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By Electronic Delivery

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

**Re: New York Independent System Operator, Inc.'s Proposed Tariff Revisions
Regarding Black Start and System Restoration Service;
Docket No. _____**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,¹ the New York Independent System Operator, Inc. ("NYISO") hereby submits proposed revisions to the black start and system restoration service ("Restoration Services") provisions in its Market Administration and Control Area Services Tariff ("Services Tariff") and its Open Access Transmission Tariff ("OATT").² The NYISO proposes to revise the terms under which generators provide Restoration Services in the Consolidated Edison Company of New York, Inc. ("Consolidated Edison") local plan to restore electric service to New York City in the event of a major system disturbance ("Consolidated Edison Plan").

In September 2010, certain generators informed the NYISO of concerns with the current tariff requirements for the Consolidated Edison Plan and indicated their intent to cease providing Restoration Services under the plan. In response, the NYISO initiated a broad review of the Consolidated Edison Plan to examine its effectiveness and to identify opportunities for improvement. Shortly thereafter, the NYISO began extensive discussions with Consolidated Edison, generators providing Restoration Services, and other interested

¹ 16 U.S.C. § 824d.

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

parties.³ The parties reviewed the Consolidated Edison Plan and worked to identify potential program improvements. As a result of these discussions and the NYISO's own experience administering the tariff requirements for the Consolidated Edison Plan, the NYISO developed a comprehensive package of improvements to the current plan.

The proposed tariff revisions will make the Consolidated Edison Plan more robust and effective and will strengthen the ability of New York City to recover promptly from a major system disturbance. In particular, the proposed revisions will enhance the NYISO and Consolidated Edison's ability to procure and retain important Restoration Services, improve generator testing requirements, help maintain blackstart performance, and significantly increase compensation paid to generators. The proposed tariff revisions are described in detail in Section IV below. These tariff revisions were the product of extensive review and input by stakeholders. The proposed tariff revisions were approved by NYISO stakeholders with a 78.5% affirmative vote at the July 25, 2012, Management Committee meeting and by the NYISO Board of Directors on August 21, 2012.

I. List of Documents Submitted

The NYISO submits the following documents:

1. This filing letter;
2. Affidavit of Eugene T. Meehan of NERA Economics Consulting (Attachment I);
3. A clean version of the proposed revisions to the Services Tariff (Attachment II);
4. A blacklined version of the proposed revisions to the Services Tariff (Attachment III);
5. A clean version of the proposed revisions to the OATT (Attachment IV); and
6. A blacklined version of the proposed revisions to the OATT (Attachment V).

³ As part of the development of the proposed tariff revisions, the NYISO also had detailed discussions with, among others, the New York State Public Service Commission ("NYPSC"), the New York State Reliability Council ("NYSRC"), and the City of New York.

II. Copies of Correspondence

Copies of correspondence concerning this filing should be served on:

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III. Background

A. The New York Restoration Plan

The NYISO is responsible for maintaining a plan for restoring electric service to New York State in a safe, orderly, and prompt manner following a major system disturbance (“New York Restoration Plan”).⁵ The New York Restoration Plan must provide for system restoration at two, integrated levels: (i) the NYISO is responsible for restoring electric service through the New York State transmission backbone, and (ii) New York transmission owners are responsible for restoring electric service to their local areas.⁶

⁴ The NYISO respectfully requests waiver of 18 C.F.R. § 385.203(b)(3) (2011) to permit service on counsel for the NYISO in both Washington, D.C. and Richmond, VA.

⁵ NYSRC Reliability Rules G-R1, Measurement G-M1. The term “New York Restoration Plan” as used in this answer is the same as “NYCA System Restoration Plan” in the NYSRC Reliability Rules.

⁶ NYSRC Reliability Rules G-R1, Measurement G-M1. The Restoration Services requirements set forth in the NYSRC Reliability Rules are more stringent than the similar requirements established by the North American Electric Reliability Corporation (“NERC”) and the Northeast Power Coordinating Council, Inc. (“NPCC”). As set forth in Section 215(i)(3) of the Federal Power Act, the State of New York “may establish rules that result in greater reliability within that State, as long as such action does not result in lesser reliability outside the State than

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The NYISO maintains and administers the statewide plan for restoring electric service to New York State following a major system disturbance by means of the state's 345 kV transmission backbone ("NYISO Plan"). Under the NYISO Plan, the NYISO procures Restoration Services from hydroelectric units in the central, northern, and western parts of the state. In the event of a major system disturbance, the NYISO would use these hydroelectric resources to energize the transmission backbone and would then proceed to restore electric power throughout the state.⁷

Consolidated Edison maintains and administers the local Consolidated Edison Plan to provide for the accelerated restoration of electric service to New York City following a major system disturbance by means of black start capable generating units located there. It is essential that electric service be restored to New York City in a prompt manner following a major system disturbance given, among other things, the city's dense population, its role as a financial center, its island geography, the dependence of its mass transit system on electricity, and its many high rise buildings that depend on functioning elevators. Given these concerns, the New York State Public Service Commission ("NYPSC") has historically required the adoption of restoration procedures for New York City that minimize system restoration times in the city.⁸ Following the August 2003 northeast blackout, the NYPSC emphasized its concerns regarding the prompt system restoration of New York City:

Because of the national prominence of New York City, its many energy-sensitive customers, and the potential consequences of an extended blackout, Con Edison has the greatest need for generators that are able to black start in the event the transmission system is unavailable. These black start units would then be able to energize the transmission grid in New York City in advance of the

that provided by the reliability standards." The NYISO satisfies NERC's and NPCC's Restoration Services requirements through the NYISO Plan. The NYSRC requirement that New York transmission owners maintain plans to restore electric service to their local areas is in addition to the statewide NYISO Plan and provides for greater reliability within New York State.

