

April 23, 2021

By Electronic Delivery

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

Re: Proposed Implementation Agreement Under Section 4.1.9.3 of the New York Independent System Operator, Inc.'s Market Administration and Control Area Services Tariff and Request for Waiver of Notice Period and for May 1, 2021 Effective Date

Dear Secretary Bose:

In accordance with Section 4.1.9.3 of its Market Administration and Control Area Services Tariff ("Services Tariff"), Section 205 of the Federal Power Act ("FPA"),¹ and Part 35 of the regulations of the Federal Energy Regulatory Commission ("Commission"),² the New York Independent System Operator, Inc. ("NYISO") respectfully submits the attached Implementation Agreement. The Implementation Agreement would govern Helix Ravenswood, LLC's ("Ravenswood") recovery of its costs to generate electric energy using fuel oil in lieu of natural gas in furtherance of New York State Reliability Council ("NYSRC") Local Reliability Rule G.2 for a three year period. The Implementation Agreement is designated as Service Agreement No. 2623 under the NYISO's Open Access Transmission Tariff.

Section 4.1.9 of the Services Tariff addresses, among other things, cost recovery by generating units that are designated pursuant to NYSRC Local Reliability Rule G.2, "Loss of Gas Supply (New York City)," ("Rule G.2") to either burn an alternate fuel at designated minimum levels, or to activate their auto-swap capability, based on forecast Load levels in New York City. From May 2017 to April 2020, Ravenswood was compensated by the NYISO for transporting, maintaining, storing and handling fuel oil, *i.e.*, costs associated with burning fuel oil instead of gas in response to Rule G.2 under the Implementation Agreement that was

¹ 16 U.S.C. § 824d.

² 18 C.F.R. § 35, *et seq.*

accepted by the Commission in Docket No. ER17-1579.³ That Implementation Agreement expired by its terms on April 30, 2020.

Section 4.1.9.3 of the Services Tariff specifies that generating units that seek to recover costs incurred in connection with its compliance with Rule G.2, in addition to the commodity cost, associated taxes and emission allowance cost, “shall negotiate an Implementation Agreement with the ISO.” The generating unit and the NYISO must also “consider the input of the New York State Public Service Commission, and the Transmission Owner designated by Rule [G.2] . . .”, in this case the Consolidated Edison Company of New York, Inc. (“Consolidated Edison”).⁴

As is described in Section IV of this filing letter, the NYISO and Ravenswood negotiated and executed a new Implementation Agreement (Attachment I) to address Ravenswood’s recovery of certain costs associated with compliance with Rule G.2 for the three year period from May 1, 2020 to April 30, 2023. The NYISO requests, with Ravenswood’s support, that the Commission accept the proposed Implementation Agreement effective May 1, 2021. The NYISO is also authorized to state that Consolidated Edison supports the terms of the proposed Implementation Agreement.

For the reasons explained in Section VI of this filing letter, the NYISO (with Ravenswood’s support) respectfully requests that the Commission waive the 60-day prior notice requirement in Section 35.3(a)(1) of its regulations,⁵ along with any other Part 35 filing requirements not applicable to the proposal herein, to permit the Implementation Agreement to go into effect on May 1, 2021.

I. Documents Submitted

The NYISO respectfully submits the following documents with this filing letter:

1. Proposed Implementation Agreement between the NYISO and Ravenswood (public) (Attachment I);
2. Appendix A to the Implementation Agreement (confidential Demand Charge data) (Attachment II); and
3. Proposed Protective Order (public) (Attachment III).

³ See *New York Independent System Operator, Inc.*, Letter Order, Docket No. ER17-1579-000 (June 16, 2017). Ravenswood has been compensated for its costs associated with burning fuel oil instead of gas in response to Rule G.2 since 2011. See *TC Ravenswood, LLC v. New York Independent System Operator, Inc.*, 135 FERC ¶ 61,125 (2011) and *TC Ravenswood, LLC*, 149 FERC ¶ 61,203 (2014).

