

132 FERC ¶ 61,031
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

New York Independent System Operator, Inc.

Docket No. ER08-1281-004

ORDER ON COMPLIANCE FILING

(Issued July 15, 2010)

1. On January 12, 2010, in compliance with a Commission order issued July 16, 2009,¹ the New York Independent System Operator, Inc. (NYISO) submitted a status report (NYISO Report) addressing its progress, to date, in developing long-term, comprehensive solutions to the occurrence of Lake Erie region loop flows.² The NYISO Report was prepared as a collaborative effort by the NYISO and its neighboring regional transmission organizations (RTOs) and independent system operators (ISOs), with input provided by market participants and the North American Electric Reliability Corporation (NERC). For the reasons discussed below, we conditionally accept the NYISO Report and direct the NYISO and other interested parties to answer questions and provide additional evidence regarding their proposals and recommendations.

I. Background

2. In January 2008, transactions submitted to the NYISO for the purpose of exporting power to PJM Interconnection, L.L.C. (PJM) began to be scheduled by a small number of market participants as circuitous flows around Lake Erie, utilizing a scheduled path that exited the NYISO and then crossed through both the Independent Electricity System Operator of Ontario (IESO) and the Midwest Independent Transmission System Operator

¹ *New York Independent System Operator, Inc.*, 128 FERC ¶ 61,049 (2009) (July 16, 2009 Order).

² As discussed more fully below, these loop flows were first addressed by the Commission in an order issued August 21, 2008. *See New York Independent System Operator, Inc.*, 124 FERC ¶ 61,174 (2008) (August 21, 2008 Order).

(Midwest ISO), before ultimately sinking in PJM, the intended market. Meanwhile, approximately eighty percent of the actual power flows occurred directly across the NYISO/PJM border. By utilizing this scheduled path, these transactions benefited from the relatively lower market clearing prices at the NYISO's western border and thus avoided the relatively higher market price at the congested NYISO/PJM border.

3. The NYISO instituted this proceeding to address the market distortions and increased congestion attributable to these transactions. To address these concerns, the NYISO proposed to require the utilization of more direct routing options, i.e., it proposed to prohibit the scheduling of external transactions over eight specified circuitous paths. In support of its filing, the NYISO stated that its proposals would reduce unscheduled power flows, a temporary solution, until there are adequate operational controls in place, including new phase angle regulators (PARs) to ensure that actual and scheduled flows are more closely aligned.

4. In the August 21, 2008 Order, the Commission accepted the NYISO's proposed temporary solutions.³ The Commission also encouraged the parties to consider all appropriate long-term solutions, including market solutions and the installation of operational controls such as PARs on the Michigan-Ontario interconnection (Michigan-Ontario PARs), to ensure that actual and scheduled flows are closely aligned.⁴

5. In the July 16, 2009 Order, the Commission reaffirmed these directives, requiring the NYISO to continue to work with all interested entities to develop long-term comprehensive solutions to the loop flow problem in the Lake Erie region.⁵ The Commission also required the NYISO to submit a report to the Commission, within 180 days of the date of the Commission's order, addressing its proposed solutions, including, among other things, a proposed solution addressing interface pricing and congestion management.⁶

³ The NYISO's initial filing was made pursuant to the "exigent circumstances" provisions of its tariff (with an automatic expiration date no later than 120 days from the date of the filing). This initial filing was subsequently superseded by a filing backed by the NYISO's management committee. *See New York Independent System Operator, Inc.*, 125 FERC ¶ 61,184, at P 20 (2008) (November 17, 2008 Order).

⁴ *See also* November 17, 2008 Order, 125 FERC ¶ 61,184 at P 20.

⁵ July 16, 2009 Order, 128 FERC ¶ 61,049 at P 6.

⁶ *Id.* In addition, the July 16, 2009 Order authorized the public disclosure of an Office of Enforcement Staff Report (OE Report) addressing a non-public investigation of alleged market manipulation in the placing of circuitous schedules in the Lake Erie

(continued...)