⁷ The New York transmission owners use the Restoration Services provided under the NYISO Plan to assist in restoring electric service to their local areas.

⁸ See NYPSC Case No. 27302, Proceeding on motion of the Commission concerning the reliability of the power supply in the service territory of Consolidated Edison Company of New York, Inc., *Order Instituting Proceeding and Requiring the Filing of Comments* (February 22, 1978) (initiating proceeding addressing system reliability in New York City following 1977 blackout); *id.*, *Order* (September 13, 1979), at 5 (requiring Con Edison to submit a system restoration plan for NYPSC review); *id.*, *Order Adopting Recommendations of the Staff Analysis of the Utilities' Criteria Status Report Filed as a Requirement of the Order Adopting Recommendations of the Bulk Power System Reliability Study* (September 28, 1983), at 18-19 (establishing criteria for system restoration plans, including minimizing restoration time); *id.*, *Order Amending Reliability Criteria for Bulk Power Supply Systems* (October 24, 1984), at 4 (adopting revised criteria for minimization of time required for re-energization and resynchronization of the power system).

reconnection of the New York City transmission grid with the New York or New Jersey transmission grids.⁹

The NYPSC recently reiterated the importance of the Consolidated Edison Plan:

Blackstart Service . . . is vital to ensuring system reliability for the Con Edison service territory, inasmuch as the availability and location of Blackstart Service determines the time required to restore the electric system grid and resume electric service to customers after a blackout.¹⁰

The Consolidated Edison Plan enables Consolidated Edison to begin restoration efforts immediately following the occurrence of a major system disturbance, rather than waiting for the state's transmission backbone to be energized. This significantly accelerates the speed at which electric service can be fully restored to New York City in conjunction with statewide restoration efforts under the NYISO Plan.

B. Establishment of Current Tariff Requirements for the Consolidated Edison Plan

Consolidated Edison historically self-supplied black start and system restoration services capability from its own generating units, including both gas turbine and steam turbine units. The Consolidated Edison Plan uses steam turbine units as black start resources because the inclusion of large steam turbine units in the plan makes it more effective and robust by expediting the pick up of large networked loads in New York City.

Following the divestiture of Consolidated Edison's generating units, these units provided Restoration Services in accordance with the NYISO tariffs. Rate Schedule 5 of the NYISO Services Tariff and Rate Schedule 6 of the NYISO OATT establish the Restoration Services requirements in the NYISO tariffs. The NYISO's initial Restoration Services tariff requirements were broadly applicable to the NYISO Plan and transmission owners' plans. Later, the NYISO, Consolidated Edison, and generators identified the need for tariff requirements that were specific to the Consolidated Edison Plan and were in the process of developing these provisions at the time of the August 2003 blackout.¹¹ The blackout and the restoration effort that followed clearly underscored the need to revise and strengthen the Restoration Services program. The NYISO filed, and the Commission accepted, tariff

⁹ New York State Department of Public Service Second Report on the August 14, 2003 Blackout, p. 8 (October 2005) ("DPS Second Blackout Report").

¹⁰ N.Y.P.S.C., Case No. 11-E-0423, Petition of Consolidated Edison Company of New York, Inc. for a Declaratory Ruling Concerning the Discontinuance of Black Start Service, *Declaratory Ruling Regarding Black Start Service* p. 3 (September 28, 2011) ("NYPSC Black Start Order").

¹¹ DPS Second Blackout Report at pp. 8-9.

requirements for the Consolidated Edison Plan, including compensation, testing, and plan participation requirements, which became effective on October 1, 2005.¹²

Section 15.5.3.1 to Rate Schedule 5 establishes the tariff requirements specifically applicable to the Consolidated Edison Plan. Pursuant to these requirements, a generator commits to participate in the Consolidated Edison Plan for a three-year period. The generator may withdraw from the plan by providing one year advanced notice at the end of the second year of its three-year commitment period. If a generator does not provide this notice, it remains committed to participate in the plan for a subsequent three-year term.

A generator participating in the Consolidated Edison Plan is required to perform an annual black start capability test in accordance with the steam turbine or gas turbine test criteria set forth in Appendix I to Rate Schedule 5 of the Services Tariff ("Black Start Capability Test"). The generator is also responsible for training its operators to perform Restoration Services and for certifying to the NYISO annually in the form included in Appendix II to Rate Schedule 5 that it maintains and performs tests of the critical equipment required to provide Restoration Services.

