

July 10, 2013

By Electronic Delivery

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

**Re: New York Independent System Operator, Inc. and New York Transmission Owners,
Interregional Compliance Filing, Docket Nos. RM10-23-000, ER13-____-000**

Dear Ms. Bose:

In compliance with Order No. 1000, the Commission's Final Rule on *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*,¹ the New York Independent System Operator, Inc. ("NYISO") respectfully submits this compliance filing. The New York Transmission Owners ("NYTOs")² jointly submit with the NYISO Section VII of

¹ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, 136 FERC ¶ 61,051 (2011) ("Order No. 1000"), *order on reh'g and clarification*, Order No. 1000-A, 139 FERC ¶ 61,132 (2012) ("Order No. 1000-A"), *order on reh'g and clarification*, 141 FERC ¶ 61,044 (2012) ("Order No. 1000-B"). For convenience, unless otherwise specified, references in this filing to "Order No. 1000" should be understood to encompass Order Nos. 1000, 1000-A, and 1000-B.

² The NYTOs are: Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc. ("Con Edison"), Long Island Lighting Company d/b/a LIPA ("LIPA"), New York Power Authority ("NYPA"), New York State Electric & Gas Corp., Niagara Mohawk Power Corp. d/b/a National Grid, Rochester Gas & Electric Corp., and Orange & Rockland Utilities, Inc. ("O&R"). The fact that the NYTOs are only parties to Section VII of this filing should not be interpreted as meaning that they oppose the other parts. However, the NYTOs reserve the right to comment separately on this filing. LIPA and NYPA as transmission owners not subject to the FERC's rate jurisdiction under Section 205 of the Federal Power Act have voluntarily participated in the development of this comprehensive filing and thereby join the other NYTOs in this pleading. Though Con Edison, O&R, NYPA, and LIPA support this compliance filing, they disagree with the application of the avoided cost methodology to an interregional transmission project that costs more than the cost of the displaced regional projects and reserve the right to file a protest to this aspect of the filing.

this filing. Accordingly, solely for purposes of Section VII, the NYISO and the NYTOs are referred to in this filing as the “Joint Filing Parties.”³

The NYISO developed this interregional compliance filing in close collaboration with the NYTOs and with its two Commission-jurisdictional neighboring transmission system operators, *i.e.*, the PJM Interconnection, L.L.C. (“PJM”) and ISO New England, Inc. (“ISO-NE”). The collaborative process included extensive outreach to stakeholders in all three regions. PJM and ISO-NE are concurrently submitting their own Order No. 1000 interregional compliance filings. Naturally, there is substantial overlap among the NYISO’s, PJM’s, and ISO-NE’s interregional compliance filings because each is largely concerned with the same proposed amendments to the same interregional planning arrangements. As noted below in Section VIII, it is also desirable that the common revisions proposed in each filing become effective at the same time, in this case proposed to be January 1, 2014.⁴ Nevertheless, the NYISO is making this individual compliance filing to seek the Commission’s approval of the interregional planning arrangements and to demonstrate its own compliance with Order No. 1000’s interregional requirements.⁵

The NYISO already complies with many of Order No. 1000’s interregional transmission planning requirements. This compliance filing proposes revisions to the NYISO’s current transmission planning processes set forth in its agreements and tariffs to bring them into full compliance with all of the Order No. 1000 interregional transmission planning requirements. Specifically, the NYISO, along with PJM and ISO-NE, have revised the existing *Northeastern ISO/RTO Planning Coordination Protocol* (“Protocol”), which is an agreement that existed prior to Order No. 1000 between and among the NYISO, PJM, and ISO-NE as well as their neighboring Canadian system operators.⁶ The Protocol is being amended to set forth enhanced interregional coordination procedures that address most of Order No. 1000’s interregional planning requirements (“Amended Protocol”). In accordance with the Commission’s electronic tariff filing requirements, only one entity, in this case ISO-NE, is filing the Amended Protocol. The NYISO fully supports the Amended Protocol and is submitting, through ISO-NE’s filing, a certificate of concurrence regarding the Amended Protocol pursuant to Section 35.1(a) of the

³ Nothing in this filing should be interpreted to adversely affect, limit, or diminish the Section 205 filing rights of the Joint Filing Parties.

⁴ ISO-NE proposes an effective date of July 10, 2013 for the Northeastern ISO/RTO Planning Coordination Protocol, which is its date of executive by the CEOs of ISO-NE, PJM and NYISO.

⁵ By filing individually, the NYISO seeks to assist the Commission by demonstrating its own compliance with Order 1000’s interregional planning principles and directives.

⁶ The NYISO and ISO-NE have discussed the proposed compliance changes to the Protocol that are described in this compliance filing with our non-jurisdictional neighboring transmission system operators in Canada, *i.e.*, the Ontario Independent Electricity System Operator, Hydro-Québec TransÉnergie and New Brunswick Power. These Canadian entities are not joining this filing and will not be directly impacted by the proposed changes to the Protocol. The NYISO has confirmed that these entities will continue to coordinate inter-regional transmission planning with the NYISO (and with PJM and ISO-NE) as already provided in the Protocol’s existing provisions. The NYISO is therefore in full compliance with the international coordination requirement set forth in Paragraph 421 of Order No. 1000.

Commission's regulations.⁷ For the Commission's convenience, the NYISO is also including a copy of the Amended Protocol as an exhibit to this filing letter. In addition, this filing letter includes a description of the Amended Protocol's interregional planning enhancements that is consistent with the language used by ISO-NE and by PJM in their filings.

Section 9 of the Amended Protocol indicates that the cost allocation for identified Interregional Transmission Projects⁸ between the NYISO and PJM shall be conducted in accordance with the *Joint Operating Agreement Among and Between New York Independent System Operator, Inc. and PJM Interconnection, L.L.C.* ("Joint Operating Agreement" or "JOA") in Attachment CC of the NYISO's Open Access Transmission Tariff ("OATT"). It also specifies that the cost allocation for identified Interregional Transmission Projects involving the NYISO and ISO-NE shall be conducted in accordance with their respective tariffs.

In conjunction with Section 9 of the Amended Protocol, the NYISO is submitting proposed revisions to the Joint Operating Agreement that establish the cost allocation requirements for Interregional Transmission Projects involving both the NYISO and PJM.⁹ In addition, the NYISO is submitting proposed revisions to Attachment Y of its OATT that establish the cost allocation requirements for Interregional Transmission Projects involving the NYISO and ISO-NE. The NYISO understands that ISO-NE will include parallel tariff revisions in its own interregional compliance filing. As discussed below, the NYISO's proposed cost allocation compliance revisions would establish substantially identical cost allocation methodologies between the NYISO and PJM and between the NYISO and ISO-NE for Interregional Transmission Projects, which would allow for the use of the same cost allocation methodology for any Interregional Transmission Project that spans all three regions.¹⁰

⁷ The NYISO is, therefore, in full compliance with the requirement to file an agreement with its neighbors regarding interregional planning as required in Paragraph 475 of Order No. 1000.

⁸ In this compliance filing, the term "Interregional Transmission Project" means a new transmission project that will be physically located within two or more neighboring transmission planning regions. As described below, the term is defined as such in the Amended Protocol and Attachment Y of the NYISO OATT.