6. In an order issued September 14, 2009, the Commission granted a request for clarification of the July 16, 2009 Order, as sought by the NYISO.⁷ Specifically, the Commission clarified that the status of all solutions to the loop flow problem should be addressed by the NYISO in its status report. Accordingly, the Commission clarified that the NYISO Report must address *all* solutions, including but not limited to (i) the implementation and effective operation of the Michigan-Ontario PARs;⁸ (ii) the progress that has been made on the operating agreements for the Michigan-Ontario PARs; and, (iii) the complementary role that physical controls will play in the comprehensive solution to the Lake Erie loop flow problem.

II. NYISO Report

7. The NYISO Report addresses both the installation of the Michigan-Ontario PARs and the development and implementation of long-term market solutions. With respect to the Michigan-Ontario PARs, the NYISO Report states that there is currently protective relay work being completed in Ontario that is necessary for the effective operation of the Michigan-Ontario PARs.⁹ The NYISO Report states that this work is expected to be

region. Based on the OE Report, the Commission found that no tariff violations or market manipulation had occurred in the placement of the scheduling requests at issue. *Id.* P 4.

⁷ *New York Independent System Operator, Inc.*, 128 FERC ¶ 61,239 (2009) (September 14, 2009 Order).

⁸ PARs are electrical devices that help control power flows through a particular component of the transmission network. As discussed more fully below, the Ontario-Michigan PARs are an initiative designed to conform actual power flows to scheduled power flows at the Ontario/Michigan border, an initiative first addressed by the Commission in the August 21, 2008 Order.

⁹ As noted in the NYISO Report, at Attachment E, the entity responsible for the installation of the Michigan-Ontario PARs, the International Transmission Company (ITC), has completed its work at its Bunce Creek Station in Marysville, Michigan, at the Michigan-Ontario interconnection. In coordination with Hydro One Networks, Inc. (Hydro One), the owner of the Canadian interface facilities, a fiber optic communications system is now being installed which is necessary to provide protective relaying for the interconnection equipment. According to ITC, when that work is completed, the Michigan-Ontario PARs will be physically ready to be placed into service. According to Hydro One, this work should be completed sometime in the second quarter of 2010. The capital costs and operation and maintenance expenses attributable to these facilities is estimated by ITC to total \$8 million per year.

completed by the end of the first quarter of 2010. The NYISO Report adds that, at that time, it is expected that all of the Michigan-Ontario PARs will be available to provide service.

8. The NYISO Report also addresses the issue of cost allocation regarding the Michigan-Ontario PARs. The NYISO Report notes that it has been advised by ITC that it will not execute the operating agreements required to make the PARs operational until such time as an agreement is in place addressing the equitable allocation of all costs attributable to the PARs. The NYISO Report states that the NYISO and its stakeholders oppose paying for a portion of ITC's costs for the PARs because they were not developed pursuant to a Commission approved regional planning process. The NYISO Report states that its position on paying for the PARs costs is consistent with the Commission's decisions regarding the allocation of transmission costs to the Midwest ISO and PJM.¹⁰

9. Nonetheless, the NYISO Report states that the operation of the PARs by the four markets around Lake Erie can influence the amount of circuitous flows and that PARs can be used to alter power flows to better follow the contract path. The NYISO Report also states that, while PARs are not capable of eliminating Lake Erie Loop Flows entirely, they are capable of substantially mitigating/controlling loop flows, and coordinated operation of the PARs can enhance the degree to which these circuitous flows are managed.¹¹

10. The NYISO Report states that, accordingly, a regional study will be initiated during 2010 to identify PARs and other controllable devices capable of influencing Lake Erie loop flows and to study the potential reliability and market impacts of better coordinated operation.¹² The NYISO Report states that, upon completion of the analysis and necessary updates to the existing Commission-accepted PARs operating protocols, regional operating guide recommendations will be developed and implemented by the four ISOs and RTOs to better manage Lake Erie loop flow.

11. With respect to market initiatives, the NYISO Report recommends a series of approaches to be developed and implemented at a later date, when feasible, by the NYISO and its neighboring RTOs and ISOs. Specifically, the NYISO Report

¹⁰ NYISO Report at 15, *citing American Electric Power Service Corporation v. Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, L.L.C.*, 122 FERC ¶ 61,083, at P 95-102 (2008).

