

May 5, 2016

By Electronic Delivery

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: *New York Independent System Operator, Inc., Proposed Tariff Revisions
Regarding Interconnection Process Improvements, Docket No. ER16-_____***

Dear Secretary Bose:

In accordance with Section 205 of the Federal Power Act¹ and Part 35 of the Federal Energy Regulatory Commission's ("Commission") regulations,² the New York Independent System Operator, Inc. ("NYISO") respectfully submits proposed revisions to the interconnection procedures set forth in Attachment S (Section 25) to the NYISO Open Access Transmission Tariff ("OATT") (Rules to Allocate Responsibility for the Cost of New Interconnection Facilities) ("Attachment S").³

The NYISO is proposing changes to Attachment S to improve upon its interconnection study process by increasing flexibility for Developers. These tariff revisions were developed as part of an ongoing effort by the NYISO staff and stakeholders to identify and implement improvements to current tariff requirements related to the interconnection process. Specifically, these proposed changes are to the rules in Attachment S related to the regulatory milestone requirement for projects in the NYISO's Large Facility Interconnection Procedures and to the Class Year entry requirements related to such regulatory milestone.

The NYISO requests that all of the tariff revisions proposed in this filing become effective on the first business day after the end of the standard sixty day notice period under FPA Section 205, *i.e.*, on July 5, 2016. That date will also allow the NYISO and its stakeholders to recognize the benefit of applying the proposed tariff revisions as early as possible and providing certainty regarding their current and future application.

¹ See 16 U.S.C. § 824d (2000).

² 18 C.F.R. § 35 *et seq.* (2009).

³ Capitalized terms not otherwise defined in this letter have the meaning set forth in Attachments S, X and Z of the OATT.

I. Documents Submitted

1. This filing letter;
2. A clean version of the proposed revisions to Attachment S of the NYISO's OATT ("Attachment I"); and
3. A blacklined version of the proposed revisions to Attachment S of the NYISO's OATT ("Attachment II").

II. Background

The rights and obligations of Large Facility project Developers and Small Generating Facility Interconnection Customers (collectively, "Developers"),⁴ with respect to interconnecting to the New York State Transmission System or Distribution System are set forth in Attachments S, X, and Z to the NYISO's OATT.

Attachment X to the OATT contains the procedures for evaluating proposed interconnections of Large Generating Facilities and Merchant Transmission Facilities. Attachment X calls for three successive Interconnection Studies of each proposed project. The first study is the Interconnection Feasibility Study, which is a high level evaluation of the configuration and local system impacts.⁵ The second study is the Interconnection System Reliability Impact Study, a detailed single-project study that evaluates the project's impact on transfer capability and system reliability.⁶ The third and final study in the interconnection process is the Class Year Interconnection Facilities Study ("Class Year Study").⁷ The annual Class Year Study is a detailed study that evaluates the cumulative impact of a group of projects that have completed similar milestones – a "Class Year" of projects. The Class Year Study identifies the upgrade facilities needed to reliably interconnect all the projects in a Class Year.⁸ A Class Year is comprised of projects that have met specified Class Year Study eligibility requirements by the time the combined group study begins and have elected to enter that Class Year Study.⁹ The Class Year Study procedures are primarily contained in Attachment S to the OATT.¹⁰

⁴ While "Developer" is a tariff-defined term referring to a project developer for a Large Facility (versus a Small Generating Facility), for ease of reference, this filing letter uses the term "Developers" to refer to both Large Facility project developers and Small Generating Facility project developers.

⁵ See Attachment X, Section 30.6.

⁶ See Attachment X, Section 30.7.

⁷ See Attachment X, Section 30.8.

⁸ Specifically, the Class Year Study allocates the cost of System Upgrade Facilities and System Deliverability Upgrades identified in the study among the projects in the Class Year in accordance with the cost allocation methodologies set forth in Attachment S to the OATT.

⁹ See Attachment X, Section 8.2. See also Attachment S, Sections 25.6.2.3.1 and 25.6.2.3.4 (Class Year eligibility

The hallmark of the NYISO's Class Year Study process is that it is performed for a group of projects that have achieved similar developmental milestones to determine the cumulative impact of such projects. Through this unique clustered study, the NYISO is able to equitably allocate upgrade costs and generate detailed good faith cost estimates that provide reasonable closure on upgrade costs. While aiming to retain these desirable features and benefits of the current Class Year Study process, the NYISO and its stakeholders have been working collaboratively to provide additional flexibility to Developers wishing to enter a Class Year Study.