⁹ Order No. 714, Electronic Tariff Filings, ¶ 31,276 (2008), and Section 35.1 of the Commission's regulations, 18 C.F.R. § 35.1(a), allow multiple public utilities that are parties to the same tariff (e.g., a joint tariff such as the JOA) to designate one of the public utilities as the designated filer of the joint tariff. The designated filer submits a single tariff filing for inclusion in its database that reflects the joint tariff, along with the requisite certificates of concurrence from the other parties to the joint tariff. NYISO is the designated filing party for the JOA. Therefore, NYISO is submitting the JOA modifications in the instant filing along with PJM's certificate of concurrence. The designation of the NYISO as the designated filer for the JOA is for administrative convenience and in no way shall limit PJM's filing rights under the Federal Power Act as they relate to the JOA.

¹⁰ An Interregional Transmission Project that spans all three regions would have to be selected for cost allocation purposes in all three regions' regional transmission planning processes to be eligible for interregional cost allocation.

As part of this compliance filing, the Joint Filing Parties are submitting additional revisions to Attachment Y of the OATT to integrate the interregional transmission planning process and Interregional Transmission Projects into the NYISO's regional transmission planning process, to recognize the allocation of costs both between the NYISO and its neighboring regions and within the NYISO's region, and to make additional compliance revisions. The NYISO respectfully submits that, taken together, the proposed modifications to the Amended Protocol, the Joint Operating Agreement, and Attachment Y of the OATT, meet, and in parts exceed, full compliance with Order No. 1000's interregional transmission planning requirements.

As further explained below, Section III of this compliance filing summarizes Order No. 1000's interregional coordination and cost allocation requirements, along with the history of the existing Protocol. Section IV explains the revisions to the Protocol proposed by the NYISO, PJM, and ISO-NE and how the Amended Protocol satisfies Order No. 1000's interregional transmission planning requirements. Section V explains the proposed revisions to the Joint Operating Agreement regarding the cost allocation methodology for Interregional Transmission Projects involving the NYISO and PJM and how the methodology satisfies Order No. 1000's interregional cost allocation requirements. Section VI explains the proposed revisions to Attachment Y of the NYISO OATT regarding the cost allocation methodology for Interregional Transmission Projects involving the NYISO and ISO-NE and how the methodology satisfies Order No. 1000's interregional cost allocation requirements. Section VII explains the additional compliance revisions to Attachment Y of the NYISO OATT proposed by the Joint Filing Parties.

The Joint Filing Parties request that these proposed tariff modifications be made effective January 1, 2014. The NYISO understands that PJM and ISO-NE are requesting the same effective date for their proposed Order No. 1000 interregional compliance filings that implicate the NYISO.

Capitalized terms that are not otherwise defined in this filing letter shall have the meaning specified in the Amended Protocol, the NYISO-PJM Joint Operating Agreement, and Attachment Y of the NYISO OATT, respectively, and if not defined therein, in the NYISO OATT and Market Administrative and Control Area Services Tariff.

I. COMMUNICATIONS

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II. LIST OF DOCUMENTS SUBMITTED

The NYISO respectfully submits the following documents:

1. This filing letter;
2. A list of the company representatives for the New York Transmission Owners (“Attachment I”);
3. A blacklined version of the NYISO OATT sections containing the proposed compliance modifications (“Attachment II”);
4. A clean version of the NYISO OATT sections containing the proposed compliance modifications (“Attachment III”);

¹¹ Waiver of the Commission’s regulations (18 C.F.R. § 385.203(b)(3) (2012)) is requested to the extent necessary to permit service on counsel for the NYISO in both Richmond, VA and Washington, DC.

¹² Waiver of the Commission’s regulations (18 C.F.R. § 385.203(b)(3)) is also requested to the extent necessary to permit service on counsel for the NYTOs in both Albany, NY and Washington, DC, as well as the inclusion on the service list of all of the parties listed in Attachment I.

5. PJM's certificate of concurrence for the Joint Operating Agreement ("Attachment IV"); and
6. A copy of the Amended Protocol being filed with the Commission by ISO-NE on behalf of ISO-NE, PJM, and the NYISO ("Attachment V").

III. BACKGROUND

A. The Interregional Coordination and Cost Allocation Requirements of Order No. 1000

Order No. 1000 imposes requirements for interregional coordination and for the allocation of the costs of Interregional Transmission Projects agreed to by neighboring regions under interregional coordination procedures.

1. Interregional Coordination

Order No. 1000 requires neighboring planning regions to:

- develop and implement procedures for the joint evaluation and sharing of information regarding their respective transmission needs and potential interregional solutions;¹³
- develop and implement procedures¹⁴ for identification and joint evaluation¹⁵ of interregional facilities to determine whether those facilities are more efficient or cost-effective than regional solutions;¹⁶
- conduct their joint evaluations in the same general timeframe as, rather than subsequent to, each transmission planning region's individual consideration of the proposed project,¹⁷ with a meaningful opportunity to review and evaluate through

¹³ See Order No. 1000 at PP 345, 396.

¹⁴ Stakeholders must have the opportunity for input into the development of the interregional coordination procedures and the commonly agreed-to language to be included in the OATTs of the neighboring regions. *Id.* at P 466.

¹⁵ The procedures must include a description of the types of transmission studies conducted to evaluate conditions on neighboring systems for determining whether interregional facilities are more efficient or cost-effective than regional facilities. *Id.* at P 398. The analyses and determinations must be made transparent to stakeholders. *Id.* at P 465.

¹⁶ *Id.* at P 398.

¹⁷ Developers of interregional transmission projects must first propose their projects in the regional processes of each of the neighboring regions. *Id.* at P 436.

the interregional coordination procedures information developed through the regional planning process and *vice versa*;¹⁸ and

- condition eligibility for interregional cost allocation on the interregional transmission facility's being selected in both of the relevant regional transmission plans.¹⁹

Interregional coordination is subject to the following implementation requirements:

- The neighboring regions must exchange and share planning data and information at least annually;²⁰
- The neighboring regions must develop procedures for identifying and resolving differences in data, models, assumptions, planning horizons and criteria used to study a proposed transmission project, for purposes of jointly evaluating the proposed facility;²¹ and
- Each coordinating region must communicate via website (or e-mail list) information related to interregional transmission coordination procedures,²² as well as information on the progress and construction of portions of interregional transmission facilities within its region.²³

¹⁸ *Id.* at PP 436, 439. Order No. 1000-A indicates (at P 519) that it is “through participation in the regional transmission planning process that stakeholders will have the primary opportunity to participate fully in the consideration of interregional facilities,” and recognizes that “it may be the case that much of the interregional transmission coordination would occur through sharing computer modeling results regarding the effects and benefits of a proposed interregional transmission facility, which may be harder for a broad community of stakeholders to participate in than would face to face meetings be. If we are being asked to require there be in-person meetings for interregional transmission coordination with all stakeholders attending, we would be concerned about requiring a cumbersome process that could necessitate significant expense and travel time to multiple neighboring regions by the large number of stakeholders in each region.”

¹⁹ Order No. 1000 at P 400.

²⁰ *Id.* at PP 345, 454-55.

²¹ *Id.* at P 437.

²² *Id.* at P 345.

²³ *Id.* at P 400. The information must be posted in such a way as stakeholders can distinguish between interregional and regional planning information. *Id.* at P 458.