¹¹ *Id.* at 14.

¹² The NYISO Report adds that this study will also identify significant regional paths or flowgates impacted by Lake Erie loop flows.

recommends the development and implementation of four, broad-based market initiatives: (i) the buy-through congestion proposal; (ii) the congestion management/market-to-market coordination proposal; (iii) interface pricing revisions; and (iv) enhanced interregional transaction coordination. The NYISO Report asserts that these four initiatives, taken as a whole, should help to reduce uplift costs associated with real-time event management and congestion management and thereby lower total system operating costs.

12. First, the NYISO Report recommends the development and implementation of a buy-through congestion proposal, an initiative designed to allocate a more complete and accurate measure of the costs caused by the scheduling of external transactions. The NYISO Report states that this proposal (together with the congestion management initiative) cannot be implemented prior to NERC's completion of its parallel flow visualization tool, or its equivalent, an initiative that will significantly improve the ability to accurately perform generation-to-load calculations and will make available common and consistent information regarding the sources of power flows and their impacts.

13. Second, the NYISO Report recommends the development and implementation of a congestion management/market-to-market coordination proposal, an initiative designed to reduce the cost of addressing transmission congestion within the region. The NYISO Report states that the market-to-market coordination details currently being considered are largely based on the existing market-to-market coordination program that is currently in place between the Midwest ISO and PJM.

14. Third, the NYISO Report recommends the development and implementation of interface pricing revisions to address existing seams between markets that tend to exacerbate loop flows. The NYISO Report states that efficient and compatible interface proxy bus prices will improve the interconnected markets' ability to efficiently transfer power within the four ISO/RTO regions.

15. Fourth, the NYISO Reports recommends the development and implementation of enhanced interregional transaction coordination, an initiative designed to both reduce the exposure to congestion costs experienced by entities that schedule inter-balancing authority transactions and provide other financial benefits to participating markets. The NYISO Report states that implementation of the enhanced interregional transaction coordination, by the NYISO and PJM, can be implemented, within the NYISO/PJM interconnection interface in 2011 and then extended to additional regions in 2012.

16. In addition, the NYISO Reports notes that NERC's development of a parallel flow visualization tool will assemble the necessary real-time data to perform the generation-to-load calculations, facilitate the calculation of impacts and make available common and consistent information regarding the sources of power flows and their impacts to all regions. The NYISO Report adds that the parallel flow visualization tool will distinguish

the source of flow between (i) each separate region's impacts associated with generation-to-load dispatch, and (ii) individual transaction impacts.

17. The NYISO Report states that the NYISO is working to implement several aspects of the broader regional market initiatives with ISO New England Inc. (ISO New England). The NYISO Reports states that, in addition, Hydro-Quebec TransEnergie has volunteered to work with the NYISO to pioneer the NYISO's initial implementation of the proposed interregional transaction coordination initiative, whereby the scheduling of real-time transactions between neighboring markets will occur on a more frequent basis, i.e., on a quarter hour or five minute intervals. The NYISO Report states that the implementation of its proposed market initiatives is expected to begin in 2010, but may not be fully implemented until 2012, or later.

18. Finally, the NYISO Report proposes that the four ISOs/RTOs involved in its preparation (the NYISO, PJM, the Midwest ISO, and the IESO) report back to the Commission on the status of the implementation of the Michigan-Ontario PARs and other issues related to implementing physical controls in the region twice a year, until such time as the PARs have become operational.

III. Notice of Filing and Responsive Pleadings

19. Notice of the NYISO's filing was published in the *Federal Register*, 75 Fed. Reg. 3,459 (2010), with comments and/or interventions due on or before February 2, 2010. Motions to intervene, notices of intervention and/or comments and/or protests were submitted by the entities noted in Appendix B to this order. In addition, motions to intervene out-of-time were submitted on February 8, 2010, by the American Electric Power Service Corporation (AEP), and on March 10, 2010, by Consumers Energy Company (Consumers). Answers to comments and/or protests were submitted on: (i) February 12, 2010 by the NYISO; (ii) February 17, 2010 by the Indicated New York Transmission Owners (New York TOs)¹³ and the NYISO; (iii) March 1, 2010 by ITC; and (iv) March 4, 2010 by the Detroit Edison Company (Detroit Edison) and the PSEG Companies (PSEG).

