

March 27, 2014

**ELECTRONICALLY SUBMITTED**

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

Re: New York Independent System Operator, Inc.'s Seventh Informational Report on Efforts to Develop Rules Addressing Compensation to Generators that Are Determined to be Needed for Reliability; Docket No. ER10-2220-000.

Dear Secretary Bose:

In accordance with paragraph 54 and ordering paragraph “(C)” of the Federal Energy Regulatory Commission’s (“Commission’s”) October 12, 2010, Order On Proposed Mitigation Measures in Docket No. ER10-2220-000 (“Order”),<sup>1</sup> the New York Independent System Operator, Inc. (“NYISO”), hereby submits this *Seventh Informational Report on Efforts to Develop Rules Addressing Compensation to Generators that Are Determined to be Needed for Reliability* (“March 2014 Informational Report”). The NYISO submitted its *Sixth Informational Report on Efforts to Develop Rules Addressing Compensation to Generators that Are Determined to be Needed for Reliability* on September 27, 2013, (“September 2013 Informational Report”). **In footnote 44 of its Order the Commission stated that it does not intend to issue public notices, accept comments, or issue orders on this Informational Report.**

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<sup>1</sup>*New York Independent System Operator, Inc.*, 133 FERC ¶ 61,030. Since issuance of this Order in October 2010, the Commission has accepted tariff revisions to establish a New Capacity Zone comprised of Load Zones G, H, I and J, and a corresponding revision to the definition of “Rest of State.” See *New York Independent System Operator, Inc.*, 144 FERC ¶ 61,126, (Docket No. ER13-1380-000, accepting Services Tariff Sections 2.7, 2.18.) Effective January 27, 2014, Rest of State is defined as Load Zones A through F.

Paragraph 54 of the Order stated, in part, as follows:

Because fixed cost recovery issues do not go to whether NYISO's mitigation proposal is in itself just and reasonable, this proceeding is not the appropriate forum in which to raise such issues. Further, commenters do not present factual evidence that demonstrates that market participants generally will be unable to recover their costs due to application of the proposed mitigation provisions. We note, however, that the NYISO Board of Directors, in its July 29, 2010 decision on the appeal of the NYISO Management Committee's adoption of the instant mitigation proposal, directed NYISO management to work with stakeholders to examine the generation owners' claims that existing cost recovery mechanisms are inadequate and to review the process that evaluates permanent solutions to reliability problems. Accordingly, we believe the better course is to await the outcome of the stakeholder process as directed by the NYISO Board of Directors. In this regard, we direct NYISO to file status reports every 180 days beginning 180 days from the date of this order for informational purposes only.<sup>44</sup>

<sup>44</sup> The Commission does not intend to issue public notices, accept comments, or issue orders on such informational filings.

In compliance with the cited sections of the Order, the NYISO submits this Informational Report.

## **I. Informational Report**

### **A. Summary of the September 2013 Informational Report**

The NYISO did not present new or updated proposals to its stakeholders prior to the September 2013 Informational Report. In addition, the NYISO did not receive new or updated proposals from its stakeholders or DPS staff between submission of its fifth and sixth informational reports. During this time, the NYISO continued assessing whether additional rules addressing compensation to generators needed for reliability are necessary to improve the NYISO administered markets.

### **B. March 2014 Informational Report**

The NYISO has not made any proposals to its stakeholders since filing the September 2013 Informational Report nor has the NYISO received any proposals from its stakeholders or DPS staff. The NYISO continues to actively monitor and assess whether additional rules addressing compensation to generators needed for reliability, such as the Alternative RRC proposal discussed in the October 2012 Informational Report, are necessary to improve the NYISO administered markets.

### **C. Additional Market Activity Update**

The September 2013 Informational Report included information on a matter that involved certain New York Control Area resources seeking to retire. The New York State Public Service Commission (“NYPSC”) issued an order that approved a mechanism for a transmission owner to compensate specific generating units that were seeking to retire but were determined to be necessary to address a reliability need.<sup>2</sup> The subject of the order was a proposal for the transmission owner (Niagara Mohawk Power Corp. d/b/a/ “National Grid”) to compensate the generator owner (Dunkirk Power LLC, “Dunkirk”) for “reliability support services” (“RSS”) provided by two of the four generating units at the Dunkirk facility. Subsequently on March 5, 2013, National Grid filed a request with the PSC to extend the RSS agreement for one of the Dunkirk units. The agreement provides for the continued operation and maintenance of the one Dunkirk unit from June 1, 2013 through May 31, 2015 for a fixed total price of approximately \$72.741 million.<sup>3</sup> National Grid then filed proposed tariff revisions with the Federal Energy Regulatory Commission to certain National Grid-specific components of the Wholesale Transmission Service Charge formula under Attachment H of the NYISO Open Access Transmission Tariff.<sup>4</sup> National Grid’s filing requested amendments to its Scheduling, System Control and Dispatch Costs formula to incorporate costs incurred for RSS, which secure the reliability of the company’s transmission system. The Commission rejected National Grid’s proposed tariff revisions without prejudice, therefore allowing National Grid to submit another filing.

Since the September 2013 Informational Report, the Commission accepted National Grid’s filing of additional tariff revisions amending its formula rate to incorporate costs incurred for RSS.<sup>5</sup> National Grid’s December 6, 2013 Federal Power Act Section 205 filing was accepted and suspended subject to further order of the Commission after additional consideration of the matter.

### **D. Next Steps**

The NYISO will continue to assess whether enhancements to the prior proposals or additional alternate approaches are necessary to address compensation to generators needed for reliability and to improve the NYISO administered markets. The NYISO does not have any

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<sup>2</sup> NYPSC Case No. 12-E-0136, *Order Deciding Reliability Issues and Addressing Cost Allocation and Recovery* (issued August 16, 2012). Order may be retrieved from <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={34D25567-D7B7-41EA-822F-6585B344BC0E}>

<sup>3</sup> On March 25, 2014, the Independent Power Producers of New York, Inc. (“IPPNY”) moved to amend its May 10, 2013 complaint against the NYISO in Docket No. EL13-62-000. IPPNY motion is generally based on an executed term sheet between National Grid and Dunkirk regarding the Dunkirk facility’s NYPSC filing on February 13, 2014 in NYPSC Case No. 12-E-0577.

<sup>4</sup> See Federal Energy Regulatory Commission Docket No. ER13-1182-000.

<sup>5</sup> *New York Independent System Operator, Inc., Niagara Mohawk Power Corporation*, 146 FERC ¶ 61,065 (2014).

presentations scheduled at this time. The NYISO will continue to discuss this topic with its stakeholders.

## **II. Service**

The NYISO will send an electronic link to this Informational Report to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, to all parties listed on the Commission's official service list in this Docket 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](http://www.nyiso.com).

## **III. Conclusion**

The NYISO respectfully submits this Informational Report in compliance with the Commission's Order. For the reasons explained above, the NYISO is continuing to monitor and assess whether additional rules addressing compensation to generators needed for reliability are necessary to improve the NYISO administered markets. The NYISO's next informational report is due on September 23, 2014.

Respectfully submitted,

/s/ James H. Sweeney

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure, 18 C.F.R. §385.2010.

Dated at Rensselaer, NY this 27<sup>th</sup> day of March, 2014.

*/s/ Joy A. Zimmerlin*

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