Neighboring planning regions must include the same language in their OATTs describing the procedures used to satisfy the interregional coordination requirements, or may utilize an interregional planning agreement.²⁴

2. Interregional Cost Allocation

The cost allocation provisions of Order No. 1000 interregional compliance filings must comply with the following principles:

- Interregional Cost Allocation Principle 1: The costs of a new interregional transmission facility must be allocated to each transmission planning region in which that transmission facility is located in a manner that is at least roughly commensurate with the estimated benefits of that transmission facility in each of the transmission planning regions. In determining the beneficiaries of interregional transmission facilities, transmission planning regions may consider benefits including, but not limited to, those associated with maintaining reliability and sharing reserves, production cost savings and congestion relief, and meeting Public Policy Requirements.²⁵
- Interregional Cost Allocation Principle 2: A transmission planning region that receives no benefit from an interregional transmission facility that is located in that region, either at present or in a likely future scenario, must not be involuntarily allocated any of the costs of that transmission facility.²⁶
- Interregional Cost Allocation Principle 3: If a benefit-cost threshold ratio is used to determine whether an interregional transmission facility has sufficient net benefits to qualify for interregional cost allocation, this ratio must not be so large as to exclude a transmission facility with significant positive net benefits from cost allocation. The public utility transmission providers located in the neighboring transmission planning regions may choose to use such a threshold to account for uncertainty in the calculation of benefits and costs. If adopted, such a threshold may not include a ratio of benefits to costs that exceeds 1.25 unless the pair of regions justifies and the Commission approves a higher ratio.²⁷

²⁴ *Id.* at P 475. The provisions must address how the regional transmission planning process will enable meaningful and timely stakeholder input on consideration of interregional facilities, and how stakeholders and transmission developers can propose interregional facilities in the regional processes. Order No. 1000-A at P 522. If an interregional agreement is utilized, the regions' OATTs must nonetheless "provide enough description for stakeholders to follow how interregional transmission coordination will be conducted, with links included to the actual agreement where the details can be found." Order No. 1000 at P 475, n.372.

²⁵ *Id.* at P 622 (footnote omitted).

²⁶ *Id.* at P 637.

²⁷ *Id.* at P 646 (footnote omitted).

- Interregional Cost Allocation Principle 4: Costs allocated for an interregional transmission facility must be assigned only to transmission planning regions in which the transmission facility is located. Costs cannot be assigned involuntarily under this rule to a transmission planning region in which that transmission facility is not located. However, interregional coordination must identify consequences for other transmission planning regions, such as upgrades that may be required in a third transmission planning region and, if the transmission providers in the regions in which the transmission facility is located agree to bear costs associated with such upgrades, then the interregional cost allocation method must include provisions for allocating the costs of such upgrades among the beneficiaries in the transmission planning regions in which the transmission facility is located.²⁸
- Interregional Cost Allocation Principle 5: The cost allocation method and data requirements for determining benefits and identifying beneficiaries for an interregional transmission facility must be transparent with adequate documentation to allow a stakeholder to determine how they were applied to a proposed interregional transmission facility.²⁹
- Interregional Cost Allocation Principle 6: The public utility transmission providers located in neighboring transmission planning regions may choose to use a different cost allocation method for different types of interregional transmission facilities, such as transmission facilities needed for reliability, congestion relief, or to achieve Public Policy Requirements. Each cost allocation method must be set out clearly and explained in detail in the compliance filing for this rule.³⁰

B. The History of Interregional Coordination in the NYISO/ISO-NE/PJM and Adjacent Canadian Regions

The NYISO, ISO-NE, PJM and adjacent Canadian regions are already proactively engaged in interregional coordination pursuant to the Protocol. The parties to the Protocol, which was adopted in 2004, are ISO-NE, PJM and NYISO (the “Protocol Parties”), with the technical participation of Ontario’s Independent Electricity System Operator, Hydro-Québec TransÉnergie and New Brunswick Power.

At a high level, the Protocol: (i) serves as the vehicle for exchange of data and information among these systems; (ii) establishes the committee structure (as discussed further below) for the coordination of inter-area planning activities, and (iii) describes the Northeastern Coordinated System Plan prepared periodically by the Protocol Parties.

²⁸ *Id.* at P 657 (footnotes omitted).

²⁹ *Id.* at P 668 (footnote omitted).

³⁰ *Id.* at P 685 (footnotes omitted).

The Protocol's primary purpose is to contribute to the ongoing reliability and enhanced operational and economic performance of the neighboring systems. To this end, the Protocol requires the parties to coordinate the studies performed in response to interconnection and longterm firm transmission requests that could impact other Protocol Parties' systems. The Protocol has served as a vehicle for the exchange of data and information among these systems and established system planning analysis procedures to be utilized by the Protocol Parties. The Protocol has been the platform for the parties' development of annual Northeastern Coordinated System Plans that, *inter alia*, integrate the individual system plans.³¹

The Protocol also has provided a forum for numerous analyses exploring the interregional impacts of regional and cross-border transmission projects. The Joint Interregional Planning Committee ("JIPC") - formed by the NYISO, ISO-NE, and PJM pursuant to the provisions of the Protocol - coordinates the planning process among the system operators, and the Protocol's Inter-area Planning Stakeholder Advisory Committee ("IPSAC") facilitates participation in interregional planning by stakeholders from all sectors in the entire northeast region and adjacent portions of Canada. Among the activities that have been conducted pursuant to the Protocol are:

- the study of transmission upgrades, including improvements in the Plattsburgh, NY - Burlington, VT area;
- the coordination of interconnection queue studies and transmission improvements to ensure reliable interregional planning;
- consideration of cross-border transmission security issues, including the consideration of loss-of-source contingencies in New England;
- studies aimed at investigating generator-deliverability issues and load-deliverability issues;
- market efficiency analyses, reflecting coordinated models of the three Commission-jurisdictional ISO/RTOs and neighboring regions; and
- reporting on the effects of environmental regulations, including the integration of wind and other renewable resources, as well as the effect of demand-side resources on interregional operations and planning.

The Protocol also provides for periodic interregional studies and analyses that may, for example, identify potential transmission bottlenecks and trigger the need for transmission planning analyses.

Through interregional planning coordination, the NYISO has added significant interregional transmission ties with PJM, including the Neptune DC cable between Long Island and New Jersey, the Linden Variable Frequency Transformer connecting Linden, New Jersey

³¹ See, e.g., *2011 Northeast Coordinated Electric System Plan* (May 31, 2012), posted at <http://www.pjm.com/~media/committees-groups/stakeholder-meetings/ipsac/postings/2011-northeast-coordinated-system-plan.ashx>.

and New York City, and the HTP project connecting Bayonne, New Jersey and West 49th Street, Manhattan.

Similarly, New England, together with its neighbors, has successfully added a second 345 kV tie between New Brunswick and Maine and a merchant transmission line between Long Island and Connecticut, and has enhanced other ties with New York (*e.g.*, replaced the NorwalkNorthport “1385” underwater cable between Connecticut and Long Island and upgraded the equipment on the Plattsburgh - Vermont tie (PV-20)).

IV. THE AMENDED PROTOCOL AND COMPLIANCE WITH THE INTERREGIONAL COORDINATION REQUIREMENTS OF ORDER NO. 1000

The Amended Protocol (along with the related revisions to Attachment Y of the NYISO OATT described in Section VII of this compliance filing) meets, and in many cases exceeds, the interregional coordination requirements of Order No. 1000. The Amended Protocol is being filed by ISO-NE contemporaneously on behalf of the Protocol Parties, along with a certificate of concurrence by the NYISO. A copy of the Amended Protocol is attached to this filing.