Provided that a generator satisfies its commitment and annual testing requirements, it will receive a set annual amount for each of its units participating in the Consolidated Edison Plan based upon the voltage level at which the unit is interconnected - \$350,000 for 345 kV and \$300,000 for 138 kV. A generator may also recover additional verifiable costs associated with performing operator training and conducting a Black Start Capability Test and may be reimbursed for certain equipment damage that occurs in response to NYISO operational orders.

C. Development of Revisions to Tariff Requirements for Consolidated Edison Plan

In September 2010, certain generators notified the NYISO of their intent to cease participating in the Consolidated Edison Plan at the conclusion of their current commitment period, ending on September 30, 2011.¹³ As grounds for their withdrawal, the generators

¹² New York Independent System Operator, Inc.'s Proposed Tariff Amendments to Revise Testing Criteria Applicable to Suppliers of Black Start and System Restoration Services and to Implement Agreed Upon Rate Changes for Suppliers of Such Services in the Consolidated Edison Transmission District Retroactive to October 1, 2005, Docket No. ER06-310-000 (December 9, 2005); Commission letter order, Docket No. ER06-310-000 (March 21, 2006).

¹³ Of the generators that notified the NYISO of their concerns, only TC Ravenswood, LLC ("Ravenswood") proceeded to withdraw units from the Consolidated Edison Plan. At the end of September 2011, Ravenswood withdrew its steam turbine units 10, 20, and 30. Due to their size and location, the Ravenswood steam units play an important role in the Consolidated Edison Plan. For this reason, the NYISO has been procuring Restoration Services on an interim basis from Ravenswood under a Ravenswood stand alone rate schedule accepted by the Commission, subject to refund and further Commission orders, in Docket No. ER12-1418-000. The NYISO has been working with Ravenswood, Consolidated Edison, and other interested parties through a Commission-

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indicated, among other things, their concern that certain black start test requirements could harm their steam turbine units and their concern about committing to a three-year term due to financial considerations largely unrelated to providing Restoration Services. In response, the NYISO initiated a broad review of the then-five year old tariff provisions of the Consolidated Edison Plan. The purpose of this review was to examine the effectiveness of the plan and identify opportunities to improve it. Among the most significant findings, the NYISO and Consolidated Edison identified as a major concern the failure of new generating units in New York City to install Restoration Services capability. Following NYISO start-up, which occurred contemporaneously with the divestiture of Consolidated Edison's generators, none of the 3000 MW of new generation added to Zone J of New York - *i.e.*, the New York City area - has included Restoration Services capability.¹⁴

In response to the 2003 blackout, the NYPSC expressed concerns over the adequacy of Restoration Services in New York City and urged the NYISO and market participants to take steps to "ensure that adequate, timely, and dependable black start generation resources are available in New York State, and in New York City in particular."¹⁵ Notwithstanding this direction, the Consolidated Edison Plan remains almost entirely composed of Consolidated Edison's divested generators.¹⁶ A large majority of the gas turbine and steam turbine units in the plan are greater than 40 years old and some of the steam turbine units are nearly 55 years old. No unit in the plan is younger than 20 years old.

Following its initial review, the NYISO began extensive discussions with Consolidated Edison, generators providing Restoration Services, and other interested parties to review and to develop improvements to the Consolidated Edison Plan. As a result of this process and the lessons learned by the NYISO in administering the current plan, the NYISO developed the tariff revisions proposed in this filing. The revisions, described in Section IV below, address generators' concerns by revising the black start test criteria to be more closely aligned with generators' operating characteristics and by significantly increasing compensation. In addition, the proposed revisions enhance the ability of the NYISO and Consolidated Edison to procure and retain important Restoration Services. The proposed revisions will make the Consolidated Edison Plan more robust and effective and will strengthen the ability of New York City to recover from a major system disturbance in a safe, orderly, and prompt manner.

sponsored settlement process in Docket No. ER12-1418-000 to arrive at a solution that will permit the Ravenswood's units to provide important Restoration Services under the Consolidated Edison Plan.

¹⁴ See Case 11-E-0423, *In the Matter of Consolidated Edison Company of New York, Inc.'s Request for a Declaratory Order Regarding Discontinuance of Blackstart Service*, Petition of Consolidated Edison Company of New York, Inc. for Issuance of a Declaratory Order at p. 7 August 12, 2011 ("Con Edison Petition"). In its petition to the NYPSC, Consolidated Edison noted that one new generator has contractually committed to install blackstart capability and is currently performing engineering to do so. *Id.* at pg. 7 fn. 10.

¹⁵ DPS Second Blackout Report at pp. 13 and 22.

¹⁶ One additional generation facility - that was connected to the Consolidated Edison system, but not previously owned by Consolidated Edison - participates in the Consolidated Edison Plan. The units at this facility are approximately 20 years old and are the only units in the plan younger than 40 years old.

The proposed revisions were reviewed by stakeholders at four meetings of the NYISO's Black Start Task Force and two joint meetings of its Business Issues Committee and Operating Committee. The revisions were approved by the NYISO Management Committee at its July 25, 2012, meeting by a 78.5% affirmative vote¹⁷ and by the NYISO Board of Directors on August 21, 2012.

IV. Description of Proposed Tariff Revisions

The NYISO proposes to revise the Restoration Services provisions in its tariffs as described in this Section IV.