The proposed revisions to Attachment S were approved by the NYISO's stakeholders after an extensive and open process, through meetings, including the development of tariff language, held over the course of three months. This process resulted in a consensus among stakeholders on the amendments proposed in this filing. As discussed in detail in Section III below, these tariff revisions are designed to improve the NYISO's existing interconnection process. They have been endorsed by the NYISO's Board of Directors.

III. Description of the Proposed Tariff Modifications

A. Overview

The NYISO and its stakeholders developed these proposed tariff revisions in an effort to permit additional time within which a Developer must satisfy certain regulatory milestones, while still encouraging projects to move through the interconnection process without unnecessary delays. Toward this end, the NYISO proposed, and obtained consensus with its stakeholders regarding, tariff revisions designed to allow additional time for Developers to meet their regulatory milestone requirement and to provisionally enter a Class Year Study pending completion of the applicable regulatory milestones.

Under the current tariff, a project cannot enter a Class Year Study until it has met one of the regulatory milestones described in Section 25.6.2.3.1 of Attachment S. These milestones are primarily state regulatory determinations or actions related to siting and permitting requirements for the facility. For generators, the most commonly applicable regulatory milestone is a determination by the New York Department of Public Service ("DPS") that a facility's Article 10 application is in compliance with New York Public Service Law § 164.¹¹ For Merchant Transmission Facilities, the most commonly applicable regulatory milestone is a determination

and re-entry criteria).

¹⁰ Attachment X details the obligations related to execution of a Class Year Study Agreement and provides a high level scope of the Class Year Study and Class Year Study procedures, but it incorporates by reference the terms of Attachment S, which provide more detailed Class Year Study procedures.

¹¹ See Attachment S, Section 25.6.2.3.1.1.7.

by the DPS that the facility's Article VII application is in compliance with New York Public Service Law §122.¹²

A project must satisfy one of the regulatory milestones specified in Section 25.6.2.3.1.1 within two (2) years after the approval of the System Reliability Impact Study ("SRIS") for the project by the NYISO Operating Committee. Failure to satisfy the regulatory milestone within this two-year period results in withdrawal of the project from the NYISO interconnection queue.

Developers have raised concerns through the NYISO stakeholder process regarding the ability to complete the applicable regulatory milestone. The Article 10 process applicable to generators over 25 MW is a relatively new power plant siting process that "front-loads" much of the process. As a result, there are concerns that projects may not be able to reach the "completed application" stage in time to enter a desired Class Year Study, despite having an Operating Committee-approved SRIS.

In addition, certain projects in the interconnection queue may be subject to withdrawal from the queue if they do not meet the required regulatory milestone within the current two-year tariff deadline. The Commission recently granted a waiver requested by one such project, allowing it to remain in the interconnection queue despite not having met the regulatory milestone requirement within two years after the Operating Committee approved its SRIS.¹³ The Commission's decision relied in part on the tariff revisions that are the subject of this filing – revisions that were, at the time of the waiver filing, being discussed in the NYISO's stakeholder process.¹⁴ These tariff revisions, like the Commission's Order on the above-referenced waiver, would remedy a concrete problem by allowing projects to (1) maintain Class Year eligibility; and (2) have more time to meet their respective regulatory milestones without being subject to withdrawal for failure to meet the regulatory milestone within two years of Operating Committee approval of their SRISs.¹⁵

In light of concerns regarding the inability to enter a Class Year Study soon after Operating-Committee approval of the SRIS, as well as concerns regarding the potential for withdrawal from the queue, the NYISO proposes tariff revisions to provide developers additional flexibility in the interconnection process with regard to the regulatory milestone requirements. This flexibility should have little if any impact on other participants in the process, but will provide developers two key benefits: (1) additional time within which to meet the regulatory milestone requirement; and (2) the ability to provisionally enter a Class Year Study before meeting the regulatory milestone requirement.

¹² See Attachment S, Section 25.6.2.3.1.1.7.