A. Interregional Coordination

As explained below, the interregional coordination requirements of Order No. 1000 are met through: (i) the provisions of the Amended Protocol and (ii) the related modifications to Attachment Y of the NYISO OATT, as described in Section VII of this compliance filing.

1. Background: the Role of the Amended Protocol

The Amended Protocol - developed through an extensive stakeholder process, as described below - builds on existing inter-ISO and interregional stakeholder committees and processes to implement the interregional coordination elements of Order No. 1000. Representatives of the Protocol Parties (*i.e.*, ISO-NE, NYISO and PJM) comprise the Joint Interregional Planning Committee (“JIPC”).³² The Interregional Planning Stakeholder Advisory Committee (“IPSAC”) has an open membership from those three regions, including any party with an interest in the coordination of planning.³³

The JIPC will, *inter alia*, undertake and coordinate the activities outlined in Section 7 of the Amended Protocol, which (in high-level summary) include:

- A proactive JIPC review (at least annually) of the regional needs and solutions identified in regional planning processes of the Protocol Parties in order to identify, with IPSAC input, whether there are concepts for potential Interregional

³² The JIPC’s structure and responsibilities are described in Section 2.1 of the Amended Protocol.

³³ The IPSAC’s structure and responsibilities are described in Section 2.2 of the Amended Protocol.

Transmission Projects³⁴ that could meet regional needs more efficiently and costeffectively than separate regional transmission projects;³⁵

- The JIPC's use (in its review of needs and solutions, and its analysis of Interregional Transmission Projects) of data and information exchanged and reconciled among the Protocol Parties pursuant to Section 3 of the Amended Protocol;³⁶ and
- Coordination and performance of studies, with IPSAC input, deemed necessary by the Protocol Parties to allow the effective consideration by the respective regional stakeholder processes, in the same general timeframe, of an Interregional Transmission Project proposed in the planning process of more than one region.³⁷

The IPSAC - in connection with Section 7 of the Amended Protocol - will:

- Provide input into the JIPC's review of regional needs and solutions to identify concepts for potential Interregional Transmission Projects;³⁸ and
- Review the results of the JIPC's studies and analyses of a proposed Interregional Transmission Project, to allow the regional stakeholder processes to benefit from IPSAC input on the proposed project.³⁹

If the Interregional Transmission Project is approved by each region that has a need addressed by the project, the corresponding existing regional transmission projects will be displaced, and the costs of the interregional project will be allocated pursuant to the formula specified in Attachment Y of the NYISO OATT,⁴⁰ as described in Section VI of this compliance filing.

³⁴ Consistent with the terms of Order No. 1000, an "Interregional Transmission Project" is defined in the Amended Protocol (in fn. 1) as a transmission project that will be physically located within two or more neighboring transmission planning regions, where the regions are those administered by the respective Parties. Other types of projects may be identified pursuant to the periodic interregional assessments and system expansion planning studies performed by the JIPC with IPSAC input (*see* Amended Protocol § 6), but these will be handled on a case-by-case basis and not pursuant to the Order No. 1000-related procedures of Section 7 of the Amended Protocol.

³⁵ *See* Amended Protocol § 7.1.

³⁶ *See* Amended Protocol § 7.2.

³⁷ *See* Amended Protocol § 7.3.

³⁸ *See* Amended Protocol § 2.2 (first bullet).

³⁹ *See* Amended Protocol § 7.3.

⁴⁰ *See* Amended Protocol § 7.4.

2. The Amended Protocol Exceeds the Requirements of Order No. 1000

The Amended Protocol (and related revisions to Attachment Y of the NYISO OATT) exceeds the requirements of Order No. 1000 in a number of respects.

In particular, the Amended Protocol facilitates the consideration of efficient and cost-effective interregional transmission projects spanning *three* regions, and not just between two neighboring regions as required by Order No. 1000. This region encompasses not only the entire Northeast United States, but areas of the Midwest, Mid-Atlantic and Southern regions. In addition, Order No. 1000's requirements are exceeded by the incorporation in the Amended Protocol of: (i) a standing interregional committee at the ISO/RTO level (*i.e.*, the JIPC) that undertakes data exchange, the joint study of potential interregional transmission concepts and projects, and the provision of assistance in each region's consideration of interregional projects; and (ii) a standing interregional stakeholder advisory committee (*i.e.*, the IPSAC) that provides input to the JIPC in its conduct of studies and analyses, as well as input to the regional consideration of interregional projects. Importantly, both committees have already established a strong history of cooperative endeavor through the period during which the Protocol has been in place.

3. Compliance with Specific Interregional Coordination Requirements of Order No. 1000

a. Specific Obligations for Exchanging and Sharing Planning Data and Information

Order No. 1000 requires the inclusion of specific obligations for exchanging and sharing planning data and information between neighboring transmission planning regions at least annually, to assist in joint evaluation of interregional facilities.⁴¹

This requirement is implemented in Section 3 of the Amended Protocol. Specifically, Section 3.1(c) of the Amended Protocol provides:

Each Party shall exchange information regarding their respective regional transmission system plans, including the determination of transmission needs based upon reliability, public policy and economic considerations as well as the regional transmission solutions identified to meet those needs. This information shall be used by the JIPC to identify and evaluate Interregional Transmission Projects which may have the potential to meet the respective regional transmission needs in a more efficient or cost-effective manner, as specified in Section 7 hereof.

Section 3.2 provides that this data and information:

shall be exchanged on an annual basis, recognizing the varying planning cycles of the respective regions. The dates for the exchange of such data and information

⁴¹ Order No. 1000 at PP 8, 345, 454-55.

shall be established by the JIPC to correspond to the appropriate point in the annual planning process timeline of each Party. Reports of planning or operational analyses and evaluations shall be provided in a timely manner.

b. Identification and Resolution of Differences in Data, Models, Assumptions, Planning Horizons and Criteria

Order No. 1000 requires the development of procedures for the identification and resolution of differences in data, models, assumptions, planning horizons and criteria used to study a proposed transmission project, for purposes of jointly evaluating the proposed facility.⁴²

This requirement is addressed in Sections 3.3 and 3.4 of the Amended Protocol. Section 3.3 provides:

To the extent practical, the maintenance and exchange of power system modeling data shall be implemented through databases. The formats of the databases exchanged shall be agreed upon by the Parties exchanging the data. Other information such as geographical system maps and one-line diagrams shall be provided in an electronic format agreed upon by the Parties exchanging the information.

Section 3.4 of the Amended Protocol provides:

The Parties shall identify differences in their data, models, assumptions, planning horizons and criteria to be used in joint evaluation of proposed Interregional Transmission Projects, and engage in discussions to reconcile those differences, to the extent possible. In instances where differences cannot be reconciled, other means, such as the use of scenario analysis, may be used for interregional studies. Where such differences cannot be harmonized, the Parties shall document the reasons for those differences for discussion at the IPSAC. If the Parties are unable, despite these efforts, to reconcile differences, any of the Parties may initiate use of the dispute resolution procedures of Section 10.1 of the Protocol.⁴³

Pursuant to Section 7.2 of the Amended Protocol, the JIPC utilizes data and information exchanged and reconciled pursuant to Section 3 of the Amended Protocol to assist its review of regional needs and solutions, and to conduct its subsequent analysis of Interregional Transmission Projects.

⁴² Order No. 1000 at P 437.

