

December 19, 2012

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. ER13-_____***

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 to the NYISO Open Access Transmission Tariff ("OATT") (Rules to Allocate Responsibility for the Cost of New Interconnection Facilities), Attachment X to the NYISO OATT (Standard Large Facility Interconnection Procedures), and Attachment Z to the NYISO OATT (Small Generator Interconnection Procedures).³

The NYISO is proposing changes to Attachments S, X and Z to improve upon its interconnection study process, in particular, the final study in its process – the Class Year Interconnection Facilities Study ("Class Year Study"). The NYISO is also proposing changes to its interconnection procedures related to extensions of Commercial Operation Date and the time within which to finalize an Interconnection Agreement – both of which are designed to encourage projects to proceed through the interconnection process in a timely manner. The NYISO's proposed revisions to Attachments S, X and Z also include a number of ministerial revisions and other minor revisions intended to clarify existing language and procedures. The proposed revisions are further described below in Section III of this letter.

While NYISO and its stakeholders recognize the benefit of applying as many of the proposed tariff revisions as early as possible, (*i.e.*, to Class Year 2011 and Class Year 2012, which are both in progress), there are certain of the proposed modifications described herein that are not practicable to apply to the two Class Year Studies currently underway. For each group of tariff revisions described herein, the NYISO has provided an explanatory section regarding the

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 NYISO's Open Access Transmission Tariff ("OATT"), as amended by the enclosed proposed revisions to Attachments S, X and Z of the OATT.

proposed effective date specified in the proposed tariff language, as well as transition rules the NYISO proposes for implementation of certain tariff revisions.

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");
3. A blacklined version of the proposed revisions to Attachment S of the NYISO's OATT ("Attachment II");
4. A clean version of the proposed revisions to Attachment X of the NYISO's OATT ("Attachment III");
5. A blacklined version of the proposed revisions to Attachment X of the NYISO's OATT ("Attachment IV");
6. A clean version of the proposed revisions to Attachment Z of the NYISO's OATT ("Attachment V"); and
3. A blacklined version of the proposed revisions to Attachment Z of the NYISO's OATT ("Attachment VI").

II. Background

The rights and obligations of all Large Facility project Developers and Small Generating Facility Interconnection Customers (collectively, "Developers"),⁴ Transmission Owners, and the NYISO with respect to interconnecting new generation and merchant transmission projects are set forth in Attachments S, X, and Z to the NYISO's OATT.

Attachment X to the OATT contains the procedures for processing FERC-jurisdictional interconnections of Large Generating Facilities and Merchant Transmission Facilities.⁵

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 Currently, Attachment X only references interconnections to the New York State Transmission System. As revised, Attachment X would also specifically apply to interconnections to the Distribution System. As the Commission explained in Order No. 2003-C, "facilities subject to an OATT are 'transmission' facilities and facilities used for wholesale sales, whether labeled 'transmission,' 'distribution,' or 'local distribution.'" *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. P 31,146 (2003), *order on reh'g*, Order No. 2003-A, FERC Stats. & Regs. P 31,160, *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh'g*, Order No. 2003-C at P 51-53, FERC Stats. & Regs. ¶

Attachment X calls for three successive Interconnection Studies of each proposed project. These studies analyze proposed projects in varying levels of detail. First is the Interconnection Feasibility Study, which is a high level evaluation of the configuration and local system impacts.⁶ 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.⁷ The final study in the interconnection process is the Class Year Study.⁸ 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. A Class Year is comprised of projects that have met specified Class Year Study eligibility requirements by the time the combined group study begins. Each 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

All Large Facilities (studied in the NYISO interconnection process under Attachment X) are subject to the Class Year Study procedures. Certain Small Generating Facilities are also required to participate in the Class Year Study and all Small Generating Facilities may elect to participate in a Class Year Study.¹⁰ The Class Year Study procedures are primarily contained in Attachment S of the OATT.¹¹

In addition to providing the Class Year Study eligibility requirements and establishing the Class Year Start Date, Attachment S sets forth the obligations of Class Year Projects once they enter a Class Year Study.¹² Attachment S details the scope and the cost allocation methodology for interconnection of new generation and merchant transmission facilities. It sets forth the

31,190 (2005), *aff'd sub nom. Nat'l Ass'n of Regulatory Util. Comm'rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007).

⁶ See Attachment X, Section 30.6.

⁷ See Attachment X, Section 30.7.

⁸ See Attachment X, Section 30.8.

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 and re-entry criteria).

¹⁰ Small Generating Facilities no larger than 20 MWs proposing to interconnect to the New York State Transmission System or to the Distribution System are studied in accordance with the Small Generator Interconnection Procedures in Attachment Z. As described in Section 32.3.5.3 of Attachment Z, if any Interconnection Study determines that a Small Generating Facility requires a non-Local System Upgrade Facility to interconnect, then that Small Generating Facility is placed in the next Class Year Study, and cost responsibility is allocated to the Small Generating Facility in accordance with the procedures and methodologies in Attachment S.

¹¹ 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.

¹² Attachment X also details Developers' obligations related to the execution of the Class Year Study Agreement and Class Year Study procedures, generally.

detailed procedures for the identification and cost allocation of System Upgrade Facilities required for a project to reliably interconnect to the system and thereby provide Energy Resource Interconnection Service (“ERIS”).¹³ For those Class Year Projects that elect Capacity Resource Interconnection Service (“CRIS”),¹⁴ Attachment S also provides for the evaluation of a project’s Deliverability and the identification and cost allocation of System Deliverability Upgrades required for a project’s proposed capacity to be fully deliverable. Attachment S also provides for the decisional process toward the completion of the Class Year Study during which Class Year Projects accept or reject their Project Cost Allocations (the costs allocated to a Class Year Project for System Upgrade Facilities and System Deliverability Upgrades, as applicable), and the process by which Security and Headroom obligations must be satisfied.

The hallmark of the NYISO’s Class Year Study process is that it is performed for a group of projects that have achieved similar interconnection 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 desiring to retain these desirable features and benefits of the current Class Year Study process, the NYISO and its stakeholders have been working collaboratively to improve upon other aspects of the current process.

The primary areas for improvement identified by the NYISO and its stakeholders relate to the Class Year Study schedule. The duration of the Class Year Study has increased over time as new requirements have been added (*e.g.*, Deliverability analyses). However, Class Year Studies always start on March 1 each year, as directed by the Tariff, regardless of whether the prior Class Year Study has been completed. As a result, the NYISO has been faced with overlapping Class Year Studies. Overlapping studies, by their nature, further complicate and delay the Class Year Study process and lead to uncertainty regarding the Class Year Study schedule.

In an effort to address these schedule-related concerns, the NYISO and its stakeholders identified a number of areas for improvement within the Class Year Study process itself as well as other related interconnection process issues set forth in Attachments S, X and Z. The NYISO and the Market Participants in the Transmission Planning Advisory Subcommittee of the Operating Committee developed proposed revisions to Attachments S, X and Z with the following primary objectives: (1) to avoid overlapping Class Year Studies and tighten

¹³ ERIS is basic interconnection service that allows a Developer to interconnect its facility to the New York State Transmission System or Distribution System in accordance with the NYISO Minimum Interconnection Standard to enable the New York State Transmission System or Distribution System to receive electric energy from the facility.

¹⁴ CRIS is interconnection service that allows a Developer to interconnect its facility to the New York State Transmission System or Distribution System in accordance with the NYISO Deliverability Interconnection standard, which allows participation in the NYISO’s Installed Capacity market to the extent of the facility’s deliverable capacity. As described in Attachment Z to the NYISO OATT, LIPA maintains a separate interconnection process for generators interconnecting to LIPA’s distribution facilities. Developers electing CRIS under LIPA’s procedures also are qualified to participate in the NYISO’s Installed Capacity market to the extent of the facility’s deliverable capacity.

expectations for completing major Class Year Study milestones; (2) to provide a mechanism for projects, within the Class Year Study, to drop out of the Class Year Study, remain in the Class Year Study for ERIS-only, or reduce their CRIS request and thereby have the option to accept only their deliverable MWs; (3) to allow for an earlier evaluation of Deliverability and identification of System Deliverability Upgrades – before the Class Year Study; (4) to streamline the cost allocation decision process; (5) to allow more flexibility in satisfying Headroom obligations; and (6) to allow security for System Upgrade Facilities to be reduced after discrete portions of the System Upgrade Facilities are complete.