¹³ *Dry Lots Wind LLC*, Docket No. ER16-1047-000 (April 1, 2016) (unpublished letter order granting request for an expedited limited waiver of the regulatory milestone deadline under the NYISO OATT) ("Dry Lots Waiver Order").

¹⁴ Dry Lots Waiver Order at P 9.

¹⁵ Dry Lots Waiver Order at P 11.

B. Proposed Tariff Revisions to Section 25.6.2.3 of Attachment S

The NYISO proposes to revise Attachment S to extend the deadline for meeting the regulatory milestone requirement. The proposal would extend the time within which a project must meet the regulatory milestone to 90 days after the Class Year Start Date of the third Class Year Study following the Operating Committee's approval of its SRIS. This gives additional time for the project to meet the regulatory milestone while not permitting the project to remain in the queue indefinitely.

The proposal also includes a provision for a project to provisionally enter a Class Year Study without having met its regulatory milestone – providing the project an additional 90 days after the Class Year Study starts within which to satisfy its regulatory milestone. This revision will help minimize delays to projects that are close to completing their regulatory milestone when a Class Year Study begins. If a project provisionally enters a Class Year Study, it will be withdrawn from the class if its regulatory milestone is still not met after the 90th day. Such withdrawal would count as one of the project's two opportunities for Class Year entry allowed by Attachment S.¹⁶

The tariff revisions specifically involve the following modifications:

- Revisions to Section 25.6.2.3.1 of Attachment S to allow a Developer to provisionally enter a Class Year Study if it has an Operating Committee-approved SRIS but that has not yet satisfied the regulatory milestone requirement, allowing the Developer to satisfy the regulatory milestone requirement within 90 days after the Class Year Start Date;
- Revisions to Section 25.6.2.3.2 of Attachment S to (1) require a Developer to satisfy the regulatory milestone requirement within 90 days after the Class Year Start Date of the third Class Year Study beginning after Operating Committee approval of its SRIS (versus two year after Operating Committee approval of its SRIS); and (2) delete the reference to Section 25.6.2.3.3 because there are no remaining projects subject to the transition rule that is presently contained in Section 25.6.2.3;
- Revisions to Section 25.6.2.3.3 of Attachment S to (1) delete the transition rule that is no longer applicable (because there no longer are any projects in the interconnection queue that have an SRIS approved by the Operating Committee on or before January 17, 2010 that still have an obligation to satisfy their regulatory milestone requirement); and (2) provide that provisional entry in a Class Year for a Developer that fails to meet the regulatory milestone within 90

¹⁶ See Attachment S § 25.6.2.3.4 (currently providing that once a project is eligible to enter a Class Year Study, it may enter two of the next three Class Year Studies; as revised will provide that once a project has an Operating-Committee approved SRIS, it may enter two of the next three Class Year Studies).

days of the Class Year Start Date will be withdrawn from the Class Year Study;
and

- Revisions to Section 25.6.2.3.4 of Attachment S to provide that a Class Year Study into which a Developer provisionally enters and is later withdrawn counts as one of the two Class Year Studies the Developer is permitted to enter.

IV. Requested Effective Date

The NYISO requests that the Tariff revisions proposed herein become effective on July 5, 2016, which is sixty-one days from the date of this filing.¹⁷

V. Requisite Stakeholder Approval

The tariff revisions proposed in this filing were the product of discussions with stakeholders in the NYISO's Transmission Planning Advisory Subcommittee of the Operating Committee beginning in January 2016. These proposed changes to the OATT were unanimously approved (with abstentions) by the Operating Committee on March 17, 2016 and by the Management Committee on March 30, 2016. The NYISO Board of Directors also approved the filing of these proposed changes and authorized the NYISO to make this filing.

VI. Communications and Correspondence

All communications and services in this proceeding should be directed to:

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¹⁷ Sixty days from the date of this filing is a holiday, July 4, 2016; therefore, the NYISO proposes an effective date of the following business day.

VII. Service

The NYISO will send an electronic link to this filing to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, and to the New Jersey Board of Public Utilities. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com.

VIII. Conclusion

For the foregoing reasons, the NYISO respectfully requests that the Commission accept for filing the proposed revisions to the OATT that are attached hereto within sixty days of the date of this filing, with the changes becoming effective on the date specified in part IV of this filing letter.

Respectfully submitted,

/s/ Sara B. Keegan

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