

November 12, 2020

**Submitted Electronically**

Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street N.E.  
Washington, D.C. 20426

Re: *New York Independent System Operator, Inc.’s Proposed Amendments to its Open Access Transmission Tariff and Market Administration and Control Area Services Tariff to Increase Eligibility for the Special Market Rules Applicable to Generators Serving the New York City Steam Distribution System from 523 MW to 533 MW; Docket No. ER21-\_\_\_\_-000.*

Dear Ms. Bose:

The New York Independent System Operator, Inc. (“NYISO”) submits this filing pursuant to Section 205 of the Federal Power Act,<sup>1</sup> and Part 35 of the regulations of the Federal Energy Regulatory Commission (“Commission”), to propose amendments to its Open Access Transmission Tariff (“OATT”) and its Market Administration and Control Area Services Tariff (“Services Tariff”).<sup>2</sup> The proposed amendments increase the applicability of special bidding rules, balancing rules and the exemption from undergeneration penalties to generation supplying the New York City steam distribution system by 10 MW to account for recent efficiency improvement projects completed for the affected generators.

**I. List of Documents Submitted**

The NYISO submits the following documents with this filing letter:

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<sup>1</sup> 16 U.S.C. §824d.

<sup>2</sup> Capitalized terms not otherwise defined herein shall have the meaning specified in the Services Tariff and OATT.

1. A clean version of the proposed revisions to the NYISO's OATT ("Attachment I");
2. A clean version of the proposed revisions to the NYISO's Services Tariff ("Attachment II");
3. A backline version of the proposed revisions to the NYISO's OATT ("Attachment III"); and
4. A backline version of the proposed revisions to the NYISO's Services Tariff ("Attachment IV").

## **II. Correspondence**

All communications and correspondence concerning this filing should be directed to:

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## **III. Background and Justification**

The NYISO Tariffs currently apply special bidding rules, balancing rules and an exemption from undergeneration penalties to the capacity from units supplying the New York City steam distribution system due to the operating characteristics of that capacity.<sup>3</sup> The steam distribution system is a utility service operated by Consolidated Edison Company of New York, Inc. ("Con Edison") and regulated by the New York State Public Service Commission under Article 2 of the New York Public Service Law. The Commission accepted the original exemption level of 365 MW in 2001 and the current exemption level of 523 MW in December 2015.<sup>4</sup>

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<sup>3</sup> See, OATT Section 16.3.4.2.1.2 and Services Tariff Sections 4.5, 5.12.1.11.2 and 15.3A. The generating units dedicated to the steam system discussed herein include East River Unit 1, East River Unit 2, and East River Unit 6.

<sup>4</sup> See *New York Independent System Operator, Inc.*, 96 FERC ¶ 61,112 (2001); *New York Independent System Operator, Inc.*, Letter Order, Docket No. ER01-2251-001 (October 3, 2001);

The special bidding rules, balancing rules and undergeneration penalty exemption are necessary because of the unique operating characteristics of the units serving Con Edison's steam system. Con Edison dispatches these units to meet steam customers' demand. Electricity, a byproduct of this steam production, is sold by Con Edison to the NYISO-administered wholesale markets. The greater the steam demand, the greater the electric output. The electric output of these units, therefore, does not follow the NYISO's dispatch schedule either on a five minute basis or as a fixed schedule for the next hour. Operating these units to follow the NYISO's basepoint signals could require the units serving the steam system to produce too much or too little steam, thereby jeopardizing the reliability of service to the steam customers.<sup>5</sup>

Without the special bidding rules, balancing rules and undergeneration penalty exemption, the NYISO's market rules would impose unavoidable financial harm on Con Edison for selling the electricity byproduct of these facilities to the wholesale market. Specifically, units that generate less Energy than scheduled by the NYISO, by more than three percent of their total capacity, pay a penalty calculated as the product of the real-time price of regulation and the Energy scheduled but not delivered. Further, generators are not paid for Energy produced in excess of three percent of the output scheduled by the NYISO. These tariff rules were adopted to incentivize electric generating facilities to follow the basepoint signals sent by the NYISO,<sup>6</sup> something these units cannot do with or without the incentive.

Over the past several years, Con Edison completed a number of projects at the East River Unit 6 generator that improved the unit's efficiency. These efforts resulted in a total electric winter output increase of 10 MW, bringing the total electric winter capacity of all the units to 533 MW. East River Unit 6 continues to serve the same steam system in the winter with the same operating characteristics that justified the original exemption. Con Edison dispatches the unit to meet steam demands. Electricity is a byproduct of Con Edison's steam production and the unit may be unable to follow NYISO's dispatch schedule without adversely impacting the reliability of service to the steam customers.

The tariff changes proposed herein would increase by 10 MW (*i.e.*, from 523 MW to 533 MW) the applicability of special bidding rules, balancing rules and the exemption from undergeneration penalties so that they would continue to apply to the units' total maximum electric capacity. Without the increase, Energy produced from the 10 MW of additional generating capacity resulting from the efficiency projects could be subject to substantial and unavoidable financial penalties. The increase in the exemption is warranted to accommodate the increased electric capacity of units whose electric generation will continue to be a byproduct of their primary function, which is to service a regulated steam distribution system.

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*New York Independent System Operator, Inc.*, Letter Order, Docket No. ER16-185-000 (December 4, 2015).

<sup>5</sup> Con Edison can reconfigure its steam system to provide the NYISO with the output of these units in the event of an electric system emergency.

<sup>6</sup> See *Central Hudson Gas & Electric Corp.*, 86 FERC ¶ 61,062, at 61,226 (1999).

#### **IV. Description of Proposed Revisions to the Services Tariff**

The proposed tariff revisions increase the MW quantity that is subject to the special bidding requirements, balancing rules and that is exempted from undergeneration penalties so that the total electric capacity of the units serving Con Edison's steam distribution system will be exempt. Specifically, the NYISO proposes to replace the designated 523 MW with 533 MW in four tariff sections. The NYISO proposes to make the same amendment to OATT Section 16.3.4.2.1.2 and Services Tariff Sections 4.5, 5.12.1.11.2 and 15.3A.

In the same four tariff sections, the NYISO also proposes to clarify the description of the exempt Con Edison generating units and/or Generators utilized in replacing or repowering existing steam supplies by removing the references to "topping or extraction turbine" from the description of the replacement or repowered units.

#### **V. Effective Date**

The NYISO respectfully requests a January 12, 2021 effective date for the tariff revisions proposed in this filing (*i.e.*, the day following the end of the statutory 60-day notice period).

#### **VI. Stakeholder Approval**

The Management Committee approved the tariff revisions to the OATT and Services Tariff on September 23, 2020, without opposition. The NYISO Board of Directors approved the proposed tariff revisions on October 20, 2020.

#### **VII. Service List**

The NYISO will send an electronic link to this filing to the official representative of each of its customers, each participant on its stakeholder committees, the New York State Public Service Commission, and the New Jersey Board of Public Utilities. The NYISO will also post the complete filing on its website at [www.nyiso.com](http://www.nyiso.com).

### **VIII. Conclusion**

The NYISO respectfully requests that the Commission accept the tariff revisions proposed in this filing with an effective date of January 12, 2021.

Respectfully submitted,

/s/ James H. Sweeney

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