⁴³ Section 10.1 of the Amended Protocol calls for the referral of issues that cannot be resolved by the JIPC to the Chief Executive Officers (the “CEOs”) of the Parties. In the event that the CEOs do not reach agreement on any issue referred to them within ten (10) days, then any Party may refer the matter to a neutral, third-party Dispute Resolution Service, which may include the Commission’s Dispute Resolution Service, and request a session be convened to initiate non-binding dispute resolution services.

c. Description of Types of Studies

Order No. 1000 requires that the neighboring regions describe the types of transmission studies conducted to evaluate conditions on neighboring systems for determining whether interregional facilities are more efficient or cost-effective than regional facilities.⁴⁴

This requirement is met by Sections 3.5 and 7.3 of the Amended Protocol. Section 3.5 provides (in relevant part):

The Parties shall, as necessary, prepare and document procedures for the development of common power system analysis models used to perform the analyses required to develop the NCSP and to assist with FERC Order 1000-related efforts specified in Section 7 hereof. Models shall be developed for necessary interregional system planning analyses such as power flow analyses, short circuit analyses, stability and production cost analyses.... Changes to baseline data and updates to the power system analysis models shall be performed annually to capture all system upgrades and allow analyses to accurately identify cross border impacts. Coordination of power system analysis models shall rely upon existing working groups to the maximum extent practical.

Section 7.3 provides:

The JIPC shall coordinate all interregional studies deemed necessary by the Parties to allow the effective consideration by the regions, in the same general timeframe, of an Interregional Transmission Project. The studies performed by JIPC may include, but are not limited to: power flow, production cost, stability and short-circuit studies.

d. Sharing of Information Regarding Transmission Needs, and Identification and Evaluation of Interregional Facilities

Order No. 1000 requires the development and implementation of procedures for joint evaluation and sharing of information regarding the transmission needs of neighboring regions and potential interregional solutions and information, as well as the development and implementation of procedures for identification and joint evaluation by neighboring regions of interregional facilities to determine whether those facilities are more efficient or cost-effective than regional solutions.⁴⁵

These requirements are implemented in Section 7 of the Amended Protocol and Attachment Y of the NYISO OATT, as described in Section VII of this compliance filing.

⁴⁴ Order No. 1000 at P 398.

⁴⁵ Order No. 1000 at PP 8, 345, 394, 396, 398-99, 401, 435.

Sharing information regarding the needs of the regions, and the identification of potential Interregional Transmission Project concepts that could meet those needs, is accomplished through the proactive review of the JIPC pursuant to Section 7.1, which provides:

On an annual basis, or at the request of any of the Parties, the JIPC will proactively review regional needs and solutions identified in regional planning processes of the Parties and identify, with input from the IPSAC, whether there are concepts for potential Interregional Transmission Projects that could - in the reasonable engineering judgment of the JIPC – meet regional needs of more than one region (whether driven by reliability, economic or public policy requirements) more efficiently and cost-effectively than separate regional transmission projects. The Parties shall post the results of its review on the interregional pages of the websites of the regions.

Under Section 7.3, once an Interregional Transmission Project is proposed in the planning process of more than one region to address system needs identified in the planning process of those respective regions, the Protocol Parties with the identified needs “consider IPSAC input” and “analyze whether the Interregional Transmission Project may be more efficient and cost-effective than the separate regional transmission projects.” Section 7.3 also provides that the JIPC will coordinate, and present to the IPSAC for its input, all interregional studies deemed necessary by the Protocol Parties to allow the effective consideration by the regions of an Interregional Transmission Project.

Section 7.4 requires the Protocol Parties to consider the proposed Interregional Transmission Project in their respective transmission planning processes “in the same general timeframe.”

e. Transparent Analyses

Order No. 1000 requires transmission providers to make transparent the analyses undertaken and determinations reached by neighboring regions in identifying and evaluating interregional facilities.⁴⁶

This requirement is fulfilled, *inter alia*, in Sections 7.1 and 7.3 of the Amended Protocol. As discussed above, the results of the JIPC’s proactive review of regional needs and solutions, and identification of potential interregional project concepts, are posted on the interregional planning pages of each region’s website. Pursuant to Section 7.3, the results of each region’s analysis of whether an Interregional Transmission Project is more efficient and cost-effective than separate regional projects are posted on the interregional pages of the websites of the regions.

⁴⁶ Order No. 1000 at P 465.

f. Developer Proposals Made Initially in Regional Planning Processes

Order No. 1000 requires the developer of an interregional transmission project to first propose its project in the regional processes of each of the neighboring regions in which the project is to be physically located.⁴⁷

This requirement is met by Section 7.3 of the Amended Protocol, which indicates that the analysis by the Parties (through the JIPC) of an Interregional Transmission Project is premised on the project having been “proposed in more than one region to address system needs identified in the planning process of those respective regions....”

g. Communication of Information

Order No. 1000 requires the neighboring regions to communicate information (through websites or e-mail lists) related to interregional transmission coordination procedures, including the provision of information on the progress and construction of portions of interregional transmission facilities within its region.⁴⁸

This requirement is met through the provisions of Sections 2.1, 7.1 and 7.3 of the Amended Protocol. Section 2.1 (in the second bullet) provides that the JIPC members (*i.e.*, the NYISO, PJM and ISO-NE) are charged with the responsibility for:

Communicating information related to the coordinated planning process, including identification and approval of a Party’s materials produced under this Protocol to be posted on each other Party’s website and maintenance of required e-mail lists; Information relating to interregional coordination and studies conducted in accordance with this Protocol shall be clearly identified and posted on each Party’s website subject to confidentiality and Critical Energy Infrastructure Information (“CEII”) restrictions of each respective region....

In a similar vein, Section 7.1 provides that the Protocol Parties will post the results of the JIPC’s review of regional needs and solutions, and its identification of concepts for potential Interregional Transmission Projects that could meet the regional needs of more than one region, “on the interregional pages of the websites of the regions.” Further, Section 7.3 requires, as part of the analysis and consideration of these projects, that the results of their analysis be posted “on the interregional pages of the websites of the regions.”

Order No. 1000 also requires that information be posted on the transmission provider’s website “in such a way that stakeholders are able to distinguish between interregional transmission coordination and information related to regional transmission planning.”⁴⁹

⁴⁷ *Id.* at ¶ 436.

⁴⁸ Order No. 1000 at PP 345, 400, 458.

⁴⁹ Order No. 1000 at P 458.

This requirement is met through the provisions of Sections 7.1 and 7.3 of the Amended Protocol. Section 7.1 states that the results of the JIPC’s review of regional needs and solutions to identify concepts for potential Interregional Transmission Projects will be posted “on the *interregional pages* of the websites of the regions.” (emphasis added). Section 7.3 states that the results of the Protocol Parties’ analysis of “whether an Interregional Transmission Project may be more efficient and cost-effective than the separate regional transmission projects” will be posted “on the *interregional pages* of websites of the regions.” (emphasis added).

h. Implementation in OATT/Interregional Agreement

Order No. 1000 permits the interregional coordination procedures to be contained in an interregional agreement, with a summary of the agreement included in the regional OATT.⁵⁰ This is the approach taken by the NYISO. The Amended Protocol contains the coordination procedures, and a summary of the Amended Protocol’s interregional coordination provisions is contained in Section 31.1.6 of Attachment Y of the NYISO OATT, as described in Section VII of this compliance filing.

i. Stakeholder Participation in Development of Interregional Coordination Procedures, Interregional Cost Allocation Methodology, and OATT Language

Order No. 1000 requires that stakeholders be afforded the opportunity for input into development of interregional coordination procedures and the commonly agreed-to language to be included in OATT.⁵¹

ISO-NE, NYISO and PJM sought stakeholder input on the Amended Protocol and the interregional cost allocation through meetings of the IPSAC held on: March 30, 2012; June 22, 2012; August 27, 2012; January 28, 2013; February 26, 2013; March 20, 2013; April 3, 2013; April 24, 2013; and June 20, 2013.