A. Designation of Units Participating in the Consolidated Edison Plan

Consolidated Edison currently designates a generating unit to participate in the Consolidated Edison Plan on an individual basis for a steam turbine unit and on a site-wide basis for a group of gas turbine units. Under the proposed revisions, Consolidated Edison will designate on an individual basis each unit needed to implement its plan. Consolidated Edison will make its initial designation by November 1, 2012, and will designate from time to time thereafter additional units as needed.

B. Applicability of Revised Provisions to Generators Participating in Consolidated Edison Plan

A generator that committed to provide Restoration Services under the Consolidated Edison Plan before November 1, 2012, may elect by December 3, 2012, to complete its current commitment period under the existing terms. At the conclusion of its current term, the generator would begin a new three-year term under the new provisions set forth in this filing letter, unless it notifies the NYISO one year prior to the end of its current commitment period that it is withdrawing from the Consolidated Edison Plan. A unit that is committed after November 1, 2012, to provide Restoration Services under the Consolidated Edison Plan must provide these services under the new terms.

C. New Compensation Mechanism for Restoration Services Provided Under the Consolidated Edison Plan

The NYISO proposes to update the compensation mechanism for generators providing Restoration Services under the Consolidated Edison Plan in the manner described below. The current annual payment amount was the product of a rate negotiated by the NYISO and stakeholders in 2005 and has not been updated since that time.

¹⁷ Ravenswood was the sole stakeholder to vote against the proposal, with several stakeholders abstaining.

The NYISO worked with a consultant, NERA Economic Consulting (“NERA”), to develop an updated compensation methodology that: (i) would provide for rates with a sound economic basis, (ii) would incentivize generators to provide Restoration Services, (iii) could be periodically updated, and (iv) could be supported by a consensus of NYISO stakeholders. As detailed in the affidavit of Eugene T. Meehan of NERA in Attachment I to this filing letter, NERA researched the compensation methodologies for comparable Restoration Services used by the other ISOs/RTOs and recommends that the NYISO adopt the methodology recently developed by ISO-New England (“ISO-NE”)¹⁸ and accepted by the Commission.¹⁹ This methodology is based on the current costs of adding equipment needed to black start a unit. The NYISO proposes to adopt the framework of ISO-NE’s methodology as it achieves the NYISO’s objectives and is readily adaptable to the Consolidated Edison Plan. The NYISO’s proposed approach will significantly increase a generator’s compensation for providing Restoration Services under the Consolidated Edison Plan. The substantial increase in compensation is intended in part to incentivize existing generators to remain in the plan, to maintain their aging black start equipment, and to mitigate any deficiencies identified during testing.²⁰

The ISO-NE compensation methodology provides for the recovery of the incremental costs associated with adding Restoration Services capability to a generating unit. ISO-NE established a range of representative or “proxy” incremental capital and operating and maintenance (“O&M”) costs for installing and maintaining Restoration Services capability that are based on the type of equipment required to black start a unit of a certain size. Under this methodology, the “initial” or “station-level” unit at a generator’s facility will recover the proxy incremental costs associated with the size of a generic starting engine and associated equipment required to black start that unit. Any “additional resource” units that share the same black start equipment will recover the proxy incremental costs associated with an additional unit using this equipment. NERA adjusted ISO-NE’s “station-level” and “additional resource” proxy cost figures to accommodate the higher costs for constructing and operating a generating unit in New York City. The adjusted figures are set forth in Table A (“Restoration Services Capital Payments”) and Table B (“Restoration Services O&M Payments”) in the new Section 15.5.4.2.3.1 to Rate Schedule 5, which lists the proxy capital and O&M amounts by the size of the unit and whether the unit is the “station-level” or an “additional resource” unit. Consistent

¹⁸ See ISO New England Inc. and New England Power Pool, Docket No. ER12-729-000; Revisions to Schedule 16 of the OATT (December 30, 2011).

¹⁹ See Commission letter order, Docket No. ER12-729-000 (February 17, 2012).

²⁰ The NYISO is in the process of updating its procedures to provide that after the completion of a Black Start Capability Test the testing generator must provide the NYISO with its plan to mitigate any deficiencies in its unit’s Restoration Services capability that it identified during the test.

with the ISO-NE approach, the NYISO will annually adjust these figures using the Handy Whitman index.²¹

Under the new Section 15.5.4.2.3.1 to Rate Schedule 5, the NYISO will pay a generator the sum of the annual payment amounts that it separately calculates - based on the figures in Tables A and B - for each of the units at the generator's facility providing Restoration Services under the Consolidated Edison Plan.²² As an initial step, the NYISO will designate each unit at a generator's facility as a "Sole Black Start Unit" or as part of a "Black Start Unit Group."²³ A Sole Black Start Unit is a unit that is the sole user of black start equipment and is not otherwise designated by the NYISO as part of a group. A Black Start Unit Group is a group of units that either share black start equipment or are otherwise designated by the NYISO as a group.