A. Comments

20. Independent Power Producers of New York, Inc. (IPP) note that in the August 21, 2008 Order, the Commission accepted, as a temporary measure, the NYISO's proposal to

¹³ 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, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation.

prohibit the scheduling of transactions over eight circuitous paths around Lake Erie.¹⁴ IPP asserts, however, that the NYISO Report is silent on the issue of whether the market initiatives it advocates will allow the NYISO to lift these scheduling limitations.

21. Xcel Energy Services Inc. (Xcel) argues that the loop flow issue addressed in the NYISO Report is essentially a seams issue. Accordingly, Xcel urges the Commission to require the NYISO and its neighbor RTOs and ISOs to consider mechanisms to encourage robust price convergence techniques at border points between these markets.

22. The New York TOs generally support the NYISO Report's proposed initiatives but believe that Commission oversight is necessary to ensure prompt implementation. The New York TOs assert that the problems identified in the NYISO Report must be addressed on both a timely and a coordinated basis, pursuant to a firm commitment from all of the ISOs and RTOs.¹⁵ To address these needs, the New York TOs propose that the Commission: (i) convene a technical conference for the purpose of establishing a clear and binding short-term implementation schedule targeted for the end of 2011, with an emphasis on implementing first those initiatives that will maximize customer benefits; and (ii) require the joint submission of quarterly reports from the ISO and RTOs addressing these obligations until such time as they are fully satisfied.

23. PJM, while generally supportive of the implementation timeline outlined in the NYISO Report, agrees that the proposed interface pricing revisions should be pursued pursuant to a specific implementation schedule.

24. The Midwest ISO states that it may need to make changes in its interface pricing methodology to accommodate the Michigan-Ontario PARs when they are placed into service. The Midwest ISO asserts that, in addition, the NYISO should consider changing its pricing methodology to tag-based pricing in conjunction with this PARs addition.

25. PSEG agrees with the NYISO Report proposal to implement comparable methods of interface pricing, but urges the RTOs and ISOs to develop a transparent process and remove other obstacles to the designation of new proxy buses, particularly with respect to regulated controllable transmission lines. PSEG asserts that all controllable transmission lines that connect the NYISO with other control areas should be eligible to be designated as a scheduled transmission line and treated as a proxy bus, regardless of whether they

¹⁴ IPP comments at 3, *citing* August 21, 2008 Order, 124 FERC ¶ 61,174 at P 20, 28.

¹⁵ *See also* IPP comments at 6 (“absent such milestones, it will be very difficult, if not impossible, to track the NYISO’s progress in meeting its proposed implementation dates and to determine whether the ISOs/RTOs are falling behind schedule.”).

are a merchant facility or a regulated transmission line. PSEG argues that creating a transparent process in the NYISO for new proxy buses will lead to the creation of more accurate pricing points and thereby improve inter-RTO scheduling and loop flows.

26. DTE Energy Trading, Inc. (DTE) requests that the NYISO clarify whether the adoption of a common interface pricing methodology between the NYISO, PJM, the Midwest ISO, and the IESO will address the gaming issue that arises when traders have the opportunity to disguise the ultimate source or sink of their transactions. DTE also argues that the NYISO Report's buy-through congestion proposal may be prohibitively expensive to implement and that there may not be sufficient demand to justify these costs.