The NYISO’s stakeholder reviewed the JIPC/IPSAC process and the Amended Protocol, NYISO-PJM JOA and Attachment Y amendments at meetings of the Interregional Planning Task Force on February 27, 2012, April 23, 2012, November 29, 2012, December 20, 2013, January 9, 2013, January 23, 2013, February 7, 2013, February 21, 2013, March 6, 2013, March 21, 2013, April 5, 2013, April 17, 2013, May 2, 2013, and June 14, 2013.

j. Connection between Interregional Coordination and Cost Allocation

Order No. 1000 conditions the eligibility of an interregional transmission project for interregional cost allocation on the selection of the project in both of the relevant regional transmission plans in which the interregional transmission project is physically located.⁵²

⁵⁰ Order No. 1000 at PP 346, 475, Order No. 1000-A at P 522.

⁵¹ Order No. 1000 at P 466.

This condition is reflected in Section 7.4 of the Amended Protocol. Section 7.4 provides:

If the proposed Interregional Transmission Project is approved in each region by including it in the respective regional transmission plans in accordance with procedures for each Party's reliability, economic and/or public policy transmission planning processes, the corresponding existing regional transmission projects shall be displaced, and the costs of the Interregional Transmission Project shall be allocated as described in Section 9 hereof. (emphasis added)

V. THE JOINT OPERATING AGREEMENT AND COMPLIANCE WITH THE INTERREGIONAL COST ALLOCATION REQUIREMENTS OF ORDER NO. 1000

The revisions to the Joint Operating Agreement⁵³ satisfy the interregional cost allocation requirements of Order No. 1000 with regard to the allocation of costs of Interregional Transmission Projects involving the NYISO and PJM. The revisions to the Joint Operating Agreement are being filed by the NYISO on behalf of the NYISO and PJM. The NYISO is also submitting with this filing PJM's certificate of concurrence for the JOA on its behalf.

A. Interregional Cost Allocation Methodology

Section 9 of the Amended Protocol provides a roadmap to the applicable cost allocation methodologies for: (i) Interregional Transmission Projects identified under Section 7 of the Amended Protocol that, as described above, are identified and evaluated pursuant to Order No. 1000-related procedures, and (ii) other transmission projects identified under Section 6 of the Amended Protocol.⁵⁴ The cost allocation methodology for such projects involving the NYISO and PJM is determined in accordance with the Joint Operating Agreement between NYISO and PJM, as described in this Section V. The cost allocation methodology for such projects under the Amended Protocol involving the NYISO and ISO-NE is determined in accordance with a substantially identical methodology to the methodology used by the NYISO and PJM as set forth in Attachment Y of the NYISO OATT and the ISO-NE tariff, as described in Section VI of this compliance filing.

B. The Cost Allocation Requirements of Order No. 1000

Order No. 1000 requires that a public utility transmission provider:

have, together with the public utility transmission providers in its own transmission planning region and a neighboring transmission planning region, a common method or methods for allocating the costs of a new interregional transmission facility among the beneficiaries of that transmission facility in the

⁵² Order No. 1000 at P 400.

⁵³ The Joint Operating Agreement is located in Attachment CC of the NYISO OATT.

⁵⁴ See footnote 34 above.

two neighboring transmission planning regions in which the transmission facility is located.⁵⁵

Within an ISO/RTO region, the ISO/RTO is responsible for developing the interregional cost allocation methodology with its neighbors on behalf of its public utility transmission owning members⁵⁶ and must file such methodology in its OATT.⁵⁷ The Commission provides the public utility transmission provider with the flexibility to develop its own cost allocation methodology.⁵⁸ As described above, the interregional cost allocation methodology must satisfy six cost allocation principles adopted in Order No. 1000: (1) costs must be allocated in a way that is roughly commensurate with benefits; (2) there must be no involuntary allocation of costs to non-beneficiaries; (3) a benefit to cost threshold ratio cannot exceed 1.25; (4) costs must be allocated solely within the transmission planning region or pair of regions unless those outside the region or pair of regions voluntarily assume costs; (5) there must be a transparent method for determining benefits and identifying beneficiaries; and (6) there may be different methods for different types of transmission facilities.⁵⁹ An Interregional Transmission Project must be selected in both of the relevant regional transmission planning processes for purposes of cost allocation to be eligible for interregional cost allocation.⁶⁰

C. Cost Allocation for Interregional Transmission Projects Located in NYISO and PJM

The Joint Operating Agreement was executed by PJM and NYISO in May 2007 and filed separately by each entity in Dockets Nos. ER07-1369-000 and ER07-1376-000 respectively.⁶¹ The Commission accepted these filings by letter orders dated Nov. 2, 2007.⁶² The NYISO and PJM propose to revise the Joint Operating Agreement by adding new sections 35.10.2 through

⁵⁵ Order No. 1000 at P 578.

⁵⁶ Order No. 1000 at P 584.

⁵⁷ Order No. 1000 at P 578.

⁵⁸ Order No. 1000 at P 580.

⁵⁹ Order No. 1000 at PP 578, 603; Order No. 1000-A at P 524. These six interregional cost allocation principles only apply to “a new transmission facility that is located in two neighboring transmission planning regions and accounted for in the interregional transmission coordination procedure in an OATT.” Order No. 1000 at P 603.

⁶⁰ Order No. 1000 at PP 436 and 582.

⁶¹ *PJM Interconnection, L.L.C.*, PJM/NYISO Joint Operating Agreement, Docket No. ER07-1369-000 (filed Sept. 13, 2007); *New York Independent Sys. Operator, Inc.*, Joint Operating Agreement with PJM Interconnection, L.L.C., Docket No. ER-07-1376-000 (filed Sept. 14, 2007).

⁶² *PJM Interconnection, L.L.C.*, Docket No. ER07-1369-000 (letter order issued Nov. 2, 2007); *New York Independent Sys. Operator, Inc.*, Docket No. ER07-1376-000 (letter order issued Nov. 2, 2007).

35.10.6 to establish the method for allocating between their regions the costs of Interregional Transmission Projects - as defined in the Amended Protocol⁶³ - that are evaluated under the Amended Protocol and are selected by both PJM and the NYISO in their respective regional transmission plans for purposes of cost allocation.⁶⁴ Such cost allocation only applies to an Interregional Transmission Project that has been selected in both PJM's and the NYISO's regional transmission plans for purposes of cost allocation and is planned for construction in both regions.⁶⁵

The NYISO and PJM propose to allocate the costs between their regions using an avoided cost methodology.⁶⁶ Section 35.10.2(b) provides:

The share of the costs of an Interregional Transmission Project allocated to a region will be determined by the ratio of the present value of the estimated costs of such region's displaced regional transmission project or projects to the total of the present values of the estimated costs of the displaced regional transmission projects in the regions that have selected the Interregional Transmission Project in their regional transmission plans.⁶⁷

For purposes of performing this analysis:

- the present value of the estimated costs of each region's displaced regional transmission project will be based on a common base date that will be the beginning of the calendar month of the cost allocation analysis for the subject Interregional Transmission Project (the "Base Date"),⁶⁸
- the estimated cost of the displaced regional transmission projects shall specify the year's dollars in which those estimates are provided;⁶⁹

⁶³ As defined in the Amended Protocol, "Interregional Transmission Project" shall mean "a transmission project that will be located within two or more neighboring transmission planning regions. The transmission planning regions referred to herein are those administered by the respective Parties."

