

151 FERC ¶ 61,281
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Philip D. Moeller, Cheryl A. LaFleur,
Tony Clark, and Colette D. Honorable.

New York Independent System Operator, Inc.

Docket Nos. ER15-1042-000
ER15-1042-001

ORDER ON TARIFF REVISIONS

(Issued June 30, 2015)

1. On February 13, 2015, as amended on April 30, 2015, the New York Independent System Operator, Inc. (NYISO), pursuant to section 205 of the Federal Power Act,¹ filed proposed revisions to Rate Schedule 2 of its Market Administration and Control Area Services Tariff (Services Tariff) to redesign the compensation to suppliers providing Voltage Support Service (VSS).²

2. In this order, we accept the proposed revisions, effective January 1, 2016, as requested.

I. Background and Summary of Filing

3. NYISO states that its current VSS compensation rate is \$3,919 per MVAR based on lagging reactive power capability demonstrated by the generator's annual lagging reactive power test or operational data.³ NYISO states that the current VSS rate has been

¹ 16 U.S.C. § 824e (2006).

² FERC Electric Tariff, [NYISO MST, 15.2 MST Rate Schedule 2 - Payments for Supplying Voltage Su, 5.0.0.](#)

³ NYISO states that, under the current Services Tariff, leading reactive power tests are required once every three calendar years to qualify for compensation; however, it states, the leading reactive power test results are not directly tied to a generator's compensation. NYISO Filing at 3.

in place since 2002,⁴ and when established was based on total costs associated with the total MVARs of reactive power supply.⁵ NYISO asserts that the current rate was based on full cost support when established in 2002.⁶ The proposed revisions would compensate VSS suppliers based on their capability to provide both leading (absorbing) and lagging (producing) reactive voltage support, replacing the current compensation rate which is limited to lagging reactive voltage support only.⁷ NYISO states that the proposed redesign of the VSS compensation structure to apply the VSS rate to both leading and lagging reactive power capability is based on the cost of service information available to the NYISO and extensive discussions with market participants.⁸ NYISO further states that the redesign maintains the approximate total dollar value of the current VSS program in the near term, but shifts compensation to both leading and lagging reactive power capability as opposed to only compensating lagging reactive power capability.⁹ NYISO also states that NYISO stakeholders also agreed to add the average annual Consumer Price Index inflator starting in 2015. NYISO explains that, accordingly, the proposed VSS compensation rate for 2016 will be \$2,592 per MVAR of tested leading and lagging capability, plus one year of the Consumer Price Index inflator. The compensation rate will be changed each year thereafter based on the Consumer Price Index inflator.¹⁰

4. NYISO asserts that its proposed rate redesign is needed due to the increased need for leading reactive power support throughout the New York Control Area.¹¹ NYISO

⁴ *New York Independent System Operator, Inc.*, Docket No. ER02-617-000 (unpublished letter order, February 5, 2002).

⁵ VSS suppliers are also compensated under Services Tariff Rate Schedule 2 for lost opportunity costs incurred when they reduce their energy output in order to provide VSS. *See* Services Tariff, Rate Schedule 2, section 15.2.2.2.

⁶ NYISO Filing at 4.

⁷ NYISO is also proposing to continue compensating suppliers with automatic voltage regulator outages when the NYISO receives timely notice of such outages. A fully functioning automatic voltage regulator is required for full VSS compensation.

⁸ NYISO Filing at 4.

⁹ *Id.*

¹⁰ NYISO commits to undertake a comprehensive review of the VSS program in 2020, four years after implementation of the changes proposed in the filing.

¹¹ NYISO Filing at 3.

explains that, since 2010, the number of requests for leading reactive support has substantially increased due to higher off-peak transmission voltages. NYISO further explains that more than 90 percent of NYISO's reactive power support requests during this time have been for leading reactive power support. In contrast, NYISO states, prior to 2010, more than 90 percent of NYISO's reactive power support requests were for lagging reactive power support. NYISO contends that the increased leading reactive power capability will allow NYISO and other Transmission Owners to operate the electric grid more reliably, and states that the revisions are just and reasonable and have received the support of a majority of the NYISO stakeholders.¹²

5. NYISO requests waiver of section 35.3(a)(1) of the Commission's regulations to permit the proposed tariff revisions to become effective January 1, 2016.¹³ In support, NYISO explains that the January 1, 2016 effective date will allow the rate to take effect at the beginning of the calendar year.

II. Notice of Filing and Responsive Pleadings

6. Notice of the February 13, 2015 filing was published in the *Federal Register*, 80 Fed. Reg. 9709 (2015), with interventions and protests due on or before March 6, 2015.

7. The New York State Public Service Commission filed a notice of intervention. Timely motions to intervene were filed by NRG Companies, Independent Power Producers of New York, Inc. (IPPNY), Invenenergy Wind Development, LLC, Exelon Corporation, Dynegy Marketing and Trade, LLC (Dynegy), and the New York Transmission Owners. IPPNY and Dynegy filed protests. Answers to the protests were filed by the NYISO and the Indicated New York Transmission Owners (NY Transmission Owners).

8. IPPNY and Dynegy allege that NYISO failed to increase the proposed VSS rate to reflect the inflation that has occurred since the VSS rate was last set in 2002. Although they support tying NYISO's proposed adjustments to apply the Consumer Price Index prospectively to the new VSS rate, they assert that the same reasoning should be applied retroactively to the escalation of costs over the last decade. Accordingly, they request that the Commission direct NYISO to use the historical Consumer Price Index for each of the last twelve years in order to tabulate the inflation-adjusted rates for the current year. IPPNY asserts that this proposal would be a fair, just, and reasonable means of remedying losses borne by VSS suppliers over the last decade because the rates failed to increase with inflation.