Prior to May 1 of each year, the NYISO will separately calculate the annual payment amount for each Sole Black Start Unit and each Black Start Unit Group at the generator's facility as follows:²⁴

- i. The NYISO will add together the proxy "station-level" capital and O&M payment amounts set forth in Tables A and B for the Sole Black Start Unit or for one unit²⁵ of the Black Start Unit Group. The proxy amounts will be determined based on the unit's size.
- ii. The NYISO will also add together the proxy "additional resources" capital and O&M maintenance payment amounts set forth in Tables A and B for any remaining units in the Black Start Unit Group. The proxy amounts will be determined based on the units' sizes.
- iii. The NYISO will add together the amounts calculated in steps (i) and (ii), and divide this total amount by the number of units in the Sole Black Start Unit or the Black Start Unit Group that have been designated by Consolidated Edison to participate in the Consolidated Edison Plan.

²¹ The NYISO will annually adjust the figures in Tables A and B using the Gas Turbogenerator subcategory of the Other Production Plant category of the Handy Whitman Index for the North Atlantic Region.

²² The NYISO will pay a generator the pro rata share of this annual amount each billing period.

²³ The NYISO will designate a unit as a Sole Black Start Unit or as part of a Black Start Unit Group at the start of the unit's commitment period. This designation will not be subject to change for the duration of the commitment period.

²⁴ The Restoration Services compensation period runs from May 1 through April 30 of each year. The NYISO will adjust the annual payment amounts on a pro rata basis for the initial six-month November 1, 2012, through April 30, 2013, period. In addition, the NYISO will recalculate the annual payment amount, as adjusted on a pro rata basis, if a unit withdraws or fails its test during the May 1 through April 30 period.

²⁵ The units in the Black Start Unit Group should all fall within the same payment categories in Tables A and B, so that it will not matter which of the units the NYISO uses for the "station-level" unit in step 1 and which are used as "additional resource" units in step 2. If, however, the units in the Black Start Group were to fall into separate payment categories, the NYISO will use the larger of the units as the "station level" unit for step 1, with the remaining units used as "additional resource" units for step 2.

- iv. The NYISO will then multiply the amount determined in step (iii) by the number of units in the Sole Black Start Unit or the Black Start Unit Group that are actually participating in the Consolidated Edison Plan.

The final two steps act as an incentive to generators to keep their units in the Consolidated Edison Plan by reducing payment amounts to generators that withdraw one or more of their units from the plan.

The proxy rate described above is based on generic units. A generator may determine that it cannot recover the actual, incremental costs of its unit providing Restoration Services under this proxy rate. For this reason, the NYISO's new Section 15.5.4.2.3.2 to Rate Schedule 5 establishes a framework under which: (i) a generator may file a unit-specific rate for the recovery of its actual, incremental costs with the Commission pursuant to Section 206, and (ii) the NYISO is permitted to recover the costs associated with a Commission-approved rate from load serving entities in the Consolidated Edison Transmission District. Within this framework, the parties to the NYISO tariffs stipulate in Section 15.5.4.2.3.2 that the proxy rate described above is unjust and unreasonable for a generator's unit if the Commission finds that the actual, incremental costs that are reasonably and prudently incurred by a generator solely for the purposes of its unit providing Restoration Services exceed the proxy rate.

The NYISO will recover the compensation provided through the proxy rate or the unit-specific rate approved by the Commission from load serving entities located in the Consolidated Edison Transmission District pursuant to new Section 15.5.4.3 to Rate Schedule 5. The NYISO is not revising its current method for recovering compensation paid to generators providing Restoration Services under the Consolidated Edison Plan, although it is providing additional detail in new Section 15.5.4.3 that more clearly describes how it currently calculates each load serving entity's charge.

D. Additional Revisions to Compensation Terms

The NYISO proposes to make the following additional revisions to the compensation terms for the Consolidated Edison Plan in Rate Schedule 5 of the Services Tariff.

- i. Under new Section 15.5.4.2.3.3, a generator may apply to the NYISO to recover costs that it incurs solely as a result of its compliance with NERC critical infrastructure protection reliability standards applicable to the provision of Restoration Services. The NYISO will review and determine whether compensation is appropriate.
- ii. Under new Section 15.5.4.2.3.4, a generator will have a thirty-day grace period following a failed Black Start Capability Test to successfully complete the test without forfeiting its

payments.²⁶ If the generator does not successfully complete its test during the grace period, it will forfeit its payments back to the date of the failed test.

- iii. The NYISO will continue to reimburse generators for certain equipment damage that occurs in response to NYISO operational orders.
- iv. The NYISO will remove the requirement in current Section 15.5.3 that it reimburse the owners of Astoria Station for certain equipment upgrades, as this requirement is no longer applicable.

E. New Test Protocols for Generating Units Providing Restoration Services

The NYISO proposes to revise the test criteria set forth in its tariffs to more closely align the criteria with the operating characteristics and scheduling opportunities of the different types of units providing Restoration Services under the Consolidated Edison Plan. The NYISO will retain the current test criteria in Appendix I to Rate Schedule 5 for those generators that elect to provide service under existing terms. The NYISO will introduce a new Appendix II that includes the revisions to the current test criteria described below. The NYISO will relocate the certification form currently located in Appendix II to Rate Schedule 5 to a new Appendix III.

i. Revisions to Test Criteria for Steam Turbine Units

The existing test criteria for steam turbine units do not align well with their operating characteristics. The steam turbine units in the Consolidated Edison Plan are large, aging units, all of which are greater than 40 years old, and some nearly 55 years old. They are currently required each year to perform a full start-up from hot condition, synchronize to the transmission system within six hours, and be firm to the system and operating within eight hours. Due to the size and age of the steam turbine units, this additional full start-up could cause unnecessary wear and has the potential to damage the units. Such damage could make the unit unavailable during an actual system disturbance and diminish system reliability.