27. IPP characterizes the NYISO Report's buy-through congestion proposal as an "all or nothing" approach that would leave market participants with no effective method to limit the level of congestion payments they might be willing to accept in order to keep their transactions flowing, i.e., not curtailed. IPP submits that allowing parties to use an alternative "up to" congestion bid (indicating the maximum amount of the buy-through congestion charges they might be willing to pay) and allowing these transactions to be revised, at the bidder's option, during the hour (a policy permitted by PJM and the Midwest ISO) would address this concern.¹⁶

28. Potomac Economics, Ltd., acting in its capacity as the independent market monitor for the Midwest ISO (Midwest ISO MMU), agrees with the NYISO Report that the buy-through congestion proposal will provide an effective mechanism for scheduling and curtailing external transactions as between constraints occurring in one or more of the four ISO/RTO markets sponsoring this proposal. However, the Midwest ISO MMU asserts that the transmission loading relief (TLR) process should still be used to address loop flows caused by transactions scheduled by entities outside these four ISOs/RTOs. The Midwest ISO MMU adds that as a matter of both equity and efficiency, it will be important to coordinate the TLR process and the buy-through congestion process so that transactions are treated consistently by both. Specifically, the Midwest ISO MMU states that transactions subject to the buy-through congestion process that are not willing to pay congestion should be curtailed *pro rata* with other non-firm transactions subject to the TLR process. In turn, the Midwest ISO MMU states that transactions that are willing to

¹⁶ Compare Midwest ISO MMU comments at 5-6 (arguing that while, in theory, an "up to" bid could improve efficiency by allowing for more targeted curtailments and reducing participants' risk, forecasting congestion in the subsequent hour is subject to considerable uncertainty and are not sufficiently accurate to support "up to" bidding at this time).

pay congestion should be assigned a higher priority and curtailed only after all non-firm transactions are curtailed.

29. Monitoring Analytics, LLC, acting in its capacity as the independent market monitor for PJM (PJM MMU) urges the Commission to require immediate correction to interface pricing at the NYISO's interfaces (by the second quarter of 2010) to reflect the actual flow of energy. The PJM MMU asserts that while the buy-through congestion approach attempts to address this issue, a more cost effective solution would assign interface prices based on the generation control area for imports and load control area for exports, as designated on the NERC-tag (a methodology currently used by both PJM and the Midwest ISO).

30. The PJM MMU and Detroit Edison also request that the Commission require the NYISO to submit a revised, better-defined schedule for the development and adoption of a broader regional market-to-market congestion management approach with a deadline of June 2011. In support of this deadline, the PJM MMU questions the extent to which NERC's development of a parallel flow visualization tool is, in fact, a prerequisite for the implementation of either the buy-through congestion solution or the market-to-market congestion management solution.

31. PSEG asserts that an effective transmission planning process that includes cost allocation among PJM and the NYISO is imperative in order to provide for efficient reliability and address problems posed by cross-border loop flows. PSEG argues that, under the terms of the NYISO Report, however, there are no firm obligations to undertake any such joint planning. Accordingly, PSEG urges the Commission to require the NYISO and PJM to enter into a joint operating agreement that, at a minimum, includes requirements similar to the regional transmission planning and costs allocation provisions of the Midwest ISO/PJM joint operating agreement.¹⁷

32. ITC argues that the costs it will incur to install and maintain the Michigan-Ontario PARS (approximately \$8 million, per year) should be appropriately shared by all of the regional beneficiaries. ITC notes that until a cost sharing agreement emerges, it is not willing to execute the underlying operating agreements necessary to activate the Michigan-Ontario PARS.¹⁸

¹⁷ PSEG comments at 9, citing *Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, L.L.C.*, 106 FERC ¶ 61,251, order on reh'g, 108 FERC ¶ 61,143 (2004).

¹⁸ See also Detroit Edison comments at 4 (characterizing ITC's request as reasonable).

33. DTE argues that the operation of existing PARs may have played a significant role in loop flows that have been otherwise unfairly ascribed to external transactions. In addition, DTE asserts that because existing PARs may be contributing to loop flows in the Lake Erie region, it remains unclear what will happen once the Michigan-Ontario PARs are put into place, what their impact will be on loop flows and whether there is the potential for the Michigan-Ontario PARs to compromise the functioning capability of the existing PARs without the implementation of a coordinating agreement.

34. IESO states that it has collaborated with the NYISO and the other neighboring ISO/RTOs during the preparation of the NYISO Report and supports its analysis. IESO also states that the implementation of the Michigan-Ontario PARs is critical to the control of loop-flows in the region. IESO urges that the Michigan-Ontario PARs be placed into service as soon as possible.

