

October 22, 2012

By Electronic Filing

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

**Re: *New York Independent System Operator, Inc.*, Docket No.ER13-____ - ____
Proposed Tariff Revisions to Minimum Oil Burn Tariff Provisions**

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 its Market Administration and Control Area Services Tariff (“Services Tariff”)² to expand the eligibility criteria for units in its minimum oil burn program. As dictated by a local reliability rule, units in the minimum oil burn program are required to switch from burning natural gas to burning an alternate fuel when system conditions require. Units in this program are designated by Consolidated Edison Company of New York, Inc. (“Con Edison”) under Local Reliability Rule I-R3³ and Long Island Power Authority (“LIPA”) under Local Reliability Rule I-R5⁴ and compensated under NYISO’s Services Tariff. The

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.

³ Local Reliability Rule **I-R3** covers Loss of Generator Gas Supply in New York City and states “The NYS Bulk Power System shall be operated so that the loss of a single gas facility does not result in the loss of electric load within the New York City zone. A current copy of the NYSRC Reliability Rules is available at <http://www.nysrc.org/pdf/Reliability%20Rules%20Manuals/RR%20Manual%20Version%2031%205-11-2012%20Final.pdf>.

⁴ Local Reliability Rule **I-R5** covers Loss of Generator Gas Supply in Long Island and states “[t]he NYS Bulk Power System shall be operated so that a loss of a single gas facility does not result in the uncontrolled loss of electric load within the Long Island zone. A current copy of the NYSRC Reliability Rules is available at <http://www.nysrc.org/pdf/Reliability%20Rules%20Manuals/RR%20Manual%20Version%2031%205-11-2012%20Final.pdf>.

tariff provisions proposed in this filing were requested by a Market Participant after Con Edison made a change to the triggering criteria for units with auto-swap capability.

I. Documents Submitted

1. This filing letter;
2. A clean version of the proposed revisions to the NYISO's Services Tariff ("Attachment I"); and
3. A blacklined version of the proposed revisions to the NYISO's Services Tariff ("Attachment II").

II. Background

The New York Independent System Operator ("NYISO") is obligated to provide service in accordance with the Reliability Rules issued by various organizations, including the New York State Reliability Council ("NYSRC"). The NYSRC develops and monitors compliance with its Reliability Rules that govern the NYISO and all entities engaging in transactions on the New York State Power System. The NYSRC has two local Reliability Rules which require the transmission system be operated so that the loss of a single gas facility will not result in the loss of electrical load in New York City (IR-3) or Long Island (IR-5). Con Edison and LIPA develop procedures and designate certain dual-fuel units that will be required to operate at their direction in order to comply with these Reliability Rules. Con Edison and LIPA submit their plans for compliance with these reliability rules to the NYISO Operating Committee for approval on a seasonal basis.

Con Edison outlines its plan for compliance with I-R3 in its "Application 69"⁵ of the NYSRC Reliability Rules. In its plan, Con Edison utilizes both traditional dual fuel units that require day-ahead notification to burn their alternate fuel ("Traditional Dual Fuel Units") and units with the ability to switch to their alternate fuel automatically ("Auto-Swap Units") when a predefined change in pressure or pressure point is detected by the generating facility ("trigger"). Con Edison evaluates daily forecast load levels and determines whether it will activate its minimum oil procedures and declare a "Minimum Oil Day" ("Min Oil Day"). When Con Edison declares a Min Oil Day, Traditional Dual Fuel Units switch over and burn oil for the day and Auto-Swap Units activate their auto-swap capability for that day but continue to use natural gas until their trigger is reached.

In May 2012, Con Edison proposed a change to the trigger point at which Auto-Swap Units automatically switch from natural gas to oil. The default setting for Auto-

⁵ Various "Applications" of the NYSRC Reliability Rules are submitted by the Transmission Owners and reviewed by the NYISO. Application number 69 describes Con Edison's compliance with IR-3. A current copy of all NYSRC Applications, including Application 69, are posted on NYISO's website, available at http://www.nyiso.com/public/webdocs/market_data/reports_info/TO_Application_of_Reliability_Rules.pdf.

Swap Units is designed to protect them from tripping off when gas supply collapses whether the unit is participating in the minimum oil program or not. If the auto-swap capability indicates a gas pressure problem, it would trigger the facility to automatically switch to its alternative fuel in order to avoid the trip and the consequential equipment harm. Because the minimum oil program accepted these default settings, Auto-Swap Units incurred no additional costs to participate in the program.