In conjunction with the above objectives, the NYISO and stakeholders worked to develop mechanisms to encourage 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 place limitations on permissible extensions of Commercial Operation Dates and on permissible time frames within which to finalize an Interconnection Agreement. In developing all of the above-referenced tariff revisions, the NYISO and its stakeholders also sought this as an opportunity to provide certain limited, but needed clarifications and ministerial revisions to language in Attachments S, X and Z.

A number of the NYISO's proposed revisions to Attachments S, X and Z would modify tariff language that the Commission adopted in Order Nos. 2003 and 2006, or their successors as part of the *pro forma* interconnection procedures.¹⁵ The Commission has accepted other modifications and improvements to the NYISO interconnection procedures,¹⁶ recognizing that where changes to *pro forma* interconnection procedures “are clarifying and/or ministerial in nature and/or NYISO has supplied sufficient justification,” such modifications are acceptable under the “independent entity variation” standard.¹⁷ The Commission has explained that under this standard, “the Commission will review the proposed variations to ensure they do not provide an unwarranted opportunity for undue discrimination or produce an interconnection process that is unjust and unreasonable.”¹⁸

The revisions to Attachment X and Z that are proposed herein are fully justified under the Commission's “independent entity variation” standard because they have been approved by the NYISO's stakeholders after an extensive and open process, have been endorsed by the NYISO's

¹⁵ *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. 31,146 (2003), *order on re'g*, Order No. 2003-A, FERC Stats. & Regs. 31,160 (2004), *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. 31,171 (2004), *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. 31,190 (2005), *affirmed sub nom. Nat'l Ass'n of Regulatory Util. Com'rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007); *Standardization of Small Generator Interconnection Agreements and Procedures*, Order No. 2006, 70 Fed. Reg. 34190 (June 13, 2005), 111 FERC ¶ 161,220 (2005), *order on reh'g*, Order No. 2006-A, 113 FERC ¶ 61,195, 70 Fed. Reg. 71760 (Nov. 30, 2005).

¹⁶ See, e.g., *New York Independent System Operator, Inc.*, 135 FERC ¶ 51,014 (2011); *New York Independent System Operator, Inc.*, 124 FERC ¶ 61,238 (2008).

¹⁷ *New York Independent System Operator, Inc.*, 124 FERC ¶ 61,238 at PP 17-18.

¹⁸ See *Id.* at P18.

independent Board of Directors, and, as discussed in detail in Sections II and III below, revise or clarify the meaning of tariff provisions that have proven ambiguous or unduly difficult to implement in the NYISO's experience. Meetings held over the course of seven months resulted in a consensus among stakeholders on the amendments proposed in this filing. These tariff revisions are intended to improve upon and clarify the NYISO's current interconnection process. The NYISO and its stakeholders believe that the proposed tariff modifications can provide considerable improvements to the existing process.

III. Description of the Proposed Tariff Modifications

A. Proposed Changes in the Class Year Study Process

1. Class Year Study Schedule

Attachment S of the OATT provides not only the scope and methodology for the Class Year Study, but also the timing for the start of each Class Year Study and the eligibility requirements for entry into a Class Year Study.¹⁹ Currently, Attachment S provides for a March 1st start date every year, regardless of the status of the prior Class Year Study.²⁰ The current tariff language also does not provide for milestones for completion of the Class Year Study, other than general language that the study will have a “planned completion date six months after [the March 1 study start date].”²¹ Experience has revealed that it is often impractical to begin a new Class Year Study without regard to the status of the prior Class Year Study. Indeed, as is, Developers are required to satisfy certain regulatory and other milestones by March 1 in order to be eligible to enter the Class Year Study, despite the fact that the study cannot begin in earnest until the prior Class Year Study is complete.²² Moreover, the requirement that the NYISO manage overlapping Class Year Studies diverts its resources as well as Transmission Owner resources (Transmission Owners are critical to the completion of certain Class Year Study milestones) from the prior Class Year Study that is still in progress.

The NYISO's proposal to address these issues regarding the Class Year Study schedule is twofold. First, a new Class Year Study would not begin until after the prior Class Year Study concludes. The proposed tariff revisions provide that the Class Year Start Date would be the first of the following dates that post-dates the completion (*i.e.*, final settlement and posting of security) of the prior Class Year Study: March 1, June 1, or September 1. Rules and procedures that currently apply to the March 1 Class Year Study entry date would apply to the applicable

¹⁹ See Attachment S, Section 25.6.2.3.

²⁰ See Attachment S, Sections 25.6.2 and 25.6.2.3.

²¹ See *Id.*

²² Certain components of a Class Year Study can begin prior to completion of the prior Class Year Study; however, system-wide analysis is dependent upon assumptions that cannot be finalized until after the completion of the prior Class Year Study.

Class Year Start Date, including Class eligibility criteria (Operating Committee-approved SRIS and satisfaction of an applicable regulatory milestone).

Identifying three (3) possible Class Year Start Dates – March 1, June 1 or September 1 – provides Developers with some level of predictability as to when the next Class Year Study may begin. At the same time, this proposal allows Class Year Studies to proceed head-to-tail. This would eliminate overlapping Class Year Studies and allow parties involved in the study process to focus their resources on one Class Year of projects at a time. This would also allow the Class Year Start Date to better align with the date upon which the Class Year Study begins in earnest. In addition, this would also allow projects to enter a Class Year Study without necessarily having to wait until the following March 1st. Finally, this proposal eliminates the requirement that projects satisfy the Class Year Study eligibility milestones by a specific study start deadline, without regard to the status of the prior Class Year Study.

Second, the NYISO proposes to establish reasonable, achievable expectations and to require accountability from the parties involved in the study process. Specifically, the NYISO proposes revisions that will require all parties involved in the Class Year Study process to use Reasonable Efforts to complete required evaluations and cost estimates within specified time frames. For System Upgrade Facilities parties would be obligated to use Reasonable Efforts to complete required such evaluations and cost estimates within twelve months from the Class Year Start Date. The proposed revisions would similarly require Reasonable Efforts to complete any required “detailed studies” for a new System Deliverability Upgrade within an additional six (6) months. Specifically, this additional six (6) months would apply to System Deliverability Upgrades that are not the same or that are not substantially similar to a System Deliverability Upgrade previously studied in a Class Year Study. This proposal not only establishes reasonable milestones, it also provides a “process check” regarding the need for detailed studies.

Below is a detailed description of the specific tariff amendments necessary to implement this proposal.

a. Definitions

The proposed tariff revisions include a new definition for “Class Year Start Date” in order for that term to be used uniformly throughout Attachments S and X. The NYISO proposes to define Class Year Start Date as “[t]he deadline for Eligible Class Year Projects to enter a Class Year Interconnection Facilities Study, determined in accordance with Section 25.5.9 of this Attachment S.”²³ New section 25.5.9 is described below.

The proposed tariff revisions also include a definition for “Open Class.” In several sections of Attachments S and Z, there are references to the “then open class” or a variation of that phrase.²⁴ For example, a project that initially elects to be studied for ERIS-only can elect to

²³ See Attachment S, Section 25.1.2, as revised.

²⁴ See Attachment S, Sections 25.1.1, 25.7.11.1.4.2, 25.7.12.4, 25.8.1, 25.8.2.3, and 25.9.1; Attachment X, Sections

come back through a subsequent Class Year Study for a Deliverability evaluation. With the proposed definition of “Open Class Year,”²⁵ it is clear that the “then open class” is the Class that begins after the current Class (*i.e.*, once the deadline to enter a Class has passed, that Class is no longer an “open Class.”).

b. New Section Regarding Class Year Start Date and Schedule

The NYISO proposes to add a new Section 25.5.9 entitled, “Class Year Start Date and Schedule.” This section will provide that subsequent to Class Year 2012, the Class Year Study will begin on the Class Year Start Date, which will be the earliest of the following dates after the completion of the prior Class Year Study: March 1, June 1 or September 1.²⁶ With this proposed revision to the current process, the Class Year Study will not be based on a calendar year schedule and there may not be a Class Year Start Date every calendar year. In fact, it is possible that the Class Year Study following the completion of Class Year 2012 may not begin until calendar year 2014.