B. Answers

35. The NYISO, in its answer, responds to ITC's request seeking to impose costs attributable to the Michigan-Ontario PARs on ratepayers located in the region surrounding Lake Erie. The NYISO argues that ITC's request, if granted, would be unprecedented, unjustified, and unreasonable, given that the Michigan-Ontario PARs will benefit ITC's customers.

36. ITC, in its answer to the NYISO's answer, renews its argument that the installation of the Michigan-Ontario PARs should be undertaken pursuant to a cost sharing arrangement, regardless of whether its customers will be among its beneficiaries. Detroit Edison, in its answer to NYISO's answer, concurs.

37. The New York TOs, in their answer, respond to PSEG's argument that PJM and the NYISO should be required to enter into a joint operating agreement addressing the allocation of regional transmission projects. The New York TOs argue that PSEG's request is: (i) beyond the scope of the instant proceeding; (ii) raises broader public policy issues already being considered by the Commission in Docket No. AD09-8-000; and (iii) is otherwise based on faulty reasoning regarding existing reliability needs.

38. PSEG, in its answer to the New York TOs' answer, reiterates its argument that interregional planning and cost allocation issues must be a necessary component of any comprehensive, long-term solution to the Lake Erie loop flow problem.

IV. Discussion

A. Procedural Matters

39. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2010), the notices of intervention and timely, unopposed motions to

intervene serve to make the entities that filed them parties to this proceeding. We will also grant the unopposed late-filed motions to intervene of AEP and Consumers given their interest in this proceeding, the early stage of the proceeding, and the lack of undue prejudice or delay. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2010), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We will accept the above-noted answers because they have provided information that assisted us in our decision-making process.

B. Analysis

40. We commend the NYISO and the entities with whom it has collaborated in developing the recommendations and proposals outlined in the NYISO Report. We agree that these planned regional initiatives, taken as a whole, appear to represent a constructive, workable framework for minimizing the occurrence of Lake Erie region loop flow. As noted above, these planned regional initiatives will be designed to reduce uplift costs and lower total system operating costs through four broad-based initiatives, consisting of: (i) a buy-through congestion proposal; (ii) a revised congestion management/market-to-market coordination protocol; (iii) interface pricing enhancements; and (iv) enhanced interregional transaction coordination.

41. However, we also find that intervenors have raised issues and concerns related to the proposed initiatives which are not fully addressed by the NYISO Report. For example, IPP questions whether the NYISO Report's buy-through congestion proposal represents an "all or nothing" approach that can and should be replaced with an "up to" congestion bid allowance. The Midwest ISO MMU suggests that even following the implementation of a buy-through congestion allowance, the TLR process should continue to be relied upon to address loop flows caused by transactions scheduled by entities outside the four ISOs/RTOs. ITC asserts that the Michigan-Ontario PARS will benefit the four ISO/RTO regions as a whole and requests that we address, in this proceeding, the equitable allocation of the costs attributable to both their installation and on-going operation.

42. We will direct the NYISO and the additional parties, as specified in Appendix A to this order, to answer questions directed to these matters and to provide additional evidence, as appropriate.¹⁹ Responses to these questions must be submitted to the Commission within 30 days of the date of this order. Intervenors will be permitted to

¹⁹ The IESO is not subject to the Commission's jurisdiction. However, the IESO, in its comments, recommends that the Ontario-Michigan PARs be placed into service as soon as possible. To help address this request, the Commission respectfully requests that the IESO provide the additional information requested in the appendix to this order.

submit comments addressing these submissions 30 days thereafter. We also agree, as a general proposition, that progress on this front should proceed expeditiously. We therefore encourage all interested parties to continue their collaborative efforts and to resolve any differences that may arise on a consensual basis.

43. Intervenors, while generally supportive of the approach outlined in the NYISO Report, urge the Commission to adopt concrete, date-certain deadlines applicable to the submission of any required tariff changes and related agreements. We reserve the right to revisit these issues in the future, but will not impose filing deadlines or status report requirements at this time, based on the record as it now stands.