⁶⁴ Proposed JOA Section 35.10.2.

⁶⁵ Proposed JOA Section 35.10.2(a). The cost allocation requirements in Section 35.10 of the Joint Operating Agreement do not preclude the development of an Interregional Transmission Project that is funded solely by a merchant transmission developer or by an individual transmission owner. Proposed JOA Section 35.10.5.

⁶⁶ Though Con Edison, O&R, NYPA, and LIPA support this compliance filing, they disagree with the application of the avoided cost methodology to an interregional transmission project that costs more than the cost of the displaced regional projects and reserve the right to file a protest to this aspect of the filing.

⁶⁷ Proposed JOA Section 35.10.2(b).

⁶⁸ Proposed JOA Section 35.10.2(c).

⁶⁹ Proposed JOA Section 35.10.2(d).

- the present value analysis for all displaced regional transmission projects shall use a common discount rate. PJM and the NYISO, in consultation with their respective transmission owners, and the NYISO in consultation with other stakeholders, will agree on the discount rate to be used for the present value analysis.⁷⁰
- PJM and the NYISO, in consultation with the transmission owners in their respective regions, and NYISO in consultation with other stakeholders, will also review and determine that the cost estimates of the displaced regional transmission projects have been determined in a comparable manner prior to applying this cost allocation.⁷¹

An example illustrating the application of this cost allocation methodology is set forth in Section 35.10.2(j) of the JOA and Section V.E of this compliance filing.

The cost allocation methodology expressly excludes allocating the costs of Interregional Transmission Projects to regions that do not have an identified regional need for the project. Section 35.10.2(g) provides that:

No cost shall be allocated to a region that has not selected the Interregional Transmission Project in its regional transmission plan.

Section 35.10.2(h) also provides that:

When a portion of an Interregional Transmission Project evaluated under the Protocol is included by a region (Region 1) in its regional transmission plan but there is no regional need or displaced regional transmission project in Region 1 and the neighboring region (Region 2) has a regional need or displaced regional project for the Interregional Transmission Project and selects the Interregional Transmission Project in its regional transmission plan, all of the costs of the Interregional Transmission Project shall be allocated to Region 2 in accordance with the methodology in this Section 35.10.2 and none of the costs shall be allocated to Region 1.

Moreover, the JOA provides that NYISO's and PJM's regions do not agree to be responsible to each other for impacts of interregional transmission facilities, except as provided in the JOA itself, or for compensating a third region for consequences associated with regional and interregional transmission facilities. Section 35.10.6 provides that:

Except as provided herein in sections 35.10.2 and 35.10.3 of this Agreement, or where cost responsibility is expressly assumed by NYISO or PJM in other documents, agreements or tariffs on file with FERC, neither the NYISO region

⁷⁰ Proposed JOA Section 35.10.2(e).

⁷¹ Proposed JOA Section 35.10.2(f).

nor the PJM region shall be responsible for compensating another region or each other for required upgrades or for any other consequences in another planning region associated with regional or interregional transmission facilities, including but not limited to, transmission projects identified pursuant to Section 6 of the Protocol and Interregional Transmission Projects identified pursuant to Section 7 of the Protocol.

The above cost allocation methodology is the exclusive means to allocate the costs of Interregional Transmission Projects that will be located in, and have been approved by both, the NYISO's and PJM's regions with the following exception. The NYISO, PJM, and the transmission owners and transmission developers in their regions may enter into a separate agreement to allocate the costs of an Interregional Transmission Project or a transmission project that is identified under Section 6 of the Amended Protocol in a manner other than described above.⁷² Such agreement shall: (i) be filed with and accepted by the Commission, (ii) have been filed consistent with each of the party's filing rights, described in Section V.F of this compliance filing, and any stakeholder process required prior to the exercise of these filing rights, and (iii) apply to determine the share of the costs of an Interregional Transmission Project or such other transmission project that is allocated to the NYISO region and the PJM region.⁷³

Costs allocated to the NYISO and PJM's regions under Section 35.10.2 are then further allocated by the NYISO and PJM under their applicable tariffs and agreements on file with the Commission.⁷⁴ The NYISO proposes to allocate its regional share of the costs of an Interregional Transmission Project in accordance with the provisions for reliability, economic or public policy transmission projects, as applicable and as provided under Attachment Y of the NYISO OATT. Section VII.C of this compliance filing further explains the intra-regional allocation of Interregional Transmission Project costs.

D. The Cost Allocation Methodology Satisfies Order No. 1000's Directives on Cost Allocation for Interregional Transmission Projects, Including the Interregional Cost Allocation Principles

The NYISO's and PJM's cost allocation methodology satisfies the cost allocation requirements set forth in Order No. 1000. The primary purpose of the agreed-upon interregional cost allocation methodology is to provide a means for the NYISO and PJM to allocate an Interregional Transmission Project's costs between the two regions where the project has been approved by both regions. In general, the proposed methodology allocates the costs according to the benefits for both regions. As described above, the proposal calculates the benefits of an Interregional Transmission Project as the avoided costs due to the project replacing less efficient or higher cost regionally-planned transmission projects with the more efficient or cost effective proposed Interregional Transmission Project that addresses long-term needs that would have

⁷² Proposed JOA Section 35.10.3.

⁷³ Proposed JOA Section 35.10.3.

⁷⁴ Proposed JOA Section 35.10.2(i).

been addressed by the displaced projects. The proposed Interregional Transmission Project's costs would be allocated between the regions on a *pro rata* basis based upon the ratio of each region's avoided costs to the total avoided costs for both regions in which the facility would be located. Importantly, given the iterative nature of transmission plan and the significant lead time prior to the need for a party to commit to a significant regional project or an Interregional Transmission Project, the proposal provides that the allocation will be based upon the present values of the displaced projects as of a common base date keyed to the cost allocation analysis of the proposed Interregional Transmission Project.

Order No. 1000 requires that the cost allocation methodology satisfy six interregional cost allocation principles. As explained in the following subsections, the NYISO's and PJM's proposed cost allocation methodology set forth in Section 35.10 of the Joint Operating Agreement complies with these principles.

1. Interregional Principle #1

Interregional Principle #1 provides that:

The costs of a new interregional transmission facility must be allocated to each transmission planning region in which that transmission facility is located in a manner that is at least roughly commensurate with the estimated benefits of that transmission facility in each of the transmission planning regions. In determining the beneficiaries of interregional transmission facilities, transmission planning regions may consider benefits including, but not limited to, those associated with maintaining reliability and sharing reserves, production cost savings and congestion relief, and meeting Public Policy Requirements.⁷⁵

The agreed-upon methodology would allocate the costs of Interregional Transmission Projects in a manner that is roughly commensurate with the estimated benefits to each region,⁷⁶ because the costs are allocated in proportion to the quantifiable benefits of avoided/displaced transmission. In the context of cost allocation within a planning region, the Commission has found that a cost allocation that includes avoided costs “could be a reasonable approach for allocating costs in a manner that is roughly commensurate with benefits.”⁷⁷ The Commission specifically approved an avoided cost approach for allocating the cost of reliability projects within a region, finding that it “reasonably captures the benefits of such projects.”⁷⁸

An avoided cost approach to interregional cost allocation is particularly appropriate in light of the purpose of interregional coordination under Order No. 1000. As the Commission

⁷⁵ Order No. 1000 at P 622 (footnote omitted).