The NYISO also proposes to include in this new Section 25.5.9 an overview of the Class Year Study entry requirements that are set forth in other sections of Attachments S, X and Z. First, in order to become a Class Year Project in a Class Year Study subsequent to Class Year 2012, an Eligible Class Year Project must satisfy the criteria for inclusion in the next Class Year Study, as those criteria are specified in applicable sections of Attachments S and Z.²⁷ Second, in order to become a Class Year Project in a Class Year Study subsequent to Class Year 2012, an Eligible Class Year Project must elect to enter the applicable Class Year Study by providing notice to the NYISO within five (5) Business Days of the Class Year Start Date.

New Section 25.5.9 specifically indicates that its terms do not limit membership or eligibility for membership in Class Year 2011 or Class Year 2012, which have already begun. It specifically notes that members of Class Year 2011 that do not accept their Project Cost Allocations in Class Year 2011, but that are eligible under Section 25.6.2.3.4 to enter a subsequent Class Year Study, may enter Class Year 2012. This transition rule ensures that the new tariff language eliminating overlapping Class Year Studies does not inadvertently limit the current ability of Class Year 2011 members to enter Class Year 2012. Without this defined transition rule, the consequence would be to limit entry into Class Year 2012 and thereby potentially prejudice members of Class Year 2011 that might otherwise elect to enter Class Year 2012.

30.3.2.3, 30.3.2.6, and 30.14; Attachment Z, Sections 32.1.1.7, and 32.5.

²⁵ The proposed definition of “Open Class Year” is “Class Year open for new members pursuant to the Class Year Start Date deadline specified in Section 25.5.9 of this Attachment S.” *See* Attachment S, Section 25.1, as revised.

²⁶ A Class Year Study is completed upon the date upon which all remaining Class Year 2011 Developers have accepted their Project Cost Allocations and have posted security for same.

²⁷ New Section 25.5.9 specifically references such applicable tariff provisions in Section 25.6.2.3.1 and 25.8.2.3 of Attachment S and Sections 32.1.1.7 and 32.3.5.3.2 of Attachment Z.

Finally, new Section 25.5.9 provides that starting with the Class Year Study subsequent to Class Year 2012, all parties engaged in performing study work as part of the Annual Transmission Reliability Assessment (“ATRA”) and Class Year Deliverability Study (collectively, the “Class Year Study”) are required to use Reasonable Efforts to complete the basic required evaluations and cost estimates for Connecting Transmission Owner’s Attachment Facilities, Distribution Upgrades, System Upgrade Facilities, and System Deliverability Upgrades in order that the Class Year Study can be presented to the Operating Committee for approval within twelve (12) months from the Class Year Start Date. It further provides that, starting with the Class Year Study subsequent to Class Year 2012, if a new System Deliverability Upgrade is identified (*i.e.*, not the same or not substantially similar to a System Deliverability Upgrade previously identified and cost allocated in a Class Year Study), an additional six (6) months will be permitted within which to perform additional System Deliverability Upgrade studies for the study of and development of cost estimates for such a System Deliverability Upgrade. These schedule milestones are estimates that are subject to the Reasonable Efforts of the parties involved in the Class Year Study.²⁸

With the addition of the new Section 25.5.9, the NYISO proposes these additional revisions:

- NYISO proposes to delete the following language from 25.6.2: “The Annual Transmission Reliability Assessment will begin on March 1 each year, with a planned completion date six months after that.”
- The NYISO proposes to clarify Section 25.6.2.3.1 to make clear that the requirements for inclusion of a project in “the ATRA for a given year” are the requirements for a project “to be included in a given ATRA (*i.e.*, become a Class Year Project).”
- Having provided an overview in the new Section 25.5.9 regarding the notice and entry requirements for an Eligible Class Year Project, the NYISO proposes to delete former language that appeared in Section 30.8.1 of Attachment X that has been moved and modified slightly, in the new Section 25.5.9.
- The NYISO proposes to revise Section 32.3.5.3.3 to provide that Small Generating Facilities that elect to enter a Class Year Study may only make such election if they follow the Class Year entry requirements set forth in the new Section 25.5.9 of Attachment S.

²⁸ “Reasonable Efforts” is a tariff-defined term that means “respect to an action required to be attempted or taken by a Party under the Standard Large Facility Interconnection Procedures or Standard Large Generator Interconnection Agreement, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a Party would use to protect its own interests.” *See* Attachment X, Section 30.1

c. Global Changes

Consistent with the above proposed revisions, the NYISO proposes to make corresponding revisions to terms used throughout Attachments S, X and Z. This includes, for example:

- ensuring consistent use of the term Class Year Start Date and Class Year Project;
- revising references to “members” of the Class Year to “Class Year Projects;”
- revising references to the start date for the Annual Transmission Reliability Assessment to “Class Year Start Date;”
- revising references to “Developers’ projects” to “Class Year Projects;”
- revising references to Developers of Class Year Projects from “proposed generation or merchant transmission project” to “Class Year Project;”
- revising references to “March 1” that relate to the start of the Class Year Study to “Class Year Start Date,” consistent with the new definition for that term; and
- revising references regarding Class Year Start Date from 25.6.2 to 25.5.9, the latter of which is now the section re: the Class Year Start Date and schedule.

d. Effective Date

The proposed tariff revisions discussed in this Section III.A.1 pertain to the start date for a Class Year Study and the associated schedule for completion of the study. Since Class Year 2011 and Class Year 2012 have already started, it would not be administratively possible to apply new start dates to those studies. Nor would it be possible to apply the proposed schedule milestones to either of these current Class Year Studies. The schedule milestones run from the Class Year Start Date and each of these current Class Years have already begun. In addition, the Study Work Agreements for the work associated with each of these studies have already been executed. Therefore, the NYISO proposes that these tariff revisions apply beginning with the Class Year Study that starts after the completion of Class Year 2012.

The proposed tariff language included with this filing makes this proposed effective date clear, within the context of the applicable tariff provisions. It also provides that starting with the Class Year Study subsequent to Class Year 2012, the “Open Class” which an eligible project may elect to enter would be the Class Year Study that begins after the current Class Year Study is completed. Once the deadline to enter a Class Year Study has passed, it is no longer an “open Class” for purposes of Section 25.9.1 of Attachment S. This would not apply to Class Year 2011 members that reject their Project Cost Allocations for Class Year 2011; if they are otherwise eligible²⁹ to enter a subsequent Class Year Study, projects that drop out of Class Year 2011 may enter Class Year 2012.

²⁹ Once a project has satisfied the eligibility criteria for inclusion in a Class Year, the project may enter up to two, but no more than two, of the next three consecutive Class Years. See Section 25.6.2.3.4 of Attachment S.

2. Increased Flexibility Within the Class Year Study

Under existing provisions in Attachment S and Attachment X, together with the terms of the Class Year Study Agreement, a Class Year Project must remain in the Class Year Study for the study's duration at the full level of requested capacity.³⁰ Currently, only projects that withdraw from the interconnection queue can drop out of the Class Year Study prior to the completion of the Class Year Study.³¹

Experience has revealed that circumstances or costly upgrades may arise that may alter a Developer's decision to move forward in the Class Year Study process. For example, a large or potentially very costly System Deliverability Upgrade might be identified that requires extensive additional studies. If a Developer knows it will not accept a Project Cost Allocation for such a System Deliverability Upgrade, it must nonetheless stay the course and complete the Class Year Study. Together with the other Class Year projects, it must also share the cost of the additional System Deliverability Upgrade studies. This is the case even if the project has already decided it will not accept its System Deliverability Upgrade costs.

To address the limited flexibility provided to Class Year Projects, the NYISO proposes to provide additional options to Developers within the Class Year Study. If the NYISO determines that additional detailed studies for System Deliverability Upgrades are required, Class Projects may elect to (1) drop out of the Class Year Study; (2) withdraw its CRIS request (and thereby elect to be studied for ERIS only), or (3) maintain its CRIS request, but elect to have no System Deliverability Upgrades identified to make the project deliverable at its full level of requested CRIS (*i.e.*, elect to be studied just up to its deliverable MWs).

This proposal provides Developers with the opportunity to drop out of a Class Year Study without necessarily being subject to withdrawal from the interconnection queue altogether. It also provides Developers with options that may allow them to avoid additional Class Year Study costs if they have already determined that they will not accept a Project Cost Allocation. This proposal may also eliminate the need for unwanted System Deliverability Upgrade studies and thereby expedite completion of the Class Year Study.