⁴ Local Reliability Rule G.2 was renumbered to Local Reliability Rule G.2 when the New York State Reliability Council renumbered its Reliability Rules in January 2015.

⁵ 18 C.F.R. § 35.3(a)(1).

II. Communications and Correspondence

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

Robert E. Fernandez, Executive Vice President & General Counsel
Raymond Stalter, Director, Regulatory Affairs
*James H. Sweeney, Senior Attorney
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144
Tel: (518) 356-6000
Fax: (518) 356-7678
rfernandez@nyiso.com
rstalter@nyiso.com
jsweeney@nyiso.com

*Person designated for receipt of service.

III. Background

The NYSRC is the local reliability organization charged with promoting and preserving the reliability of the New York State Power System (“NYS Power System”), consistent with Reliability Rules established by the North American Electric Reliability Corporation (“NERC”) and the regional regulatory body, the Northeast Power Coordinating Council (“NPCC”).⁶ Section 2.02 of the NYSRC Agreement establishes that, “[t]he mission of the NYSRC is to promote and preserve the reliability of electric service...by developing, maintaining, and, from time to time, updating the Reliability Rules which shall be complied with by the ISO and all entities engaging in electric transmission, ancillary services, energy and power transactions on the NYS Power System.” Furthermore, the Agreement between the NYISO and the NYSRC (“ISO/NYSRC Agreement”) establishes that the NYSRC “shall be responsible for developing Reliability Rules pursuant to which the ISO shall maintain the safety and short-term reliability of the NYS Power System.”⁷

The NYISO, Ravenswood, and Consolidated Edison must comply with NYSRC Local Reliability Rule G.2 such that the NYS Bulk Power System⁸ is operated so that the loss of a

⁶ On June 30, 1998, the Commission issued an Order conditionally approving the formation of the NYSRC and conditionally accepting the NYSRC Agreement and the ISO/NYSRC Agreement. 83 FERC ¶ 61,362. On April 30, 1999, the Commission issued a subsequent Order requesting further revisions regarding the governance of the NYSRC and the relationship of the NYISO and NYSRC. 87 FERC ¶ 61,135. On July 29, 1999, following a compliance filing that addressed the request for further revisions, the Commission issued an Order approving the formation of the NYSRC and accepting the NYSRC Agreement and ISO/NYSRC Agreement. 88 FERC ¶ 61,138.

⁷ ISO/NYSRC Agreement Section 4.1.

⁸ Local Reliability Rule G.2 defines the “NYS Bulk Power System” as “The portion of the New York Transmission System identified as the NYS Bulk Power System (NYSBPS) pursuant to the NPCC Document A-10, Classification of Bulk Power System Elements.”

single gas facility does not result in the loss of electric load within the New York City zone. Section 5.2 of the Services Tariff establishes that “[i]n acting as the Control Area operator, the ISO will be responsible for maintaining the safety and the short-term reliability of the [New York Control Area] and for the implementation of reliability standards promulgated by NERC and NPCC and for the Reliability Rules promulgated by the NYSRC.”⁹ The NYISO must also comply with the Independent System Operator Agreement (“ISO Agreement”)¹⁰ and the ISO/NYSRC Agreement,¹¹ which are on file with, and were accepted by the Commission.

Ravenswood ST 01, Ravenswood ST 02, and Ravenswood ST 03 (referred to individually or collectively as “Units”), combining for a maximum output of approximately 1,780 MW at the Ravenswood Generating Station in Queens, New York, currently support reliable operation of the NYS Power System through their ability to generate electric power by burning natural gas or an alternate liquid fuel, or a combination of the two, in compliance with NYSRC Local Reliability Rule G.2.

