifies that in order to be eligible to provide Quick Start Reserves Service, a block of generator units must be qualified to provide 30-minute reserves and be capable of being set to Quick Start Mode. The Joint Filing establishes the technical specifications of how Quick Start Reserves Service is to be provided and who is responsible for the costs of this service.

6. The Joint Filing proposes that Quick Start Reserves may be purchased either by a transmission owner or by the NYISO. The cost of Quick Start Reserves Service and any related energy purchased for local reliability are to be charged to loads in the transmission district of the supplier. The cost of Quick Start Reserves Service and any related energy purchased for statewide reliability are to be charged to statewide loads. The Joint Filing also provides that each load serving entity serving load locally or statewide shall contribute to the total amount due for Quick Start Reserves based upon its contribution to the local or statewide load, as the case may be.

7. The Joint Filing proposes that the rate for Quick Start Reserves Service for a given hour would be 85 percent of the 10-minute non-spinning reserves price for that hour, plus 15 percent of the 30-minute reserves price for that hour.

²Astoria Generating Company, L.P., 101 FERC ¶ 61,275 (2002) (December 3 Order).

8. On April 4, 2003, corrections to the Joint Filing were filed because the proposed tariff changes had been made to outdated tariff sheets.

9. A proposed effective date of March 1, 2003, is requested so that the proposed compensation mechanism may be established within 90 days of the issuance date of the December 3 Order as required in that order.

III. Notice, Interventions, and Responsive Pleadings

10. Notice of the Joint Filing and correction were published in the Federal Register: 68 Fed. Reg. 16,276 and 18,610, with comments, protests, and interventions due on or before April 25, 2003. Timely motions to intervene were filed by Keyspan-Ravenswood, LLC (Keyspan), Multiple Intervenors³, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation (NYSEG/Rochester), and Niagara Mohawk Power Corporation (Niagara Mohawk). Multiple Intervenors, NYSEG/Rochester and Niagara Mohawk also filed protests. Keyspan filed comments in support of the Joint Filing. The NYISO filed an answer to the protests.

Protests

11. Niagara Mohawk, Multiple Intervenors, and NYSEG/Rochester (Protestors) object to the proposed provisions of the Joint Filing that permit the NYISO (as opposed to a Transmission Owner) to select Quick Start Reserves Service, order the start up of a generator unit providing Quick Start Reserves Service, and charge the associated costs statewide (Disputed Provisions).

12. Protestors ask the Commission to reject the portions of the Joint Filing that would allow the NYISO to recover costs associated with Quick Start Reserves Service from loads on a statewide basis. Protestors maintain that there has been no demonstration that loads outside of New York City require Quick Start Reserves Service, and that absent a demonstration to the contrary, cost causation principles dictate that only loads located in New York City should be required to pay the costs associated with the provision of Quick Start Reserves Service.

³Multiple Intervenors describes itself as an unincorporated association of approximately 55 large commercial and industrial energy consumers with manufacturing and other facilities in New York State.

13. In support Protestors argue that a previous Commission ruling that the statewide allocation of Thunderstorm Alert (TSA) related costs was unjust and unreasonable is analogous to the instant proposal.⁴

14. Additionally, Niagara Mohawk argues that the Joint Filing does not comply with certain requirements of the December 3 Order. Niagara Mohawk states that the Joint Filing fails to justify who should pay for Quick Start Reserves Service and that the Joint Filing was not formally considered or approved through the NYISO stakeholder process as required by the December 3 Order. Niagara Mohawk wants the Commission to suspend the portions of the Joint Filing that impose Quick Start Reserves Service costs on loads statewide, and set these portions of the Joint Filing for hearing, if the Commission does not reject or modify the Disputed Provisions.

NYISO's Answer

15. The NYISO answers that it does not agree with the Protestors that: (1) Quick Start Reserves Service may not provide reliability benefits to loads outside of New York City, (2) that loads outside of New York City would be required to pay for services that benefit only New York City, (3) that the Joint Filing did not comply with the Commission's December 3 Order to justify who should pay for Quick Start Reserves Service, or (4) that the NYISO failed to satisfy the governance requirements necessary to comply with the December 3 Order.