Below is a detailed description of the specific tariff amendments necessary to implement this proposal.

a. New Section Regarding Intra-Class Year Study Options Available to Class Year Developers

The NYISO proposes to add a new Section 25.7.7.1 to provide for the added flexibility discussed above. This section provides that starting with Class Year 2012, if the NYISO

³⁰ See Attachment S, Sections 25.6.2.3.4.2, and 25.6.2.3.4.3; see also Attachment X, Section 30.8 and Appendix 4.

³¹ See Id.

determines that additional System Deliverability Upgrade studies are required, the NYISO will notify all Class Year Projects regarding this requirement as soon as practicable after the NYISO presents the results of the Deliverability analysis to stakeholders. This new Section 25.7.7.1 further provides that within ten (10) Business Days from such notification, any Class Year Project may elect to (1) withdraw from the Class Year Study; (2) withdraw its CRIS request and remain in the Class Year Study for ERIS; or (3) keep its CRIS request, but elect to have no System Deliverability Upgrade identified to make the project deliverable at its level of requested CRIS. For Developers that elect this third option, they may elect to enter a future Class Year Study to be evaluated for their full deliverability.

New Section 25.7.7.1 specifies that if a Class Year Project elects to keep its CRIS request, but with no System Deliverability Upgrade identified to make the project fully deliverable, the project continues to have the option of accepting or not accepting its Deliverable MWs, as specified in the Class Year Study report. Further, new Section 25.7.7.1 clarifies that if a Class Year Project elects to withdraw entirely from the Class Year Study at this juncture, the Class year counts as one of the two Class Years a project may enter pursuant to Section 25.6.2.3.4 of Attachment S.³²

b. Materiality Determination for Reductions in CRIS

To allow Class Year Projects to reduce their requested CRIS during the Class Year Study, the NYISO proposes a revision to Section 30.4.4.6 of Attachment X that provides that such a request, pursuant to Section 25.7.7.1 of Attachment S, shall not constitute a Material Modification.

c. Class Year Study Cost Provisions

The NYISO proposes revisions to Sections 30.8.1.1 and 30.13.3.1 of Attachment X to clarify the responsibility for Class Year Study costs that may be impacted by a Developer's decision under the revised Section 25.7.7.1 of Attachment S discussed above. The NYISO proposes to revise Section 30.8.1.1 to provide that any project that elects to reduce its MW of CRIS, and thereby opts out of any additional detailed studies for System Deliverability Upgrades, shall not be invoiced for any additional detailed studies required for System Deliverability Upgrades. Consistent with this revision, the NYISO proposes to revise Section 30.13.3.1 to clarify that any project that elects to withdraw from the Class Year Study, withdraw its CRIS request, or elects to have no System Deliverability Upgrade identified to make the project deliverable at its level of requested CRIS, shall not be responsible for the costs related to any additional detailed studies required for System Deliverability Upgrades.

³² Similar language is added to Section 25.6.2.3.4 of Attachment S, for consistency.

d. Effective Date

The modifications described in this Section III.A.2 relate to options that would be presented to Developers at a particular stage in the Class Year Study – the point at which the NYISO notifies the Class Year Projects regarding the need to conduct additional studies related to a new System Deliverability Upgrade. That particular stage in the Class Year 2011 Study has already passed, therefore it would not be possible to apply these tariff revisions to Class Year 2011.

Class Year 2012, however, has not begun in earnest because a number of the inputs for the base cases required for the 2012 Class Year Study cannot be determined until after the completion of Class Year 2011. The NYISO anticipates that Class Year 2011 will not be completed prior to the effective date requested in this filing – February 18, 2013. Accordingly, Class Year 2012, in the NYISO’s most conservative estimate, will not be at a stage prior to the effective date of these tariff revisions, where the decisions offered in this set of tariff revisions would be triggered (*i.e.*, the NYISO will not have yet advised Class Year 2012 projects whether there will be a System Deliverability Upgrade that requires additional detailed studies). Therefore, as specified in the proposed tariff language, the NYISO proposes that the tariff revisions described in this Section III.A.2 apply to Class Year 2012 and subsequent Class Years.

3. Preliminary Deliverability Evaluation

As noted above in Section II, Attachment X calls for three successive Interconnection Studies of an interconnection project – an Interconnection Feasibility Study, an Interconnection System Reliability Impact Study (“SRIS”), and a Class Year Study.³³ The SRIS is conducted early in the interconnection study process. Its purpose is to evaluate the project’s impact on the safety and reliability of the New York State Transmission System and, if applicable, an Affected System, to determine what upgrades are needed under the NYISO Minimum Interconnection Standard.³⁴ The scope of the SRIS does not include a Deliverability analysis. The Deliverability analysis is performed only within the Class Year Study process.³⁵

Experience has revealed that Developers may not be aware of deliverability issues associated with their projects until the Deliverability analysis is performed in the Class Year Study. While Developers may currently request the NYISO’s Deliverability base case and obtain copies of Deliverability study reports completed to date, certain Developers have expressed an interest in having the NYISO conduct a preliminary Deliverability analysis for their projects. Since this would allow them to learn about deliverability issues earlier in the interconnection process, they might have the opportunity to make beneficial changes to their projects.

³³ See Attachment X, Sections 30.6, 30.7 and 30.8

³⁴ See Attachment X, Section 30.7.3.

³⁵ See Attachment S, Section 25.7.

To provide a preview of deliverability issues early in the interconnection process, the NYISO proposes to perform a preliminary, nonbinding evaluation of Deliverability, at the Developer's option and expense, as part of the SRIS. Such an evaluation would identify potential deliverability issues at a high level and provide preliminary cost estimates for deliverability upgrades. Developers would be responsible for the additional study costs related to an election to have Deliverability studied as part of the SRIS, and would pay an additional \$30,000 deposit toward the cost of this optional evaluation. This deposit would be factored into the final settlement billing of the SRIS costs and refunded to the Developer to the extent actual SRIS costs are less than the deposit. The portion of the Class Year Study costs attributable to the Deliverability Study would not be offset by any expenses paid by the Developer at the SRIS stage for a preliminary Deliverability evaluation.

These tariff revisions would provide a beneficial preview of potential deliverability issues to Developers who opt to include this in the scope of their SRIS, prior to the Class Year Study. Since Developers may prefer to perform their own preliminary deliverability analyses or may want to proceed through the SRIS more quickly in order to expedite entry into a Class Year Study, NYISO's stakeholders felt strongly that a preliminary deliverability analysis by the NYISO should be optional. For those Developers that elect this option, it may allow them to consider changes to their projects that might make the project more deliverable. In addition, preliminary deliverability analyses may allow a head start of the Class Year Deliverability Study and System Deliverability Upgrade analyses, which may save time in the Class Year Study.

Below is a detailed description of the specific tariff amendments necessary to implement this proposal.

a. Increased SRIS Deposit for Preliminary Deliverability Evaluation

The NYISO proposes to revise Section 30.7.2 to reflect the increased deposit requirement for an SRIS that involves this optional Deliverability analysis – a \$150,000 deposit (versus \$120,000) if the NYISO is responsible for performing the entire study and a \$70,000 deposit (versus \$40,000) if the Developer is hiring a third-party consultant to perform the analytical portion of the study. Additional revisions to this section would reflect the breakdown of such increased study costs.

b. SRIS Scope

The NYISO proposes to add language to Section 30.7.3 of Attachment X to allow for an increased scope for the SRIS to provide for this preliminary evaluation of the project under the Deliverability Interconnection Standard, at the Developer's option. The revisions to Section 30.7.3 would require that such a preliminary deliverability evaluation state the assumptions upon which it is based, state the results of the preliminary analyses, identify potential System Deliverability Upgrades at a high level; and provide preliminary System Deliverability Upgrade cost estimates which may be based on generic information. Only Developers that elect to have a

CRIS request evaluated in the Interconnection Request would be permitted to exercise this option.

c. Effective Date

The modifications described in this Section III.A.3 are limited to the scope of the SRIS, which is not impacted by the status of the current Class Year Study. Therefore, the NYISO proposes that it apply to projects that do not have an SRIS scope approved by the NYISO's Operating Committee as of the effective date of the tariff revisions.