Rule G.2 requires that certain In-City generators, including Ravenswood, switch from burning natural gas in their boilers to burning a mix of natural gas and a specified minimum level of fuel oil, upon notice from Consolidated Edison, in order to avoid the loss of electric load on account of the loss of a gas facility. This rule protects electric system reliability while requiring Generators to burn the minimum amount of oil, and avoiding unnecessary pollutant emissions. The choice of generators required to respond to Rule G.2 is specific to physical system characteristics, including proximity of generators to specific gas pipelines. As a result, the NYISO and Consolidated Edison, from time-to-time, request Ravenswood to burn fuel oil in furtherance of Rule G.2, and Ravenswood currently provides such services pursuant to the prior Implementation Agreement and the negotiations leading to the proposed Implementation Agreement, attached hereto.

Ravenswood and the NYISO have been negotiating a new agreement for provision of such services, after the termination of the Implementation Agreement on April 30, 2020, with input from Consolidated Edison which, under the Services Tariff, plays a consulting role in the discussions. The discussions and negotiations have taken place as recently as last month. This filing reflects the terms to which the parties have agreed. The terms and conditions are essentially the same as the Implementation Agreement, however, costs are updated to reflect Ravenswood’s new fuel oil storage tanks, the current costs of leasing storage tanks, leasing barges and other expenses.

⁹ Services Tariff Section 5.2.

¹⁰ See ISO Agreement Section 6.02, “The ISO OATT and the ISO Services Tariff will require those entities having a Service Agreement with the ISO to comply with the Reliability Rules and ISO Procedures regarding the reliability of the NYS Power System and to furnish data to the ISO as required.”

¹¹ See ISO/NYSRC Agreement Section 2.1 which establishes that “[p]ursuant to the NYSRC Agreement, the NYSRC shall develop Reliability Rules which shall be complied with by the ISO and all entities engaged in transactions on the NYS Power System.”; see also ISO/NYSRC Agreement Section 3.3 which establishes that the NYISO shall “implement and comply with all Reliability Rules established by the NYSRC.”

IV. Description of Proposed Implementation Agreement

The proposed Implementation Agreement will permit Ravenswood to sell, and recover its costs to generate, electric energy using fuel oil in lieu of natural gas in furtherance of Rule G.2. Ravenswood currently burns No 4 Fuel Oil; however, it will switch to No. 2 Fuel Oil in the future.

Ravenswood will burn fuel oil for Rule G.2 needs, unless such service would cause Ravenswood's Units or any particular Unit to violate the emissions limitations contained in their current permits. In the event Ravenswood forecasts that one or more of its Units is likely to violate the emissions limitations contained in their current permits, Ravenswood will confidentially notify the NYISO and Consolidated Edison and remind them of their obligation not to disclose any of the information Ravenswood provides in such confidential notifications and communications to any "marketing function employee" as that term is defined in 18 C.F.R §358.3. In addition, Ravenswood will make a good faith effort to obtain a waiver from the United States Environmental Protection Agency from these limits for the applicable Unit(s). Under these circumstances, Ravenswood will not provide service under the Implementation Agreement until an applicable waiver request is granted that fully relieves Ravenswood from its emission limitations for the applicable Unit(s) or Ravenswood no longer is forecasting that additional use of fuel oil will result in the Unit(s) violating the emissions limitations contained in the current permits. The provision of service under this proposed Implementation Agreement does not require Ravenswood to invest in any improvements, changes or upgrades to its Units to reduce emissions further than current emissions permit limits, other than what is required to prudently convert its facility from No. 4 Fuel Oil to No. 2 Fuel Oil (when it is required to do so under New York City local law).