The NYISO proposes to revise the test criteria to require that a steam turbine unit perform the full start-up test once every three years.²⁷ If the unit has successfully completed the full test within the prior two years, it may perform an “intervening years test” to satisfy its annual testing requirement. This test will require that the unit - within four hours - energize its light and power bus, add to its bus the auxiliary load required to add fire to the boiler, and

²⁶ The grace period may be reasonably extended by agreement of the generator, Consolidated Edison, and the NYISO.

²⁷ The Consolidated Edison Plan is subject to the NYSRC’s reliability rules, which include certain test requirements for black start resources. In parallel with its stakeholder process, the NYISO has been working with NYSRC to amend its reliability rules to expressly provide for the intervening years test.

demonstrate ten minutes of steady operation supplying this load. The unit will not be required during an intervening years test to add fire to the boiler or synchronize to the transmission system. This test, in conjunction with steam turbine units' regular start-up and operation during the year, reasonably approximates the full test requirements. In addition, the generator must continue to maintain and test its critical equipment required to provide Restoration Services.

In addition to these revisions, the NYISO will remove the full test requirement that a steam turbine unit be synchronized to the transmission system within six hours, as this milestone does not provide useful information for determining whether the unit will be operating within eight hours. Moreover, to provide for additional testing opportunities, the test protocols will expressly permit a generating unit coming up from cold condition to perform the full test when it reaches hot condition.

ii. Additional Revisions to Test Criteria

The NYISO proposes to make the following additional revisions to the test criteria in new Appendices II and III to Rate Schedule 5.

- a. The existing test criteria for gas turbine units require that each gas turbine unit annually start-up an additional unit and synchronize it to the transmission system. The NYISO proposes to revise this test requirement to provide that a gas turbine unit that is a Sole Black Start Unit will be required each year to start-up and synchronize itself to the transmission system.²⁸ A gas turbine unit that is part of a Black Start Unit Group will continue to be required to start-up and synchronize another of the Black Start Unit Group. However, only one unit of the Black Start Unit Group will be required to perform this test each year with a different unit in the group being tested each year.
- b. The NYISO proposes to include test criteria specific to combined cycle facilities. Consolidated Edison will designate whether a generating unit that is part of a combined cycle facility participates in the Consolidated Edison Plan as a combined cycle facility or as a stand alone steam turbine or gas turbine unit. If a gas turbine unit is participating in the plan as part of a combined cycle facility, its test protocol will consist of starting-up the steam turbine unit at the facility, which must be started-up and synchronized to the transmission grid within six hours. If, however, a gas turbine unit is participating in the plan as a stand alone unit, it will perform the regular test for gas turbine units described above.

²⁸ The Sole Black Start Unit must be in a position to synchronize itself to the transmission system within eighty (80) minutes. Consistent with current test criteria, a gas turbine unit that is part of a Black Start Unit Group must be in a position to synchronize an additional unit to the transmission system within ninety (90) minutes.

- c. The NYISO proposes to extend the time period in which a generator can perform a Black Start Capability Test from the current November 1 through April 30 period to a new May 1 through April 30 period, excluding the months of June, July, and August, to provide for additional testing opportunities.
- d. The NYISO proposes to revise the test witness requirements to clarify that Consolidated Edison and the NYISO may, but need not, have witnesses present for a test and to remove the set number of witnesses.
- e. The NYISO proposes to clarify within Rate Schedule 5 and in its appendices that a generator will be required to clearly indicate through the form provided in new Appendix III whether or not it has successfully completed its test.
- f. The NYISO proposes to make certain revisions to the test reporting requirements. If the NYISO does not witness a test, the generator will be the entity responsible for informing the NYISO of the start of a test. In addition, Consolidated Edison will be required to acknowledge a generator's indication that it successfully completed a test.
- g. The NYISO also proposes to expressly set forth a generator's requirement to perform a Black Start Capability Test and train operators in new Section 15.5.4.2.2 to Rate Schedule 5, and to clarify in Appendices I and II that generators must perform tests in accordance with the test protocols set forth in these appendices.

F. New Plan Participation Requirements

The NYISO proposes to revise the participation requirements for the Consolidated Edison Plan by staggering units' commitment periods. All generators that participate in the Consolidated Edison Plan under the current tariff may withdraw from the plan at the same time. If several generators were to withdraw at the same time, the NYISO and Consolidated Edison could have difficulty in procuring sufficient replacement Restoration Services. For this reason, the staggered commitment periods limit the number of generators that could withdraw from the Consolidated Edison plan at one time. The NYISO is working with Consolidated Edison and generators to designate the specific generating units into one of three different groups with staggered commitment periods. The initial commitment period for each of the groups will begin on November 1, 2012, but will end on a different date for each group: April 30, 2015, April 30, 2016, and April 30, 2017. The NYISO will assign a generating unit that is committed to provide service after November 1, 2012, into one of the three groups.