4. Streamlined Cost Allocation Decisions

The NYISO is also proposing certain changes to the Developer decisional process that occurs at the end of a Class Year Study. Based on the results of the Class Year Study, the NYISO provides to each Class Year Project in the Class Year Study a dollar figure for its share of the cost of the System Upgrade Facilities required for reliable interconnection of the project ("SUF Project Cost Allocation").³⁶ The NYISO also provides each Class Year Project requesting CRIS with (i) a cost allocation for its share of the cost of the System Deliverability Upgrades required for the requested level of CRIS ("SDU Project Cost Allocation"), and (ii) the number of megawatts of Installed Capacity, if any, that are deliverable from the Developer's Class Year Project with no new System Deliverability Upgrades ("Deliverable MWs").³⁷ Attachment S defines the decisional process through which a Developer must accept or reject its SUF Project Cost Allocation and, for CRIS, either its SDU Project Cost Allocation or its Deliverable MWs.³⁸ If any Class Year Project does not accept a Project Cost Allocation or its Deliverable MWs,³⁹ the NYISO removes those Developers from its analysis and recalculates the cost allocations, as appropriate.⁴⁰

Currently, if a Developer accepts its Project Cost Allocation in one Class Year Study decision round, it may reject that same allocation in a subsequent round, triggering additional decision rounds that may unnecessarily delay the settlement of the Class Year Study.⁴¹ Experience has indicated the possibility that that multiple, unnecessary decision rounds may

³⁶ See Attachment S, Section 25.8.1.

³⁷ See Id.

³⁸ See Attachment S, Section 25.8.2.

³⁹ A Developer must accept its SUF Project Cost Allocation, if any, in order to be qualified to provide ERIS. Developers requesting CRIS may accept or reject their SDU Cost Allocation. If they reject their SDU Project Cost Allocation, the project will not be qualified to participate in the Installed Capacity market unless it accepts its Deliverable MWs, if any (in which case the project would only have CRIS rights up to its Deliverable MWs level) or otherwise obtains CRIS rights.

⁴⁰ See Attachment S, Section 25.8.2.2.

⁴¹ See Attachment S, Section 25.8.2.

result from what might be attempts by some Developers to delay their final decision even if their cost responsibility has not changed from the prior decision round.

To reduce the likelihood of unnecessary decision rounds which might delay settlement of the Class Year Study, the NYISO proposes to prohibit a Developer that accepts a Project Cost Allocation from later rejecting in another round unless the Project Cost Allocation increases. Below is a detailed description of the specific tariff amendments necessary to implement this proposal.

a. Limitation on the Option to Accept or Reject a Revised Project Cost Allocation

The NYISO proposes to add language to Section 25.8.2 to provide that, starting with Class Year 2012, a Developer that accepts a Project Cost Allocation will not have the opportunity to change its cost allocation decision in subsequent decision rounds unless the Revised Project Cost Allocation provides for (1) an increase in the Project Cost Allocation; or (2) a decrease in the Class Year Project's Deliverable MWs .

b. Effective Date

The modifications described in this Section III.A.4 relate to the decision process that occurs at the end of the Class Year Study. While the NYISO does not anticipate that the decision process for Class Year 2011 will be completed by the requested effective date of these tariff revisions, the anticipated start of the decision process for Class Year 2011 cannot be determined with certainty. Therefore, to avoid the possibility of having to apply different rules at different stages of the Class Year 2011 decision process, the NYISO proposes that these tariff revisions should apply to Class Year 2012 and subsequent Class Years.

The NYISO anticipates that Class Year 2012 will not be at the decision round process prior to the effective date of these tariff revisions. Therefore, the NYISO proposes that the tariff revisions described in this Section III.A.4 apply to Class Year 2012 and subsequent Class Years.

5. Headroom Payment Options

NYISO proposes to permit Developers to satisfy Headroom obligations with Security under certain circumstances. Attachment S requires a Developer to reimburse prior Class Year Developers for the use System Upgrade Facilities and System Deliverability Upgrades paid for by prior Class Year Developers. This is known as Headroom. Headroom is the functional or electrical capacity of the System Upgrade Facility or the electrical capacity of the System Deliverability Upgrade that is in excess of that actually used by a project. The subsequent Developer whose project interconnects and uses the Headroom within the applicable period of

time following the creation of the Headroom, must make Headroom payments as specified in Attachment S.⁴²

Currently, Attachment S does not specifically provide for a Security option for satisfaction of Headroom obligations. Specifically, the NYISO proposes that when Headroom obligations required for upgrades are not yet constructed, such Headroom obligations may be satisfied by Security executed for the benefit of the Headroom payee.⁴³ This Security must meet the commercially reasonable requirements of the Headroom payee. This proposal will provide increased flexibility to Developers faced with Headroom obligations.

Below is a detailed description of the specific tariff amendments necessary to implement this proposal.

a. Permissible Forms of Headroom Security

The NYISO proposes to add a new Section 25.8.7.5 to provide that Headroom obligations may be satisfied by a form of Headroom Security. Such Headroom Security could, like Security for Project Cost Allocations already provided for in Attachment S,⁴⁴ take any of the following forms: a bond, irrevocable letter of credit, parent company guarantee or other form of security from an entity with an investment grade rating, executed for the benefit of and meeting the respective commercially reasonable requirements of the Headroom payee. Consistent with other Security provisions in Attachment S, this new section would require that Headroom Security be posted to cover the period ending on the date on which full payment is made to satisfy the Headroom obligation; provided, however, that it may be posted with a term as short as one year, so long as it is replaced within fifteen (15) business days before its stated expiration. In the event Headroom Security is not replaced as required by Section 25.8.7.6, the prior Developer (to whom the Headroom payment is owed) shall be entitled to draw upon the Headroom Security and convert it to cash, to be held by the prior Developer for the account of the Developer from whom Headroom is owed.

b. Effective Date

The modifications described in this Section III.A.5 relate to the payment obligations that flow from the decision process that occurs at the end of the Class Year Study. For the same reasons set forth above in Section III.A.4.b, the NYISO proposes that these tariff revisions should apply to Class Year 2012 and subsequent Class Years.

⁴² See Attachment S, Sections 25.7.12.6 and 25.8.7.

⁴³ Headroom obligations required for upgrades that have been fully constructed must be satisfied by cash or pursuant to terms of a binding cost allocation agreement as permitted by Section 25.5.1 of Attachment S.

⁴⁴ See Attachment S, Section 25.8.2.1.

6. Security Reductions

When the Class Year Study decision rounds are completed, all Developers that accepted a Project Cost Allocation are required to pay cash or posting Security for the full amount of their respective Project Cost Allocations, as applicable.⁴⁵ The purpose of the Security posting requirement is to secure payment to the Connecting Transmission Owner for the cost of constructing such upgrades. Even if the Class Year Project does not materialize (*i.e.*, does not move forward to complete construction and go In-Service), the Security posting that such Developer provided helps to ensure that funds are available to construct upgrades upon which other projects may rely. Once the upgrade is constructed, however, the purpose for which Security was posted is no longer an issue.

Currently, Developers must post Security in the full amount of their Project Cost Allocation at the end of the Class Year Study process “to cover the period ending on the date on which full payment is made to the Connecting Transmission Owner.”⁴⁶ Experience has revealed that the construction of a System Upgrade Facility may be completed in discrete portions. Accordingly, a System Upgrade Facility may be 90% complete or more, but the Security remains posted for the full Project Cost Allocation. In response to Developers’ concerns regarding this requirement, the NYISO proposes to allow for reductions in Security under certain limited circumstances. This proposal shortens the time period during which a Developer is required to maintain a Security posting.

First, for System Upgrade Facilities constructed by the Developer, the security posting required for the associated System Upgrade Facility could be reduced after discrete portions of the System Upgrade Facility have been fully constructed. Second, for System Upgrade Facilities constructed by the Transmission Owner, the security posting required for the associated System Upgrade Facility could be reduced after discrete portions of the System Upgrade Facility have been fully constructed by the Transmission Owner and paid for by the Developer.