The Commission orders:

(A) The NYISO Report is hereby conditionally accepted subject to the parties filing answers to the questions set forth in Appendix A to this order.

(B) The NYISO, the Midwest ISO, PJM, and ITC are hereby directed to answer the questions set forth in Appendix A to this order within 30 days of the date of this order.

(C) The Commission respectfully requests that that the IESO provide the additional information requested in Appendix A to this order within 30 days of the date of this order.

By the Commission. Commissioner LaFleur voting present.

(S E A L)

Kimberly D. Bose,
Secretary.

Appendix A

Questions to be Addressed by the NYISO

Buy-Through of Congestion

1. The NYISO Report provides a chart, at Attachment C, p. 52, showing how the different RTOs and ISOs will manage congestion cost exposure in the day-ahead market. Please provide a comparison of the NYISO's transaction modeling methodologies for intra-NYISO transactions and for transactions between the NYISO and its neighboring RTOs and ISOs.
2. Please provide copies of all studies performed by, or for, the NYISO regarding the impact of the buy-through of congestion proposal within the NYISO and in its neighboring RTOs and ISOs.
3. The NYISO Report states, at Attachment A, p. 18, that "[a]ctual experience has not shown the need for an up-to congestion product to be necessary if there is adequate real-time price transparency around price differences." With respect to this statement, please explain: (i) the experience the NYISO has had, to date, with buy-through of congestion; (ii) why an "up-to" component is undesirable; and (iii) whether the NYISO would support the adoption of an "up to" approach for the buy through of congestion (and if not, why not), assuming the majority of stakeholders in the NYISO's neighboring RTOs and ISOs favor such an approach.

Congestion Management/Market-to-Market Coordination

4. The NYISO Report states, at Attachment A, pp. 34-45, that firm flow entitlements will be based on expected usage and the location of flowgate capacity. With respect to this statement, please describe: (i) how the initial flow entitlements will be determined; (ii) whether the initial determination will be used in the settlement process; and (iii) what, if any, alternative methods the NYISO has considered for establishing the initial flow entitlements.
5. The NYISO Report states, at p. 10 and Attachment A, p. 28, that the proposed congestion management/market-to-market coordination solution is similar to the initiative developed by PJM and the Midwest ISO. With respect to this statement, please explain the differences between the NYISO's proposal and the market-to-market coordination program used by PJM and Midwest ISO. Include a discussion of how each program does (or will) affect the need, frequency and/or magnitude of transmission loading relief (TLR) events.

6. Please explain to what extent the market-to-market coordination program used by PJM and the Midwest ISO is enhanced by: (i) the buy through of congestion programs (indicating whether these programs allow “up-to” bidding); and (ii) PARs coordination.
7. The NYISO Report projects, at p. 19, that the implementation of a market-to-market coordination program by the NYISO, PJM, and the Midwest ISO will take place by the third quarter of 2011 and will be implemented in additional regions by 2012. With respect to this projection, please identify and discuss any potential impediments faced by the NYISO in meeting these projected target dates.
8. Please provide copies of all studies performed by, or for, the NYISO regarding the impact of the congestion management/market-to-market coordination proposal within the NYISO and in its neighboring RTOs and ISOs.

Interface Pricing Revisions

9. Please describe whether and how the interface pricing revisions will address the economic incentives that lead to the scheduling of the now prohibited Paths 1 and 5, or any other paths that might result in increased loop flow.
10. Please provide copies of all studies performed by, or for, the NYISO regarding the impact of the interface pricing revisions proposed by the NYISO and in its neighboring RTOs and ISOs.
11. Please provide copies of all studies performed by, or for, the NYISO that:
(i) describe the current interface proxy price determination methodology and any adjustments; (ii) explain how the interface proxy price methodology will reflect the state of control of PARs (including how PAR controllability affects proxy price assumptions for day-ahead and hour-ahead markets); (iii) list the additional locations evaluated and selected for proxy price determination; and (iv) explain why the NYISO’s proposed interface proxy price determination methodology changes based on scheduled and unscheduled flows.