Following the conclusion of a commitment period, a generator will begin a new three year commitment period, unless it has provided the NYISO with timely notice of its withdrawal from the Consolidated Edison Plan. The NYISO proposes to extend the advanced notice required for a generator to withdraw from one year to two years prior to the end of the commitment period. This extension will provide the NYISO and Consolidated Edison with

additional time to procure replacement Restoration Services. If the NYISO does not receive timely notice, the generator will begin a new commitment period at the conclusion of its present commitment period. If, however, a generator withdraws from the NYISO's capacity and energy markets, it would be permitted to withdraw from the Consolidated Edison Plan at the same time. If that generator returns to the energy and capacity markets within three years, it must provide Restoration Services for the remainder of its outstanding three-year commitment period.

G. Restoration Services Capability for New or Modified Units

It is essential that electric service be restored to New York City in a prompt manner following a major system disturbance. The Consolidated Edison Plan plays a significant role in ensuring that this occurs. However, as described above, this plan is composed almost entirely of aging generators that were previously owned by Consolidated Edison and divested more than a decade ago. Since NYISO start-up, none of the 3000 MW constructed and connected to Zone J of New York has included Restoration Services capability. As a result, the NYISO and Consolidated Edison must rely on aging units to provide an essential service to New York City. Nearly all of the generating units in the Consolidated Edison Plan are greater than 40 years old, and no unit in the plan is younger than 20 years old.

The NYISO and Consolidated Edison have significant concerns regarding their ability to procure adequate replacement Restoration Services for New York City in the future as the aging generators retire, are mothballed, or simply withdraw from the Consolidated Edison Plan. The failure of units to install Restoration Services capability in the future would have significant negative consequences, because, as the NYPSC recently stated, "adequate Blackstart Service from generation facilities is essential to the reliable operation of New York's electric system."²⁹ Given the space constraints for constructing or modifying units within Zone J and the clear need for future Restoration Services capability within this footprint, it is particularly important that new or modified units that can install critical Restoration Services capability at their site do so.

The NYISO proposes - pursuant to new Section 30.2.5. to its OATT - to make an independent, case-by-case determination regarding whether a developer proposing to interconnect a new unit to Zone J or to modify an existing unit already interconnected to Zone J that will commence commercial operation after November 1, 2012, will be required to install Restoration Services capability for its unit. This requirement, including the considerations that the NYISO will take into account when making its determination, was the result of heavy negotiations among the NYISO, generators, Consolidated Edison, and other interested parties. These provisions were approved by stakeholders at the NYISO Management Committee, with

²⁹ NYPSC Black Start Order at pp. 1-2.

only one stakeholder - TC Ravenswood, LLC - voting against the NYISO's proposed tariff revisions.

The NYISO will make its determination following an opportunity by Consolidated Edison and the project developer to demonstrate both the need for Restoration Services from a unit and the unit's suitability to provide this service. Specifically, the NYISO will require a new or modified unit to have Restoration Services capability if it would provide a material benefit to system restoration in Zone J by improving the speed, adequacy, or flexibility of the Consolidated Edison Plan. As an initial step in making this determination, Consolidated Edison will perform a study³⁰ at its own expense contemporaneously with a unit's Interconnection System Reliability Impact Study to examine whether the inclusion of Restoration Services capability at the unit would provide a material benefit to system restoration.³¹ Following this study, a developer may demonstrate to the NYISO by means of its own study that good cause exists for not installing Restoration Services capability at its unit due to technical, financial, spatial, and/or other reasons.³² In addition, the NYISO will not require that a developer with an existing project install Restoration Services capability for that project, if the project has, as of November 1, 2012: (i) received one or more draft or final air permits from the appropriate regulatory agency, or (ii) completed a draft environmental impact statement and submitted it to the appropriate governmental agency for issuance for public comment. Moreover, the NYISO recognizes that the New York State Board on Electric Generating Siting may make a determination regarding the need for a generating unit to install Restoration Services capability and will defer to any determination made by this board.

A generator that has installed Restoration Services capability under this process will be placed in the Consolidated Edison Plan and receive compensation for providing Restoration Services as described above. The generator will be entitled to remain in the plan for at least 25 years or for whatever period the Commission determines is appropriate if the generator has

³⁰ The developer and Consolidated Edison will supply their studies to the other party and the NYISO, subject to appropriate confidentiality protections. The developer and Consolidated Edison may provide their studies to other interested parties, subject to appropriate confidentiality provisions.

³¹ The developer may request that Consolidated Edison perform this study contemporaneously with the earlier Interconnection Feasibility Study. If a developer makes a change to its project subsequent to the Consolidated Edison study that the NYISO deems to be significant, Consolidated Edison will perform a new study at developer's expense.