Below is a detailed description of the specific tariff amendments necessary to implement this proposal.

a. Bases for Reductions in Security

The NYISO proposes to add language to Section 25.8.5 to provide the following flexibility in reductions of Security for System Upgrade Facilities: First, Security for System Upgrade Facilities constructed by the Developer shall be reduced after discrete portions of the System Upgrade Facilities have been completed, such reductions to be based on cost estimates from the Class Year Study, subject to review by the Connecting Transmission Owner, and transfer of ownership to the Connecting Transmission Owner as applicable of all subject

⁴⁵ See Id.

⁴⁶ See Id.

property, free and clear of any liens, as well as transfer of title and any transferable equipment warranties reasonably acceptable to the Connecting Transmission Owner. Second, for System Upgrade Facilities constructed by the Connecting Transmission Owner, Security shall be reduced after discrete portions of the System Upgrade Facilities have been completed by the Transmission Owner and paid for by the Developer, on a dollar-for-dollar basis for payments made to the Connecting Transmission Owner pursuant to an E&P Agreement or Interconnection Agreement, subject to the Connecting Transmission Owner's review and approval.

b. Effective Date

The modifications described in this Section III.A.6 are limited to the Security posted for System Upgrade Facilities. The NYISO proposes that it apply to any Security posted as of the effective date of the tariff revisions.

B. Extensions of Commercial Operation Date

In addition to Class Year Study requirements set forth in Attachments S and X, additional interconnection procedures relate to the manner in which a project proceeds through the NYISO's interconnection process. Certain of these requirements relate to the project's proposed Commercial Operation Date. Commercial Operation Date is defined as the date upon which a project commences Commercial Operation, which is in turn defined as the status of a project "that has commenced generating or transmitting electricity for sale, excluding electricity generated or transmitted during Trial Operation."⁴⁷

Attachments X and Z require Developers to provide Commercial Operation Dates for their projects.⁴⁸ Attachment X provides limited restrictions for extensions of Commercial Operation Date.⁴⁹ Currently, a Developer may extend the Commercial Operation Date for the project by up to three (3) years from the original In-Service date provided in the Interconnection Request, simply by providing notification to the NYISO.⁵⁰ A Developer may request an extension of the Commercial Operation Date beyond three (3) years from the original In-Service date, subject to a materiality determination by the NYISO.⁵¹

Experience has revealed that projects in the interconnection queue occasionally slow or completely halt their progress toward completion of the interconnection process and Commercial Operation. Such projects seek to continue in this fashion by continually requesting extensions of Commercial Operation Date. This has the potential to have several undesirable consequences. First, the longer a project sits in the interconnection queue after the completion of its studies, the

⁴⁷ See Attachment X, Section 30.1.

⁴⁸ See Attachment X, Section 30.3.3.1; *see also* Attachment Z, Section 32.5, Appx. 8.

⁴⁹ See Attachment X, Section 30.4.4.5.

⁵⁰ See *Id.*

⁵¹ See *Id.*

greater is the likelihood that events will unfold due to the passage of time that would gradually degrade the inputs and results from the Class Year Study. This would, in turn, impact the accuracy of information to be included in the Interconnection Agreement, which relies in large part on the results of the Class Year Study. Second, there is the potential for impact on future interconnection projects that may wish to interconnect using the same bus position or positions within a close physical proximity to that which the delayed project proposes to interconnect.

To address these concerns, the NYISO's proposal regarding extensions of Commercial Operation Date is twofold. First, it would require an Interconnection Agreement to be finalized within six (6) months from the completion of the Class Year Study.⁵² Second, it would place limitations on permissible extensions of Commercial Operation Date. Under this proposal, a project's Commercial Operation Date must be within four (4) years from the completion of the Class Year Study. To obtain an extension of Commercial Operation Date beyond this period would require: (1) an executed Interconnection Agreement (or an unexecuted Interconnection Agreement filed with FERC); and (2) demonstrated progress against the milestones set forth in the Interconnection Agreement.

Below is a detailed description of the specific tariff amendments necessary to implement this proposal.

a. Commercial Operation Date Requirements Upon Submittal of an Interconnection Request

The NYISO proposes revisions to Section 30.3.3.1 of Attachment X and Section 32.1.3.2 of Attachment to require Developers to provide a proposed Commercial Operation Date in its Interconnection Request that is within ten (10) years from the date the Interconnection Request is submitted (*i.e.*, if the Interconnection Request is submitted on January 1, 2014, the Commercial Operation Date specified in the Interconnection Request must be on or before January 1, 2024).

In addition, the revisions to Section 32.1.3.2 of Attachment Z include language clarifying that for Small Generating Facilities, extensions of Commercial Operation Date are subject to the provisions of Section 30.4.4.5 of Attachment X.

b. Commercial Operation Date Requirements Upon Execution of a Class Year Study Agreement

The NYISO proposes to revise Section 25.8.1 of Attachment S and Section 30.8.1 of Attachment X to provide that, starting with the Class Year subsequent to Class Year 2012, each Class Year Project must update the proposed Commercial Operation Date upon execution of a Class Year Study Agreement. The updated Commercial Operation Date provided at this juncture must be within ten (10) years from the date the Interconnection Request was submitted.

⁵² For Small Generating Facilities not subject to Attachment S, the applicable date would not be completion of the Class Year Study, but the date NYISO tenders the Small Generator Interconnection Agreement.

The NYISO further proposes to require a Developer to confirm its proposed Commercial Operation Date at the completion of the Class Year Study. Specifically, the NYISO proposes to revise Section 25.8.1 to require that, starting with the Class Year subsequent to Class Year 2012, an Acceptance Notice provided at the completion of the Class Year Study process must include a confirmed Commercial Operation Date and In-Service Date, subject to the limitations set forth in Section 30.4.4.5 of Attachment X.

Additional proposed revisions to Section 25.8.2 include language related to how the NYISO will reflect the Commercial Operation Date for projects that, starting with Class Year 2012, fail to provide a confirmed Commercial Operation Date in their Acceptance Notice or that provide a Commercial Operation Date that is beyond the permissible time period. In either circumstance, the NYISO's interconnection queue will reflect the latest possible permissible date, even if that requires the NYISO to reject and modify the proposed Commercial Operation Date provided in the Class Year Project's Acceptance Notice.

c. Material Modification Guidelines for Extensions of Commercial Operation Date

The NYISO proposes to revise Section 30.4.4.5 to limit the permissible extensions of the Commercial Operation Date specified at the completion of the Class Year Study (or upon tender of the SGIA, as applicable). This section would only permit extensions of Commercial Operation Date that are within four (4) years from the completion of the Class Year Study/tender of the SGIA ("permissible extension period"). At this point, only this four (4) year requirement applies – it is not necessary that the project also have a Commercial Operation Date that is within ten (10) years from the submittal of its Interconnection Request. A request for an extension of a Commercial Operation Date requires no materiality review if it is within the permissible extension period. If the Commercial Operation Date specified upon completion of the Class Year Study is beyond the permissible extension period, the NYISO will record the proposed Commercial Operation Date as the last date with the permissible extension period.

As revised, Section 30.4.4.5 would further provide that a Developer may request an extension of its Commercial Operation Date beyond the permissible extension period and such extension would not be a Material Modification (and would therefore be permitted) if the following conditions have been met: (1) Developer must have an executed Interconnection Agreement for the project or have on file with FERC an unexecuted Interconnection Agreement; and (2) Developer must demonstrate (via an Officer certification) continuous progress against milestones set forth in the Interconnection Agreement (*e.g.*, completion of engineering design, major equipment orders, commencement and continuation of construction of the project and associated System Upgrade Facilities, as applicable). If the Developer does not satisfy the above conditions, an extension of Commercial Operation Date that would put the project in Commercial Operation after the four-year period following completion of its Class Year Study/tender of the SGIA would only be permitted if the Developer seeks and obtains a waiver from FERC.

d. Finalization of an Interconnection Agreement

The NYISO proposes to revise Section 30.11.1 to require that the NYISO tender to both the Developer and the Connecting Transmission Owner a draft interconnection agreement “as soon as practicable” upon completion of the Class Year Study and satisfaction of Security posting requirements. The NYISO further proposes to delete the requirement that the Developer execute and return the completed draft interconnection agreement within thirty (30) days, and instead, add a provision into Section 30.11.2 providing that, unless otherwise agreed by the parties, a Developer must execute the interconnection agreement, request filing of an unexecuted agreement, or initiate Dispute Resolution procedures within six (6) months of the NYISO’s tender of the draft agreement.