Ravenswood will provide service under the Implementation Agreement using a portion of the following oil storage and delivery facilities: (i) one (1) offsite storage tank (which equates to approximately 177,350 barrels of working storage); (ii) one (1) large annual time chartered transient barge (approximately 40,000 barrels); (iii) the Lemon Creek stationary barge (approximately 90,000 barrels); (iv) one (1) large seasonally time chartered transient barge (expected for 3-5 months) ("Seasonal Barge") (approximately 40,000 barrels); and (v) Ravenswood's existing onsite Fuel Oil storage tank (approximately 45,000 barrels), subject to the minimum reserve quantity required by the existing agreement between Ravenswood and Consolidated Edison Steam. The costs associated with these facilities are split evenly among Ravenswood, NYISO, and Consolidated Edison Steam. However, with respect to the Operation and Maintenance ("O&M") Costs, Ravenswood pays 45%, the NYISO pays 19%, and Consolidated Edison Steam pays 36%. The off-site storage tank leases require the lessor to pay for tank cleaning at the end of the lease and when required inspections are due. It is expected that, at a minimum, one of the tanks requires an inspection cleaning during its lease term and each tank must be cleaned at the end of its lease. Estimated costs are included in the tank lease fixed costs and spread out over a three year period. Actual costs will be subject to a true-up at the end of a three year period as outlined below. These cleaning costs are split evenly among Ravenswood, NYISO, and Consolidated Edison Steam.

Ravenswood will be paid by the NYISO for Demand Charges and O&M Costs as set forth below in furtherance of its provision of service under the Implementation Agreement. The term “Demand Charges” as used herein refers to a charge that will enable Ravenswood to recover costs that it incurs for transporting, maintaining, storing, and handling fuel oil to provide comingled service under the Implementation Agreement regardless of the amount of service it provides. The NYISO will pay Ravenswood the Demand Charges regardless of: (i) whether fuel oil has been burned in furtherance of Rule G.2; (ii) the relative cost of the fuel oil compared to natural gas reflected in the reference levels for Ravenswood’s generating units; and (iii) any revisions to the Services Tariff or Rule G.2 that occur after the date this Implementation Agreement is executed. The O&M Cost is specified as a fixed per barrel cost for the term of the Implementation Agreement. Also included in the Demand Charge are estimated costs for administrative, trading and transactional labor, plant labor specifically for operating the fuel oil facilities, variable heating and booming costs for the off-site tanks, variable operating costs for the barges, taxes, inventory carrying costs and fuel oil testing.

Tank cleaning and seasonal barge costs will be subject to a true-up provision in addition to being estimated in the Demand Charge. To obtain a true-up of the invoiced tank cleaning costs, Ravenswood will provide to the NYISO all tank cleaning invoices annually by the 15th of the month following the receipt of the invoice. Should the invoiced amounts paid by Ravenswood for tank cleaning exceed the estimated cost included in the Demand Charge by more than \$25,000, the NYISO will reimburse Ravenswood for the total excess of the invoiced amounts. Should the amounts paid to Ravenswood for tank cleaning exceed the estimated cost included in the Demand Charge by more than \$25,000, Ravenswood will reimburse the NYISO for the total excess. True-up payments to or from Ravenswood, if any, for Tank Cleaning will be included on the NYISO invoices to Ravenswood for the months of July 2021, July 2022, or July 2023.

To obtain a true-up of the seasonal barge and/or tank cleaning payments, Ravenswood will provide to the NYISO all relevant invoices for each year by June 15th of that year. Should the invoiced payments by Ravenswood exceed the respective payment made by more than \$25,000, the NYISO will reimburse Ravenswood for the difference. True-up payments to or from Ravenswood, if any, will be included on the NYISO invoices to Ravenswood for the months of July 2021, July 2012, and July 2023 respectively.

The NYISO will pay Ravenswood the Demand Charge for each year in five equal amounts using the NYISO’s normal billing cycle for the months of May through September 2021, October 2021 through February 2022, and May 2022 through September 2022. Provided however, payments and appropriate interest will be calculated for Year 1 payments based on the May 2020 through September 2020 billing months and payments and appropriate interest will be calculated for Year 2 based on the May 2021 through September 2021 billing months.

V. Competitively Sensitive Information

Ravenswood has stated that the spreadsheet submitted as Appendix A of the Implementation Agreement (Attachment II to this filing) contains proprietary information about the costs that Ravenswood incurs to lease, operate and maintain its facilities. Ravenswood has

also stated that the public release of that information would cause it and its suppliers competitive harm.