³² Good cause for not including black start capability at a new or modified unit includes, but is not limited to, the following: (i) physical site limitations would unreasonably impair the planned use of the site or prevent the inclusion of black start equipment in addition to the equipment required to properly operate and maintain the proposed unit; (ii) the cost of adding black start capability would increase the overall cost of the project to a level that would impair the ability of the developer to secure financing at commercially competitive terms; or (iii) the inclusion of black start capability would prevent the developer from obtaining the permits and approvals needed for the project, or result in the imposition of significantly more burdensome permit conditions than would be imposed absent the installation of black start capability.

submitted a unit-specific rate to recover its actual, incremental costs. The generator will receive compensation for this entire period, unless it chooses to withdraw from the Consolidated Edison Plan. As described above, the NYISO will recover the costs associated with generators providing Restoration Services under the Consolidated Edison Plan from load serving entities located in the Consolidated Edison Transmission District, which is primarily Consolidated Edison.

H. Consolidation of Restoration Services Requirements Within the NYISO's Tariffs

Rate Schedule 5 of the Services Tariff and Rate Schedule 6 of the OATT contain similar, but not identical, provisions regarding Restoration Services requirements. The NYISO proposes to consolidate all of the Restoration Services provisions into Rate Schedule 5 of the Services Tariff to remove unnecessary duplication in the NYISO tariffs and to avoid any errors that may arise from having similar, but not identical, provisions in both tariffs. The NYISO will replace the provisions in Rate Schedule 6 of the OATT with a cross-reference to Rate Schedule 5 of the Services Tariff.

As part of the consolidation of provisions, the NYISO will clarify the description in new Sections 15.5.3 of its method for recovering from load serving entities the costs associated with the NYISO Plan and transmission owners' plans, excluding the Consolidated Edison Plan. This clarification provides additional details regarding how the NYISO calculates each load serving entity's charge, but does not change current NYISO practice.

I. Additional Proposed Clarifications

- i. The NYISO proposes to make certain clarifications of the language in Rate Schedule 5 to improve the description and readability of the requirements of the NYISO Plan and transmission owners' plans. The clarifications to the existing language in Rate Schedule 5 do not change current NYISO practice, except for the substantive changes described above. For example, the NYISO proposes to revise the introductory language in Section 15.5 to more clearly specify the subject matter covered under Rate Schedule 5.
- ii. The NYISO proposes to remove outdated language from Rate Schedule 5. For example, the NYISO proposes to remove from Section 15.5.3 the references to the previous October 1, 2005, effective date of these provisions.
- iii. The NYISO also proposes general, non-substantive drafting improvements to the provisions. For example, the NYISO proposes to revise Rate Schedule 5 to ensure the consistent use of defined terms.

V. Follow-Up Review of Restoration Services Tariff Revisions

The NYISO plans to conduct a review of its tariff revisions approximately one year after their effective date to determine the effectiveness of the revisions in ensuring a robust Consolidated Edison Plan and to examine what, if any, further revisions to the tariff language or additional action may be required.

VI. Effective Date

The NYISO respectfully requests that the Commission accept the proposed tariff revisions for filing with an effective date of November 1, 2012, which is more than 60 days after the date of this filing. The new Consolidated Edison Plan requirements, including generators' Restoration Services commitment periods, are designed to begin on November 1, 2012.

VII. Requisite Stakeholder Approval

The tariff revisions proposed in this filing were discussed with stakeholders in the NYISO's Black Start Task Force meetings on March 30, 2012, April 13, 2012, April 30, 2012, and May 7, 2012, and at a joint May 16, 2012, meeting of the Business Issues Committee and the Operating Committee. The tariff revisions were approved at a joint June 20, 2012, meeting of the Business Issues Committee and the Operating Committee with a 74.9% affirmative vote of the Business Issues Committee and a 92.27% affirmative vote of the Operating Committee. At the June 25, 2012, Management Committee, the tariff revisions were approved by a 78.5% affirmative vote. On August 21, 2012, the NYISO Board of Directors also approved these tariff revisions.

VIII. Service List

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.

IX. Request for Waiver of Cost-of-Service Rate Filing Requirements

Section 35.13 of the Commission's regulations, 18 C.F.R. § 35.13, generally requires public utilities to file certain cost and other information related to an examination of traditional cost-of-service rates. The NYISO's proposed revisions to its tariffs are not a traditional rate filing and the NYISO is not a traditional investor owned utility. The NYISO has satisfied all relevant provisions of Section 35.13 in Sections I through VIII of this filing. The NYISO requests a waiver of Sections 35.13(b)(7) - (h) of the Commission's regulations to the extent

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the content or form of the NYISO's filing deviates from the specific technical requirements of these regulations.³³

X. Conclusion

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept the proposed tariff changes identified in this filing.

Respectfully submitted,

/s/ Michael J. Messonnier, Jr.

Michael J. Messonnier, Jr.

Counsel for

New York Independent System Operator, Inc.

³³ In ISO-NE's recently filed revisions to its Restoration Services requirements containing the compensation methodology that the NYISO is proposing to adopt as part of this filing, ISO-NE similarly satisfied the relevant requirements in Section 35.13 and requested that the Commission waive the inapplicable requirements. ISO New England Inc. and New England Power Pool, Docket No. ER12-729-000; Revisions to Schedule 16 of the OATT at pp. 25-27 (December 30, 2011). The Commission accepted ISO-NE's proposed revisions. Commission letter order, Docket No. ER12-729-000 (February 17, 2012).