

WHITEMAN
OSTERMAN
& HANNA LLP

Attorneys at Law
www.woh.com

One Commerce Plaza
Albany, New York 12260
518.487.7600

Elizabeth A. Grisaru
Of Counsel
518.487.7624 phone
egrisar@woh.com

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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.*, Docket No. ER11-____ - ____
Proposed Tariff Clarifications Regarding Voltage Support Service**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,¹ the New York Independent System Operator, Inc. (“NYISO”) hereby submits proposed amendments to its Open Access Transmission Tariff (“OATT”) and Market Administration and Control Area Services Tariff (“Services Tariff”). The purpose of these amendments is to amplify and clarify sections governing Voltage Support Service and to improve the consistency of the tariffs with the NYISO’s Ancillary Services Manual.²

The modifications proposed here affect Services Tariff Rate Schedule 2 and the complementary provisions of Rate Schedule 2 to the OATT.³ The NYISO recently reviewed

¹ 16 U.S.C. §824d (2000).

² Capitalized terms not otherwise defined herein shall have the meaning specified in Section 1 of the OATT and Section 2 of the Services Tariff.

³ The NYISO is currently considering additional changes to these Rate Schedules in its governance process. These changes, approved at the June 14, 2011 Management Committee, are before the NYISO Board of Directors for final consideration.

these sections as part of its ongoing effort to improve and clarify the tariffs. The NYISO's Management Committee and Board of Directors have approved the changes.

I. Documents Submitted

1. This filing letter;
2. A clean version of the proposed revisions to the OATT ("Attachment I");
3. A clean version of the proposed revisions to the Services Tariff ("Attachment II");
4. A blacklined version of the proposed revisions to the OATT ("Attachment III"); and
5. A blacklined version of the proposed revisions to the Services Tariff ("Attachment IV").

II. Description of Proposed Tariff Revisions

A. Services Tariff Rate Schedule 2 – Payments for Voltage Support Service

Rate Schedule 2 of the Services Tariff describes eligibility for voltage support payments, sets forth how the NYISO calculates payments for the service, and establishes penalties for a Supplier's failure to perform.

At Section 15.2, the NYISO proposes to add language to confirm that all Customers, as well as Transmission Customers, are responsible for voltage support charges. This clarification parallels the clarifications proposed to OATT Rate Schedule 6.2.1.1 and 6.2.1.2, described below. The NYISO also proposes to introduce in this section all the facility types - Generators, synchronous condensers, and Qualified Non-Generator Voltage Support Resources - that are eligible providers of Voltage Support Service.

Section 15.2.1.1 sets out the requirements applicable to Suppliers of Voltage Support Service. The NYISO proposes to add synchronous condensers here, and throughout the Voltage Support Service Rate Schedule, to clarify that all its rules also apply to these facilities. Synchronous condensers have always been eligible to supply Voltage Support Service, as is contemplated by Section 15.2.2.3, and this addition simply makes their inclusion explicit. In addition, to simplify the rest of the section, the NYISO is proposing to define the term "Resource" here to mean a Generator that has an automatic voltage regulator ("AVR"). These clarifications will also improve the consistency of the Rate Schedule with the provisions of the Ancillary Services Manual relating to voltage support.

At Section 15.2.2.2, the NYISO proposes to revise the formula for calculating lost opportunity costs for Generators who are Suppliers of Voltage Support Service. These changes more accurately describe the mathematics of the formula but make no substantive changes. Two

implicit conclusions regarding the results that the formula produces are made explicit. First, since Lost Opportunity Cost (“LOC”) is never a charge to the Voltage supplier, the formula now requires a floor of zero in the solution. In addition, the term “ $s_i/3600$ ” is added to ensure that the results of the formula are understood to be expressed in \$. The NYISO also proposes revisions to the graphic to better illustrate the calculation.

The NYISO proposes to renumber Section 15.2.2.4 as 15.2.3 and to specify additional circumstances that constitute a failure to perform that are not currently found in this section. The NYISO also proposes to clarify the types of non-performance that are already included. Specifically, the NYISO proposes in Section 15.2.3.1 to clarify the performance standard expected when the NYISO or Transmission Owner has requested a specific level of reactive power, and to define what failure to perform means when the voltage support facility has not been requested to produce or absorb reactive power. Clarification is also proposed for Section 15.2.3.2 to describe a failure to perform circumstance when the NYISO or the Transmission Owner has requested the unit to provide maximum lead or lag reactive capability.

The NYISO further proposes, in a new Section 15.2.3.3, to add the failure to perform in a contingency to the list of potential supplier non-performances. This change conforms this section to Section 15.2.5, which sets out the penalties for a supplier’s failure to respond in those circumstances. The NYISO also proposes to add a new Section 15.2.3.4 specifying that failure to maintain or repair an AVR constitutes a failure to perform. Failure to maintain a Generator’s AVR had been listed in the Ancillary Services Manual as a basis for penalties and is added here to complete the list of penalty-qualifying circumstances in this Rate Schedule.⁴

Sections 15.2.4, 15.2.5, and 15.2.6 describe the penalties that are applied when a provider does not meet the tariff’s performance requirements. Minor changes are proposed for those provisions in renumbered Section 15.2.4 describing the penalty applied to a resource that fails to comply with the NYISO’s request on three separate occasions. The proposed language clarifies that repeated failures to respond to a request for voltage support will result in loss of the supplier’s eligibility for future payments in addition to the loss of the last month’s payment. In renumbered Section 15.2.6, the NYISO proposes the penalties for the failure to maintain an AVR. The NYISO’s proposals would disqualify the supplier in such a case, but also set forth a mechanism for the supplier to re-qualify as a provider of Voltage Support Service. As mentioned, this material is taken from a previous version of the Ancillary Service Manual. Failure to maintain an AVR has always subjected a Voltage Support Service supplier to loss of compensation and its appearance in this Rate Schedule is appropriate.