In order to protect the highly confidential, competitively sensitive information contained in Appendix A of the Implementation Agreement, the NYISO is submitting a proposed protective order (Attachment III) to govern access to that information. The proposed protective order is similar to protective orders that have been adopted in a number of proceedings that afford a heightened level of protection for competitively sensitive information. *See, e.g.*, Order Adopting Protective Order, *Portland Natural Gas Transmission System*, Docket No. RP08-306-000 (issued July 28, 2008); Protective Order, *Gas Transmission Northwest Corporation*, Docket No. RP06-407-000 (issued Jan. 25, 2007); Protective Order, *Transwestern Pipeline Company, L.L.C.*, Docket No. RP06-614-000 (issued Dec. 11, 2006); Order Adopting Amended Protective Order, *El Paso Natural Gas Company*, Docket No. RP05-422-000 (issued Aug. 21, 2006); and Order of Presiding Judge Adopting Protective Order, *Northern Border Pipeline Company*, Docket No. RP06-72-000 (issued Dec. 23, 2005). Consistent with the protective orders that provide this heightened level of protection, the attached protective order would prohibit access to certain types of confidential information by persons (designated as Competitive Duty Personnel) whose job responsibilities, directly or indirectly (*e.g.*, through supervision of others) involve the marketing, sale, purchase or transportation of electric energy, capacity or ancillary services, or any input to the production of electric energy (including but not limited to Fuel Oil, natural gas, or the delivery and storage of those commodities) and who could use information such as pricing formulae to their competitive benefit or to the competitive detriment of Ravenswood or others. The NYISO requests that the Commission adopt the proposed protective order to govern the production of confidential information in this proceeding. To the extent an intervening party desires to review the confidential information in advance of adoption of the proposed Protective Order, Ravenswood has stated that it will make such information available to such party upon its written commitment to be bound by the provisions of the proposed Protective Order pending the Commission's ruling thereon.

VI. Effective Date

The NYISO respectfully requests that the Commission issue an order accepting the proposed Implementation Agreement by June 22, 2021 (*i.e.*, the day following the end of the statutory 60-day notice period) with an effective date of May 1, 2021.

The NYISO also respectfully requests that the Commission waive the 60-day prior notice requirement set forth in Section 35.3(a)(1) of its regulations,¹² as well as any other Part 35 filing requirements not applicable to the proposal herein, to permit the Implementation Agreement to go into effect May 1, 2021, as agreed to by the signatories. There is good cause to waive the notice period. Permitting the Implementation Agreement to go into effect on May 1, 2021 is appropriate here because Ravenswood has continued to provide services under the prior Implementation Agreement and the good faith discussions and negotiations of the proposed Implementation Agreement to support electric system reliability for the direct benefit of

¹² 18 C.F.R. § 35.3(a)(1).

customers served by Consolidated Edison as well as for the general benefit of the system operated by NYISO.

In addition, a May 1, 2021 effective date will align the effectiveness of the Implementation Agreement with the commencement of the NYISO's Summer Capability Period and, based on Ravenswood's statements to the NYISO, the renewal of certain leases for storage tanks and barges that are necessary to provide the service.

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 State 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

The NYISO respectfully requests that the Commission waive the 60-day prior notice requirement set forth in Section 35.3(a)(1) of its regulations and issue an order by June 22, 2021, accepting the proposed Implementation Agreement without modification or condition, thereby making the rates, terms and conditions of the Implementation Agreement effective on May 1, 2021.

Respectfully submitted,

/s/ James H. Sweeney
James H. Sweeney, Senior Attorney
New York Independent System Operator, Inc.

cc: Janel Burdick
Matthew Christiansen
Jignasa Gadani
Jette Gebhart
Leanne Khammal
Kurt Longo
John C. Miller
David Morenoff
Douglas Roe
Frank Swigonski
Eric Vandenberg
Gary Will
Jim D'Andrea (Helix Ravenswood, LLC)
Susan LoFrumento (Consolidated Edison Company of New York, Inc.)