16. However, NYISO states that it can comply with the December 3 Order without adopting the Disputed Provisions, and that eliminating those provisions will simplify the issues and could potentially expedite Commission action on the rest of the Joint Filing. Therefore, the NYISO states that it would not object if the Commission: (1) rejects the Disputed Provisions; (2) requires the NYISO to submit a compliance filing to remove them; and (3) approves the balance of the Joint Filing, effective March 1, 2003, subject to submission of the compliance filing. The NYISO agrees to pursue approval of the Disputed Provisions through the NYISO's governance procedures and to propose revisions to the relevant tariff provisions in a separate filing. The NYISO states that it will reexamine its determination that Quick Start Reserves may be regularly necessary for statewide reliability before it pursues this issue further. The NYISO further states that it has discussed this matter with Astoria and Con Edison, and understands that Astoria and Con Edison would not object if the Disputed Provisions are deleted, provided that all

⁴New York Independent System Operator, Inc. 102 FERC ¶61,284 (2003) (TSA Order).

other provisions of the Joint Filing are unaffected and the effective date of the Joint Filing remains as March 1, 2003.

IV. Discussion

17. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2001), the timely, unopposed motions to intervene of the movants listed above serve to make them parties to this proceeding. We will accept NYISO's answer because it will facilitate resolution of this proceeding.

18. We will reject the Disputed Provisions and accept the remainder of the Joint Filing as suggested by NYISO.

19. The TSA Order cited by Protestors concerns the appropriate allocation of TSA procedures' costs and concluded that these costs should be allocated to New York City customers because an adequate showing was not made that these procedures benefited load outside of New York City. The TSA Order found that:

These [TSA] procedures are mandated by a local reliability rule designed to prevent a recurrence of a major blackout in New York City, and which were, prior to the formation of the NYISO, the sole responsibility of Con Edison. The specific reliability benefits from these procedures inure solely to the benefit New York City load, so that the costs should be allocated solely to that load.

20. We agree that the situation here is analogous to that in the TSA Order. The NYSRC rule requiring Astoria to place certain of its units in Quick Start Mode is a reliability requirement designed to prevent the occurrence of a transmission system instability which might result in a blackout in New York City. Further, NYISO has not demonstrated that the proposed Quick Start Reserves Service benefits load outside of New York City. We find that in the absence of a showing to the contrary the cost of this service should be allocated solely to New York City load.

21. NYISO believes that it will be able to comply with the December 3 Order without adopting the Disputed Provisions. Therefore, we will accept NYISO's proposed course of action. We will reject the Disputed Provisions, direct that the NYISO submit a compliance filing to remove the Disputed Provisions within 30 days of the date of this order, and accept the balance of the Joint Filing, effective March 1, 2003, subject to the submission of the compliance filing. If the NYISO determines that Quick Start Reserves Service may be regularly necessary for statewide reliability, it may pursue approval of the Disputed Provisions or other appropriate tariff terms through the NYISO's formal

governance procedures, and propose revisions to the relevant tariff provisions in a compliance filing, as appropriate.

22. We find that the proposed rate for Quick Start Reserves Service is just and reasonable considering the quality of service provided and that the proposed rate is a blending of the approved rates for 10-minute non-spinning reserves and 30-minute reserves, matching the proportion of capacity of Astoria's generators that would qualify for the two services.

The Commission orders:

(A) The proposed tariff revisions, except the Disputed Provisions, are hereby accepted for filing, effective March 1, 2003, subject to the submission of the compliance filing, as discussed in the body of this order.

(B) NYISO is hereby directed to submit a compliance filing to remove the Disputed Provisions within 30 days of the date of this order, as discussed in the body of this order.

(C) NYISO is hereby directed to reexamine its determination that Quick Start Reserves Service may be regularly necessary for statewide reliability of the transmission system, pursue approval of the Disputed Provisions through the NYISO's governance procedures, and propose revisions to the relevant tariff provisions in a compliance filing, as appropriate, as discussed in the body of this order.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.