The NYISO proposes similar revisions to Attachment Z. Section 32.3.5.7 of Attachment Z currently requires the NYISO, “upon completion of the Facilities Study, and with the agreement of the Interconnection Customer to pay for Interconnections Facilities and Upgrades identified in the Facilities Study,” to provide the Interconnection Customer with an executable draft interconnection agreement within five (5) Business Days. The NYISO proposes to revise this section to require that the NYISO tender to the Interconnection Customer a draft interconnection agreement as soon as practicable upon completion of the Facilities Study.

Similarly, the NYISO proposes to revise Section 32.4.8 of Attachment Z to provide that as soon as practicable upon completion of all required interconnection studies, or, if the Interconnection Customer elects to enter a Class Year Study, upon completion of the Class Year Study, the NYISO shall tender a draft Standard Small Generator Interconnection Agreement. Upon such tender, the Interconnection Customer shall provide the NYISO with an updated Commercial Operation Date subject to the limitations set forth in Section 30.4.4.5 of Attachment X to the OATT.

The NYISO proposes deleting language that provided that upon receipt of the interconnection agreement, “the Interconnection Customer shall have 30 Business Days or another mutually agreeable timeframe to sign and return the interconnection agreement, or request that the NYISO file, or cause to be filed, an unexecuted interconnection agreement with the Federal Energy Regulatory Commission.” The NYISO also proposes to delete subsequent language requiring that the Interconnection Customer sign the interconnection agreement or ask that it be filed unexecuted within thirty (30) Business Days or the Interconnection Request would be withdrawn. In place of the deleted language, the NYISO proposes to add, “If the Interconnection Customer does not sign the interconnection agreement, or ask that it be filed unexecuted within six (6) months after tender of the draft interconnection agreement, the Interconnection Request shall be deemed withdrawn.”

e. Effective Date

These tariff revisions will apply to all generation and merchant transmission projects in the NYISO interconnection queue that have not yet accepted their cost allocation through the Class Year Study process or that are not subject to Attachment S. For those projects that have

already accepted their cost allocation, to the extent their proposed Commercial Operation Date is not within the permissible time period, they will have sixty (60) days after the tariff revisions take effect to satisfy the criteria specified above (an executed Interconnection Agreement (or an unexecuted Interconnection Agreement filed with FERC) and demonstrated progress against the milestones set forth in the Interconnection Agreement). To the extent they fail to satisfy such criteria within sixty (60) days, they will be withdrawn from the interconnection queue.

C. Additional Class Year Process Improvements, Clarifications and Tariff Clean Up

The NYISO's proposed revisions to Attachments S, X and Z also include a number of minor revisions intended to clarify and clean up existing language, including clarification and addition of defined terms, clarification of the withdrawal provision, revisions in Attachments X and S, and consistency with Attachment Z regarding the applicability of the interconnection procedures to FERC-jurisdictional Distribution Systems.

1. Distribution System

In its December 8, 2005 compliance filing proposing tariff revisions to implement the Small Generator Interconnection Procedures required by Order No. 2006,⁵³ the NYISO proposed tariff revisions to provide for interconnections to FERC-jurisdictional distribution in Attachment Z.⁵⁴ With the tariff revisions the NYISO is proposing with this filing, the NYISO proposes to include such revisions to Attachment X as well, for consistency. Below is a detailed description of the specific tariff amendments necessary to implement this proposal.

a. Definitions

- Revisions to the definition of "Distribution System" in Attachment Z to clarify that it is not just **Connecting** Transmission Owner facilities, but any Transmission Owner facilities and equipment used to distribute electricity that are subject to FERC jurisdiction and are subject to the NYISO's Large Facility Interconnection Procedures or Small Generator Interconnection Procedures under FERC Order Nos. 2003 and/or 2006;
- Revisions to the definition of "Distribution Upgrades" in Attachment Z to clarify that these are modifications or additional to the existing Distribution System at or beyond the Point of Interconnection that are required for the proposed project to connect reliably to the system in a manner that meets the NYISO Minimum Interconnection Standard.

⁵³ *Standardization of Small Generator Interconnection Agreements and Procedures*, Order No. 2006, FERC Stats.& Regs. ¶ 31,180, *order on reh'g*, Order No. 2006-A, FERC Stats. & Regs. ¶ 31,196 (2005), *order granting clarification*, Order No. 2006-B, FERC Stats. & Regs. ¶ 31,221 (2006).

⁵⁴ *New York Independent System Operator, Inc. and the New York Transmission Owners*, Docket No. ER06-311-000 and RM02-12-001, *Compliance Filing* (Dec. 8, 2005).

- New definitions in Attachments S and X for “Distribution System,” “Distribution Upgrades, consistent with the definitions in Attachment Z, as revised;”
- Revision to the definition of Attachment Facilities to reflect that Attachment Facilities do not include Distribution Upgrades;⁵⁵
- Revision to the definitions of CRIS and ERIS to make clear that these are services provided to interconnection facilities to the New York State Transmission System *or* Distribution System (deleting the qualifying language “under Attachment Z” after Distribution System to reflect the possibility that a Large Facility may also connect to the Distribution System);⁵⁶

b. Global Changes

Where Attachments S and X refer to interconnections to the “New York State Transmission System,” the NYISO proposes to add “and to the Distribution System,” or “or to the Distribution System,” as applicable. In addition, where Attachments S and X refer to the upgrades evaluated in various interconnection studies, and the cost of such facilities, the NYISO proposes to add “Distribution Upgrades,” as applicable.

c. Cost Responsibility for Distribution Upgrades

The cost responsibility rules for ERIS and CRIS set forth in Attachment S provides, among other things, that “[e]ach Developer is responsible to 100% of the cost of the Attachment Facilities.” The NYISO proposes to add a new Section 25.5.7, entitled, “Distribution Upgrades.” This new Section 25.5.7 will provide that “[e]ach Developer is responsible for 100% of the cost of the Distribution Upgrades.”

d. Study Costs Related to Distribution Upgrades

The NYISO also proposes revisions to Section 30.13.3.1 to make clear that beginning with the Class Year subsequent to Class Year 2012, Class Year Projects shall be responsible for the actual cost of studying not only the Attachment Facilities and Interconnection Facilities for its own facility, but also any *Distribution Upgrades* for its own facility.

2. Withdrawal Provision

If a Developer fails to abide by the requirements set forth in Attachments X, the project is subject to withdrawal from the interconnection queue.⁵⁷ When the withdrawal provision is

⁵⁵ See Attachment S, Section 25.1.2.

⁵⁶ See Id.

⁵⁷ See Attachment X, Section 30.3.6.

triggered, the NYISO, as required by the tariff, provides the Developer with written notice of its deemed withdrawal and provide a cure period of fifteen (15) Business Days in which the Developer may either respond with information or actions that cure the deficiency or notify the NYISO of the Developer's intent to pursue Dispute Resolution.⁵⁸ As the NYISO interprets the withdrawal provision, the cure period does not extend the time period within which a Developer must satisfy certain tariff-defined deadlines. If, for example, a provision of Attachment S or X requires a Developer to meet a specific milestone by a date certain, that Developer cannot use the withdrawal cure period to obtain an additional fifteen (15) Business Days within which to meet the applicable milestone. Rather, as the NYISO interprets the withdrawal provision, the cure period could only be used in such circumstance to provide evidence that in fact the milestone was met within the tariff-required time period.

While the above describes the NYISO's interpretation of the withdrawal language regarding a cure period, the NYISO recognizes that additional clarity in this section of the tariff may be helpful. The NYISO therefore proposes to clarify that the withdrawal cure period does not extend the time to satisfy certain milestones with specific tariff-defined deadlines (*i.e.*, if the Tariff requires a Developer to provide information by a date certain, the cure period does not provide the Developer with fifteen (15) additional days to provide such information).

Specifically, the NYISO proposes revisions to Section 30.3.6 of Attachment X to clarify that (1) the fifteen (15) Business Day "cure period" that is triggered by a withdrawal notice does not extend specific deadlines set forth in Attachments S and X. The specific deadlines referenced in the revisions to Section 30.3.6 relate to (1) the deadline by which a Developer must satisfy its regulatory milestone pursuant to Section 25.6.2.3.2; (2) the deadline set forth in Section 25.6.2.3.1.4 of Attachment S, by which a Developer must the Developer must inform the NYISO regarding whether it has satisfied the regulatory milestone described above 25.6.2.3.1.4 of Attachment S; and (3) the deadline by which a Class Year Project must provide an Acceptance Notice or Non-Acceptance Notice with regard to its Project Cost Allocation pursuant to Section 25.8.2 of Attachment S.