B. OATT Rate Schedule 2 - Charges for Voltage Support Service

Section 6.2 of the OATT contains the provisions governing the calculation and collection of charges for Voltage Support Service from the NYISO’s customers. Throughout this Rate

⁴ See: Ancillary Services Manual revisions presented to the June 16, 2011 Business Issues Committee at http://www.nyiso.com/public/webdocs/committees/bic/meeting_materials/2011-06-15/ancserv_redlineV320.pdf

Schedule, the NYISO proposes to add synchronous condensers to the list of Voltage Service suppliers to be consistent with the Services Tariff. The NYISO also proposes to delete inaccurate language in the first paragraph suggesting that Voltage Support Service is provided to support a particular Transaction. Voltage Support Service is provided at any given moment based on the reactive power support necessary to maintain transmission voltages, and the amount needed, and the cost allocation for the service, is not determined on a transaction by transaction basis. The charges for voltage support are described in Section 6.2.1.1 and 6.2.1.2.

In Section 6.2.1.1, the NYISO proposes to use defined terms to clarify that Transmission Customers engaging in Wheels Through, Export Bilateral Transactions, and Exports are responsible for payment of voltage support charges. The NYISO also proposes to delete language describing Energy delivered to an interconnection with another Control Area because it is redundant of the definition of Export and Wheels Through. A minor change in Section 6.2.1.2 clarifies that Load Serving Entities (“LSEs”) purchase the service at the same rate as Transmission Customers.

The NYISO proposes several changes to Section 6.2.2. First the NYISO proposes to repeat its clarification that Customers and LSEs, as well as Transmission Customers, are responsible for paying for Voltage Support Service. Technically, Transmission Customers schedule transmission service while Customers purchase LBMP Energy to supply their needs. As 6.2.1.1 and 6.2.1.2 indicate, both types of NYISO customers have always been responsible for Voltage Support Service. While including both “LSEs” and “Customers” is somewhat redundant, the current Rate Schedule specifically addresses only the obligations of LSEs. For consistency, the NYISO is proposing to use both terms. The term “Customers” is also added in other locations for consistency.

The NYISO proposes some minor modifications to the formula for calculating the Voltage Support Service rate which, although deleted and replaced, is essentially unchanged. The term “all” is removed as an unnecessary term at the summation sign and the term “PYA” is defined. Several additional changes are proposed here for consistency with the modifications proposed for Section 6.2.1.1 specifying Transmission Customers’ obligation to pay for voltage support.

Finally, language in Section 6.2.2.1 describing the crediting back, to other customers, of the voltage support payments received from Transmission Customers serving Station Power Load is deleted. Pursuant to the formula provided, the NYISO employs a Prior Year Adjustment (“PYA”) to the next year’s rate for voltage support and this PYA adjustment captures the contributions station power load made towards the voltage obligations of Loads, Exports and Wheels Through. Thus, the credit-back language is redundant and proposed for deletion.

III. Effective Date

The NYISO requests an effective date of October 11, 2011, which is 60 days from the date of this filing.

IV. Stakeholder Approval

The NYISO's Management Committee approved the revisions described herein on November 17, 2010. The NYISO Board of Directors approved these proposals on December 20, 2010.

V. Communications and Correspondence

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

Robert E. Fernandez, General Counsel
Ray Stalter
Director of Regulatory Affairs
*Mollie Lampi
Assistant General Counsel
10 Krey Boulevard
Rensselaer, NY 12144
Tel: (518) 356-7530
Fax: (518) 356-7678
rfernandez@nyiso.com
rstalter@nyiso.com
mlampi@nyiso.com

*Elizabeth A. Grisaru
Whiteman Osterman & Hanna
One Commerce Plaza
Albany, New York 12260
Tel: (518) 487-7624
Fax: (518) 487-7777
egrisar@woh.com

*Persons designated for receipt of service.

VI. 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.

VII. Conclusion

Wherefore, for the foregoing reasons, the NYISO requests that the Commission accept this filing to be effective October 11, 2011.

Respectfully submitted,

Elizabeth A. Grisaru

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Whiteman Osterman & Hanna
Counsel to the New York Independent System
Operator, Inc.
One Commerce Plaza
Albany, New York 12260
<mailto:egrisaru@woh.com>

cc: Michael A. Bardee
Gregory Berson
Connie Caldwell
Anna Cochrane
Jignasa Gadani
Lance Hinrichs
Jeffrey Honeycutt
Michael Mc Laughlin
Kathleen E. Nieman
Daniel Nowak
Rachel Spiker