¹² *Id.* at 4-5.

¹³ 18 C.F.R. § 35.3(a)(1) (2014).

9. In its answer to the protests, NYISO states that although a majority of stakeholders supported increasing the annual VSS compensation rate, they considered, and rejected, a proposal to escalate the proposed starting point for the 2014 VSS compensation rate by applying the annual Consumer Price Index for each year from 2002 through the present.¹⁴ NYISO contends that no evidence had been presented during the stakeholder process to indicate that the existing compensation rate, as approved in 2002, was unreasonably low, and no reasonable basis has been provided in support of the protests. Therefore, it asserts, the Commission should reject the relief requested by protesters as no reasonable basis has been provided in support of such relief.

10. The NY Transmission Owners request that the Commission reject the protests and accept the filing. The NY Transmission Owners state that the Consumer Price Index inflator was added during stakeholder discussions, but that stakeholders considered and rejected a proposal to escalate the starting point for the VSS compensation rate.¹⁵

III. Deficiency Letter and Response

11. By letter issued April 10, 2015, Commission staff advised NYISO that the February 13, 2015 filing was deficient and requested that NYISO fully explain the methodology, calculation, and underlying assumptions used to determine the proposed \$2,592 per MVAR compensation rate and provide supporting documentation demonstrating that the proposed amendments maintain the approximate total dollar value of the current VSS program in the near term.¹⁶

¹⁴ NYISO Answer at 3.

¹⁵ NY Transmission Owners Answer at 3.

¹⁶ April 10 Deficiency Letter at 2.

12. On April 30, 2015, NYISO submitted a response to the April 10, 2015 deficiency letter.¹⁷ NYISO explains the methodology, calculation and underlying assumptions used to determine the proposed \$2,592 per MVAR compensation rate by dividing the total VSS program compensation paid to qualified VSS suppliers in 2012 by the total lagging and leading reactive power capability of all qualified VSS suppliers in 2012.¹⁸ NYISO explains that it used 2012 data to develop the proposed VSS compensation rate because it was the most current full year of data available when the proposal was developed.¹⁹ NYISO states that it determined the total demonstrated lagging reactive power capability and total demonstrated leading reactive power capability of all suppliers that qualified to receive VSS compensation in 2012 by summing the leading and lagging reactive power capability for all qualified VSS Suppliers based on data submitted to the NYISO.²⁰

13. Notice of NYISO's April 30, 2015 response was published in the *Federal Register*, 80 Fed. Reg. 26,029 (2015) with interventions or protests due on or before May 21, 2015. No protests or interventions were filed.

IV. Discussion

A. Procedural Issues

14. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

15. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2014), prohibits an answer to a protest or an answer unless otherwise ordered by the decisional authority. We will accept the answers filed by NYISO and the

¹⁷ With the April 30, 2015 Response, NYISO included the affidavit of Brad Garrison, a senior engineer in the Operations Engineering Department at the NYISO (Garrison Affidavit).

¹⁸ NYISO Deficiency Response, Garrison Affidavit at 2-3.

¹⁹ *Id.*

²⁰ *Id.* NYISO contends that the total annual value of VSS payments to be made under the proposed VSS redesign should remain approximately the same, at least in the near term, because the 2012 total program compensation that was used in the proposed compensation rate calculation is expected to remain approximately the same in the near future. Further, NYISO contends that the quantity of demonstrated lagging and leading reactive power capability is expected to remain approximately the same in the near term.

NY Transmission Owners because they have provided information that assisted us in our decision-making process.

B. Substantive Issues

16. We accept NYISO's proposed tariff revisions for filing, including the revision reflecting the proposed VSS compensation rate with future annual adjustments based on the Consumer Price Index, to become effective January 1, 2016, as requested. We find that by applying a VSS compensation rate to both leading and lagging reactive power capability, NYISO's proposal reasonably addresses the failure of the existing rate to address a significant shift in reliability needs, from primarily lagging reactive power support to primarily leading power support. Moreover, as NYISO notes, the instant rate filing received the support of a large majority of stakeholders.

17. We also reject IPPNY's and Dynegy's proposals for retroactive inflation of the existing VSS rate. The current rate was based on full cost support when established, and as the Commission has previously held, "the mere passage of time does not, by itself, invalidate the rate established in 2002."²¹ The Commission previously approved continuation of the rate set in 2002, without requiring an escalation in the rate to reflect past escalation,²² and neither IPPNY nor Dynegy provide new cost of service or other evidence to support such a change now.

18. In its April 30, 2015 response, NYISO explains that it derived the \$2,592 per MVAR VSS compensation rate by dividing the total VSS compensation paid to qualified VSS suppliers in 2012 by the total lagging and leading reactive power capability of all qualified VSS suppliers in 2012. This explanation demonstrates that the proposed amendments maintain the approximate total dollar value of the current VSS program in the near term. We therefore find NYISO's proposed rate to be just and reasonable, and we accept the proposed tariff revisions.

19. We find good cause to waive section 35.3(a)(1) of the Commission's regulations to allow the new compensation structure to become effective January 1, 2016, more than 120 days from the date of filing, so that the revisions begin taking effect at the start of a full calendar year.

²¹ *New York Independent System Operator, Inc.*, 117 FERC ¶ 61,002, at P 11 (2006) (October 2006 Order).

²² *See New York Independent System Operator, Inc.*, 113 FERC ¶ 61,340 (2005) (accepting NYISO's proposal to continue the existing rate for lagging reactive power, with a sunset provision). *See also New York Independent System Operator, Inc.*, 115 FERC ¶ 61,005 (2006) (eliminating the sunset provision so that existing rate continued in effect).

The Commission orders:

NYISO's proposed tariff revisions are hereby accepted, to be effective January 1, 2016, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.