3. Ministerial Modifications and Further Clarifications

The process improvements described herein involve modifications to numerous sections of the NYISO tariff, including portions of Attachments S, X and Z of the OATT and their numerous appendices. In order to ensure consistency throughout these three attachments to the OATT, a number of minor and ministerial changes are required. Also, upon review of these sections of the OATT, a few inconsistencies, omissions, grammatical and typographical errors were discovered that require modification for accuracy and internal consistency. These minor, clarifying, and ministerial corrections – specified in the chart below – are necessary to clarify, and ensure the internal consistency and accuracy of the proposed tariff modifications.

⁵⁸ See Id.

Tariff Section	Reason for modification
ATTACHMENT S	
Attachment S § 25.1.1	Incorporation into Attachment S of language from § 32.3.5.3.2 of Attachment Z, providing that Interconnection Customers for Small Generating Facilities for which any System Upgrade Facilities other than Local System Upgrade Facilities are determined to be necessary to accommodate the Interconnection Request shall be evaluated as a member of the next Open Class Year, and the Interconnection Customer’s cost responsibility shall be determined in accordance with Attachment S
Attachment S § 25.1.2	Addition of a defined term in Attachment S for “Developer” to clarify that for Attachment S, references to Developers include Interconnection Customers subject to Attachment S pursuant to § 32.1.1.7 and/or § 32.3.5.3.2 of Attachment Z
Attachment S § 25.1.2	New definition of “Class Year Project”
Attachment S § 25.1.2	New definition of “Eligible Class Year Project”
Attachment S § 25.1.2	Revisions to the definition of “Article X Certificate” to reflect that the new Article 10 uses a numeric versus roman numeral ten and that the new Article 10 of the New York Public Service Law applies to not new facilities with greater than 80 MW of capacity, but rather, all electric generating facilities with greater than 25 MW of capacity
Attachment S § 25.1.2	Revisions to the definition of “Class Year” to clarify that it is the reference to “Annual Transmission Reliability Assessment and Class Year Deliverability Study is a reference to the Class Year Study
Attachment S § 25.6.1.1.1.1	Insertion of the word “that” to make the sentence grammatically correct
Attachment S § 25.6.2.3.1.1.7	New section to provide for additional regulatory milestone for a Large Facility greater than 25 MW – a determination that the Article 10 application filed for the Large Facility is in compliance with New York Public Service Law § 164
Attachment S § 25.7.12.4	Revision to a reference to facilities in the Class Year Study from “Developer’s Large facility” to “Developer’s facility” (recognizing that Small Generating Facilities may also be in a Class Year Study)
Attachment S § 25.8.2.1	Revision to require payment or a Security posting for Headroom to be made within five (5) business days after the end of the Initial Decision Period or Subsequent Decision Period, as applicable
Attachment S § 25.8.2	Clarification that failure to notify the NYISO by the prescribed deadline as to whether a Developer accepts or rejects its cost allocation will be deemed a rejection of its cost allocation.
Attachment S § 25.8.7	Revision of the word “repaid” to “paid” as the latter was the intent of the sentence in which it appears

Tariff Section	Reason for modification
ATTACHMENT X	
Attachment X §s 30.2.3 and 30.8.3	Replace “confidentiality” with “non-disclosure” in the description of the agreement a Developer must sign before the NYISO and Transmission Owner may release certain base case data
Attachment X § 30.3.4	With respect to the data posted on OASIS for Interconnection Requests, a revision to allow the NYISO to post the projected In-Service Date and/or the Commercial Operation Date
Attachment X § 30.4.1	Deletion of language regarding the lowering of queue position if a change in Point of Interconnection is a Material Modification under § 30.4.4.3 – the applicable rules are set forth in § 30.4.4.3, which refers back to 30.4.4.1 (to have this language in 30.4.4.1 provides for a circular reading of the requirements)
Attachment X § 30.4.4	Insertion of the word, “permitted” which more accurately reflects the intent of the sentence
Attachment X § 30.4.4.2	Clarification that a reduction in the number of MW a Developer requests to be evaluated for CRIS is not a Material Modification if such reduction is requested prior to the return of the executed Class Year Study Agreement
Attachment X § 30.8.1	Revision to the timing for tender of the Class Year Study Agreement to “as soon as practicable after a Study Start Date is established pursuant to § 25.5.9 of Attachment S.” Revisions to recognize that such agreements will be tendered both to Developers (of Large Facilities) and Interconnection Customers (of Small Generating Facilities) that are confirmed to be Eligible Class Year Projects
Attachment X § 30.11.3	Replace “final” with “executed” in regards to the executed interconnection agreement subject to filing requirements under Attachment X; revision to provide for three (3) versus two (2) originals – one for each of the parties to the agreement
Attachment X § 30.14 Appx. 4	Formatting with numbered bullets; additional requests for information to be provided on the data form with the Class Year Study Agreement (requesting additional information such as nameplate MW and MW vs. temp curves); replace “generator step up transformer receives back feed power” date to “In-Service” date
Attachment X § 30.14 Appx. 5	Correction to a term “Network Access Interconnection Service,” that was inadvertently omitted from a prior modification changing that term to “Energy Resource Interconnection Service” throughout Attachment X
Attachment X § 30.14 Appx. 6	Insertion of a Table of Contents page into the <i>pro forma</i> Standard Large Generator Interconnection Agreement; revision to § 5.11 to (1) delete “the following” with respect to diagrams and as-builts to be provided to the Developer; (2) insert “relay diagrams;” (3) replace “[include appropriate drawing and relay diagrams]” with “set forth in Appendix A”; correction to an outdated NPCC criterion reference in § 9.6.3

Tariff Section	Reason for modification
ATTACHMENT Z	
Attachment Z § 32.5 Appx. 1	Addition of certain Class Year-related definitions in Attachment Z that exist in Attachments S
Attachment Z § 32.5 Appx. 2	Deletion of the fax option from the Small Generator Interconnection Request form
Attachment Z § 32.5 Appx. 8 and 9	Revision of “Transmission Provider” to “Connecting Transmission Owner,” consistent with defined terms
Attachment Z § 32.5 Appx. 9	Insertion of a Table of Contents page into the <i>pro forma</i> Small Generator Interconnection Agreement
GLOBAL	
Global	Revisions to the <i>pro forma</i> study agreements and interconnection agreements in the appendices to Attachments X and Z, consistent with the revisions outlined herein to the body of Attachments S, X and Z
Global	Addition in the definitions and throughout Attachments S, X and Z of the words, “Class Year” to “Interconnection Facilities Study” and conversely, the addition of the words “Interconnection Facilities Study” to the term “Class Year,” as appropriate
Global	Revisions to references to “Developer’s project” and “Developer’s facility” to “Class Year Project,” consistent with the new definition for Class Year Project
Global	Addition of the words, “New York State” to the term “Transmission System” to mirror the defined term “New York State Transmission System”
Global	Revisions to correct references (former roman numeral references) and to add the applicable OATT Attachment section number (<i>e.g.</i> , revised reference to Section 2 of Attachment Z to 32.2)
Global	Addition to specific section references “of this Attachment S,” “of this Attachment X,” or “of this Attachment Z,” as applicable
Global	Deletion of extra spaces between words, deletion of inappropriate bold and underlined type; revisions to provide for consistent capitalization of defined terms

IV. Requested Effective Date

The NYISO requests that the Tariff revisions proposed herein become effective on February 18, 2013, which is sixty days from the date of this filing.⁵⁹

⁵⁹ Sixty (60) days from the date of this filing falls on Sunday, February 17, 2013. The NYISO is requesting the following business day – February 18, 2013 – as the effective date.

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 beginning in April 2012. These proposed changes to the OATT were approved unanimously by the Operating Committee on October 18, 2012 and by the Management Committee (with three abstentions) on November 2, 2012. The NYISO Board of Directors also approved the filing of these proposed changes.

VI. Communications and Correspondence

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

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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.

Respectfully submitted,

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