

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

New York Independent System Operator, Inc.

Docket No. ER04-1144-004

ORDER ACCEPTING PROGRESS REPORT

(Issued June 24, 2005)

1. In this order, the Commission accepts a progress report filed by the New York Independent System Operator, Inc. (NYISO) on implementation of its Comprehensive Reliability Planning Process and its progress in developing an approach to economic planning issues in compliance with *New York Independent System Operator, Inc.*, 109 FERC ¶ 61,372 (2004) (December 28 Order).

Background

2. The December 28 Order accepted in part NYISO's proposed tariff amendments, which established a planning process for reliability needs for New York.

3. The planning process is a formal mechanism by which NYISO, its market participants, and the New York State Public Service Commission will work together to address long-term planning for reliability; under the NYISO plan, reliability needs for the bulk power system will be determined over a ten year planning horizon. The essential steps in the planning process include the identification of system needs, the development of proposals for both market-based and regulated solutions, NYISO evaluation of these proposed solutions, and the implementation of regulated solutions by the New York Transmission Owners as a backstop when market-based projects do not resolve anticipated reliability deficiencies.

4. Phase II of the planning process includes consideration of economic needs, rather than reliability needs. At the time of NYISO's original filing, Phase II had not been completely developed. Also, NYISO had previously stated that it would continue to develop a cost allocation methodology while awaiting Commission approval of the

planning process.¹ In the December 28 Order, the Commission stated that it supported NYISO's commitment to follow a thorough stakeholder review process to develop Phase II and a cost allocation methodology and NYISO's commitment to submit a progress report regarding implementation.²

Progress Report

5. NYISO's progress report updates the Commission on its progress with regard to administrative procedures, procedures to be developed by the New York Department of Public Service, specific topics related to reliability concerns and cost allocation procedures.

6. NYISO also reports on its progress with respect to addressing economic needs. NYISO began discussions with stakeholders by addressing NYISO's role with regard to economic planning issues. After months of discussion, NYISO presented a Straw Proposal for an economic planning process, which was modified to incorporate stakeholder input after further discussion. In February 2005, the modified Straw Proposal was presented to, and passed by, the Operating Committee. NYISO states that the modified Straw Proposal explains that most of NYISO's market participants and stakeholders believe NYISO's role "in economic matters is to be minimized so as not to interfere with the operation of the market."³

7. NYISO states that its economic planning process, as outlined in the modified Straw Proposal, will include the following elements: (1) expanded reporting of historic congestion; (2) an analysis of the performance of all of the NYISO markets to identify areas for improvement; (3) a 10-year projection of congestion costs; and (4) a reliability analysis of any proposed upgrades. NYISO states that, under this process, NYISO will neither attempt to define a threshold for congestion as a trigger to a specific action nor propose or mandate solutions.

Notice and Responsive Pleadings

8. Notice of NYISO's filing was published in the *Federal Register*, 70 Fed. Reg. 19,073 (2005), with protests and interventions due on or before April 19, 2005. Multiple

¹ NYISO August 20, 2004 Filing at 7.

² December 28 Order, 109 FERC ¶ 61,372 at P 43.

³ NYISO March 29, 2005 Filing at 6.

Intervenors⁴ and the Indicated New York Transmission Owners⁵ filed motions to intervene and comments in support of NYISO's filing. The New York Commission filed a notice of intervention and supporting comments.

9. The American Wind Energy Association filed a motion to intervene and protest. A motion to intervene and protest was also filed by Niagara Mohawk Power Corporation, Central Hudson Gas & Electric Corporation, and Pace University Law School Energy Project (Indicated Intervenors).

10. The Protesters raise concerns with NYISO's approach to economic planning. AWEA favors a strong economic planning component to independent system operator functions and responsibilities, and argues that the Commission should order NYISO to add a series of additional responsibilities to NYISO's modified Straw Proposal.⁶ Likewise, the Indicated Intervenors request that the Commission order a series of additions to the modified Straw Proposal, which, they state, would include mechanisms to identify economic problems, which would provide useful information for, among other things, evaluating investments and upgrades and determining whether regulated economic solutions are warranted.

11. In contrast to AWEA and the Indicated Intervenors, comments filed in support of NYISO's filing reflect support for NYISO's approach to economic planning. The New York Commission states that it believes NYISO's role should primarily be to provide information in a transparent manner to the markets so that appropriately informed decisions can be made. Similarly, Multiple Intervenors state that NYISO should

⁴ Multiple Intervenors is an unincorporated association of approximately 55 large commercial and industrial energy consumers with manufacturing and other facilities located throughout New York State, including the service territories of all the State's major regulated electric utilities.

⁵ The Indicated New York Transmission Owners include Consolidated Edison Company of New York, Inc., the Long Island Power Authority, New York Power Authority, New York State Electric & Gas Corporation, Rochester Gas and Electric corporation and Orange and Rockland Utilities, Inc.

⁶ AWEA suggests additions such as defining thresholds above which a problem is deemed to exist, identifying economic problems, evaluating the impact or efficacy of potential solutions, identifying a point at which a regulated solution is needed and providing for regulated solutions in the event the market does not provide a solution.

disseminate information, rather than advocate or mandate specific solutions. The New York Transmission Owners state that NYISO's approach has broad stakeholder support and is strongly endorsed by the majority of stakeholders, including generators, transmission owners, load, and other market participants.

Discussion

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2004), the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

13. NYISO committed to submit a progress report, and has done so. The Commission will accept the progress report. We find that the arguments raised in the protests are beyond the scope of the instant filing. We encourage the market participants to continue to work within the stakeholder process to address economic planning concerns.

The Commission orders:

NYISO's progress report is hereby accepted, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.