In its seasonal review of its minimum oil procedures, Con Edison found an increased benefit to the system if the auto-swap trigger on designated units was activated instead at a predefined rate of change in gas pressure on the system. This change would require Auto-Swap Units to automatically switch to burning oil at the Con Edison determined rate of change trigger, even if the unit default pressure point was never reached and gas remained available on the system. A rate of change trigger is able to detect and respond to rapid drops in gas pressure that occur above the default trigger.

The Services Tariff defines as eligible for compensation units designated pursuant to I-R3 or I-R5 to burn an alternate fuel. This language does not clearly include Auto-Swap Units that are designated instead to activate their auto-swap capability on Min Oil Days. The proposed tariff changes add clarity to the eligibility provisions and assure Suppliers that they will be compensated if they swap fuels at the Con Edison established trigger.

The availability of, and adequate compensation for Auto-Swap Units allows Con Edison to rely less on expensive units that have to actually burn oil to comply with IR-3, and provides economic and air quality benefits for customers in New York City. Increased reliance on Auto-Swap Units reduces costs to consumers while still maintaining the level of system reliability required by the local Reliability Rules. The proposed tariff changes will help accommodate this shift to a greater reliance on Auto-Swap Units by giving Suppliers assurance that they will be compensated for the service they provide.

All units in Con Edison and LIPA's minimum oil burn programs are eligible for compensation through the NYISO's Services Tariff. NYISO is proposing the changes to Section 4 of its Services Tariff, outlined below, to clarify that Auto-Swap Units are eligible for compensation under these programs.

III. Description and Justification of Proposed Tariff Revisions

Currently, NYISO Services Tariff subsection 4.1.9.1 contains the eligibility provisions for designated units in the Con Edison and LIPA minimum oil programs. The current language in subsection 4.1.9.1 specifies that units designated "to burn an alternate fuel at designated minimum levels" will be compensated. The NYISO proposes to amend its Services tariff to also add as eligible those units required "to activate their auto-swap capability." By specifically making auto-swap units "Eligible Units" the tariff language is now unambiguous that they are eligible for all categories of cost recovery outlined in this Section of the Services Tariff.

NYISO is also proposing two clarifying changes to Section 4.1.9.1 to more clearly describe the eligibility provisions for the two types of minimum oil units.

The NYISO also has added more detail to subsection 4.1.9.2 on Variable Operating Costs to expressly include the new category of units. The new language includes both categories of eligible units in the “but for” test that the NYISO uses to evaluate units cost recovery eligibility. This is not a substantive change, but rather makes the eligibility test for these costs more clear. Specifically, the NYSIO proposes to add the following language to subsection 4.1.9.2:

...Eligible Units burning an alternate fuel that would not have been burned but for Local Reliability Rule IR-3 or IR-5 being invoked and Eligible Units burning an alternate fuel because they activated their auto-swap capability and experienced a swap to the alternate fuel that would not have occurred but for the operation of the auto-swap capability in accordance with the implementation of Local Reliability Rule I-R3 or IR-5...

Finally, NYISO proposes to capitalize the phrase “Eligible Units” in subsection 4.1.9.3 so it is clear the NYISO is referencing the units defined in the earlier subsection 4.1.9.1.

IV. Effective Date

The NYISO requests an effective date of December 21, 2012, which is 60 days after the date of this filing.

V. Requisite Stakeholder Approval

The NYISO’s Management Committee unanimously approved these tariff amendments, with abstentions, on August 29, 2012. The NYISO’s Board of Directors approved these tariff amendments September 17, 2012.

VI. Communications and Correspondence

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

Robert E. Fernandez, General Counsel
Raymond Stalter, Director, Regulatory Affairs
*Mollie Lampi, Assistant General Counsel
*Kristin Bluvas, Attorney
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144
Tel: (518) 356-8540

Fax: (518) 356-7678
rfernandez@nyiso.com
rstalter@nyiso.com
mlampi@nyiso.com
kbluvas@nyiso.com

* Designated to receive service.

VII. Service

The NYISO will send an electronic link to this filing to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, and to the New Jersey Board of Public Utilities. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com.

VIII. Conclusion

Wherefore, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept this filing to be effective December 21, 2012.

Respectfully submitted,

/s/ Kristin A. Bluvas

Kristin A. Bluvas

Attorney

New York Independent System Operator, Inc.

10 Krey Blvd.

Rensselaer, New York 12144

(518) 356 8540

kbluvas@nyiso.com

cc: Travis Allen
Michael A. Bardee
Gregory Berson
Anna Cochrane
Jignasa Gadani
Morris Margolis
Michael Mc Laughlin
Joseph Mc Clelland
Daniel Nowak