Implementation and Operation of PARs

12. Please provide all studies performed by, or for, the NYISO which show how the operation of the Michigan-Ontario PARs: (i) will affect scheduling on transmission systems of the NYISO and its neighboring RTOs and ISOs; (ii) impact settlements administered by the NYISO; and (iii) will financially impact NYISO members.

13. Please specify the PAR settings for all existing PARs that can affect circuitous flows around Lake Erie (e.g., Ramapo) for both before and after the Michigan-Ontario PARs are placed into service. Provide all studies which examine the effects of the existing and proposed PARs on circuitous flows around Lake Erie.

Scheduling Issues

14. The Commission's August 21, 2008 and November 17, 2008 Orders accepted tariff sheets which preclude the scheduling of flows over eight transmission paths. Please explain whether the adoption of the initiatives present in the NYISO Report negates the need for the restriction on scheduling over those eight transmission paths.
15. Explain how the combined proposals identified in your filing contribute to the management of unscheduled flows in the NYISO and neighboring RTOs and ISOs.

Loop Flows Created Outside the NYISO

16. Describe the tariff mechanisms or other procedures that address loop flows caused by transactions between entities located outside of the NYISO.
17. In a report issued by PJM and made available on its website (at www.pjm.com/~media/committees-groups/committees/mic/20090910/20090910-item-07-m2m-calculation-error.ashx), PJM states that it implemented corrections for daily production calculations in its congestion management models on June 18, 2009. PJM states that it did so because several generation units were not updated through time in the model. Please describe how this updated model has affected loop flows in the NYISO.

Questions to be Addressed Individually by The Midwest ISO, PJM, and the IESO

18. Describe the tariff mechanisms or other procedures which address loop flows caused by transactions between entities located outside of the Midwest ISO, PJM, and IESO.
19. In a report issued by PJM and made available on its website (at www.pjm.com/~media/committees-groups/committees/mic/20090910/20090910-item-07-m2m-calculation-error.ashx), PJM states that it implemented corrections for daily production calculations in its congestion management models on June 18, 2009.

PJM states that it did so because several generating units were not correctly updated in the model. Please describe how the updated model has affected loop flows in your control area.

Questions to be Addressed by ITC

20. Describe how ITC would operate the Michigan-Ontario PARs absent funding by parties other than ITC.
21. ITC states in its January 27, 2010 response, pp. 5-6, that the new PARs are replacements for a regulating transformer that was installed in 2003 and failed shortly thereafter. Please explain: (i) what costs have been incurred by ITC for the new PARs and how such costs have been recorded; and (ii) whether and how any such costs have been passed through to ITC's customers.
22. On December 23, 2009, ITC stated, in a letter to the NYISO (*see* NYISO Report at Attachment E) that work will be completed in the first quarter of 2010, at which time the PARs will be physically ready to go into service. In its response to the NYISO Report, ITC states that work would not be completed until some time in the second quarter of 2010. Please explain the reasons for the delay in the physical completion of the PARs.

Appendix B**Interventions and/or Comments**

Allegheny Power and
Allegheny Energy Supply Company, LLC
American Electric Power Service Corporation *
Cargill Power Markets, LLC
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, Orange and Rockland Utilities, Inc., and
Rochester Gas and Electric Corporation
Consolidated Edison Company of New York, Inc.
Consumers Energy Company *
Detroit Edison Company
DTE Energy Trading, Inc.
Independent Electricity System Operator of Ontario
Independent Power Producers of New York, Inc.
International Transmission Company
ISO New England Inc.
Long Island Power Authority, New York Power Authority
Midwest Independent Transmission System Operator, Inc.
Monitoring Analytics, LLC
New York State Electric & Gas Corporation
New York State Public Service Commission
North American Electric Reliability Corporation
Open Access Technology International, Inc.
Orange and Rockland Utilities, Inc.
Potomac Economic, Ltd.
PJM Interconnection, L.L.C.
PSEG Companies
Rochester Gas and Electric Corporation.
Xcel Energy Services Inc.

* late-filed intervention