⁷⁶ Order No. 1000 at P 622.

⁷⁷*Avista Corp.*, 143 FERC ¶ 61,255 at P 300 (2013), citing *S.C. Elec. & Gas Co.*, 143 FERC ¶ 61,058 at P 232 (2013); *Pub. Serv. Co. of Colorado*, 142 FERC ¶ 61,206 at P 312 (2013).

⁷⁸*Pub. Serv. Co. of Colorado*, 142 FERC ¶ 61,206 at P 312.

explained in Order No. 1000-A, its interregional coordination reforms do not require the establishment of interregional planning processes to develop integrated interregional plans, but rather call upon public utility transmission providers to consider “whether the local and regional transmission planning processes result in transmission plans that meet local and regional transmission needs more efficiently and cost-effectively, after considering opportunities for collaborating with public utility transmission providers in neighboring transmission planning regions.”⁷⁹ Since the purpose of interregional coordination is thus to determine whether an interregional project might beneficially displace one or more projects included in regional or local plans, the cost of the displaced projects represents a reasonable measure of the benefits of the interregional project for cost allocation purposes.

The NYISO and PJM recognize that the Commission has held that the sole use of an avoided cost methodology does not comply with the principles applicable to *regional* cost allocation because it does not account for economic or public policy benefits.⁸⁰ These findings, however, are not determinative or relevant with respect to interregional cost allocation. Order No. 1000 does not require the consideration of public policy or economic benefits at the interregional level.⁸¹ Accordingly, the Commission’s concerns about the sole use of an avoided cost methodology for regional cost allocation are inapplicable at the interregional level. The regional planning process and regional cost allocation methodologies in NYISO and in PJM address reliability and market efficiency needs and public policy considerations in a manner the Commission has found to substantially comply with the requirements of Order No. 1000.⁸² Order No. 1000 expressly holds that such considerations need not be repeated at the interregional level.

Measuring the benefits of Interregional Transmission Projects for cost allocation purposes through the avoided cost approach is also appropriate in light of the ability of each region to decline to select an Interregional Transmission Project in its regional plan for cost allocation purposes if the project is not cost-effective for that region.⁸³ The benefits of an

⁷⁹ Order No. 1000-A at P 511. *See also* No. 1000 at P 368, where the Commission explained that it was requiring further reforms in interregional coordination because, in the absence of coordination between regions, transmission providers “may be unable to identify more efficient and cost-effective solutions to the individual needs identified in their respective regional and local planning processes, potentially including interregional transmission facilities.”

⁸⁰*See S.C. Elec. & Gas Co.*, 143 FERC ¶ 61,058 at P 226.

⁸¹ Order No. 1000 at P 401 (footnotes omitted) (Order No. 1000 does not “require[] . . . consideration of transmission needs driven by Public Policy Requirements, or the evaluation of economic considerations” in interregional coordination).

⁸² *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 (2013); *New York Independent System Operator, Inc.*, 143 FERC ¶ 61,059 (2013). The NYISO will make its supplemental compliance filing in response to this order in Docket No. ER13-102-000 on August 16, 2013.

⁸³ *See* Order No. 1000-A at P 512. This ability is a corollary of the requirement that an interregional project be selected for interregional cost allocation in the regional plans of the affected regions. *Id.* at P 509.

Interregional Transmission Project are essentially ascertained in the underlying regional planning process, because the regional project that is being displaced will already have been found sufficiently beneficial to be included in the regional system plan. The default allocation methodology properly calculates the benefits of an interregional project as the avoided costs associated with the project, *e.g.*, the cost savings achieved by replacing the regionally-planned transmission projects with the more efficient or cost-effective proposed Interregional Transmission Project that addresses long-term needs that would have been addressed by the displaced projects - already found to be beneficial, efficient and cost-effective by the regions. Allocating an Interregional Transmission Project's cost in proportion to the costs of the regional project or projects that it would displace takes into account the essentially voluntary nature of interregional coordination and results in a close "alignment of transmission planning and cost allocation," which was a "central underpinning" of the Commission's interregional coordination reforms.⁸⁴

In summary, for the most part, each region benefits from an Interregional Transmission Project to the extent that it avoids the costs of regional transmission projects that would otherwise be needed to meet a regional need. The NYISO and PJM both benefit by development of an Interregional Transmission Project that each region determines is superior based on its cost and/or efficiency in meeting a need compared to regional projects. By quantifying the benefit to each region from avoiding regional projects, the ratio of the regional avoided costs allocates costs between the regions in a manner that is roughly commensurate to the benefits to each region. Regions may decide to build an Interregional Transmission Project that is more expensive than regional transmission projects because they are more efficient in meeting the identified need. Even if an Interregional Transmission Project costs more than the sum of the regional projects it displaces, the ratio of regional avoided costs nevertheless provides an accurate proportion of the benefits to each region based on the relative comparison of the regional project costs in the avoided cost ratio. Moreover, in the event the default cost allocation does not fully realize the benefits of a project, the regions may negotiate an alternative cost allocation methodology consistent with Section 35.10.3 of the Joint Operating Agreement.

2. Interregional Principle #2

Interregional Principle #2 provides that:

A transmission planning region that receives no benefit from an interregional transmission facility that is located in that region, either at present or in a likely future scenario, must not be involuntarily allocated any of the costs of that transmission facility.⁸⁵

The NYISO's and PJM's cost allocation methodology satisfies this principle. As described above, the NYISO's and PJM's cost allocation methodology does not allocate the costs of an Interregional Transmission Project to a region if it has not been selected in the region's

⁸⁴Order No. 1000 at P 582.

⁸⁵ Order No. 1000 at P 637.

transmission plan.⁸⁶ In addition, even if a portion of the Interregional Transmission Project is included in the region's transmission plan, the proposed methodology does not allocate costs to the region if that region does not have an identified regional need for the project or if there is no displaced regional transmission project.⁸⁷

3. Interregional Principle #3

Interregional Principle #3 provides that:

If a benefit-cost threshold ratio is used to determine whether an interregional transmission facility has sufficient net benefits to qualify for interregional cost allocation, this ratio must not be so large as to exclude a transmission facility with significant positive net benefits from cost allocation. The public utility transmission providers located in the neighboring transmission planning regions may choose to use such a threshold to account for uncertainty in the calculation of benefits and costs. If adopted, such a threshold may not include a ratio of benefits to costs that exceeds 1.25 unless the pair of regions justifies and the Commission approves a higher ratio.⁸⁸

The agreed-upon methodology also satisfies this principle because it does not establish a benefit/cost threshold for interregional cost allocation.

4. Interregional Principle #4

Interregional Principle #4 provides that:

Costs allocated for an interregional transmission facility must be assigned only to transmission planning regions in which the transmission facility is located. Costs cannot be assigned involuntarily under this rule to a transmission planning region in which that transmission facility is not located. However, interregional coordination must identify consequences for other transmission planning regions, such as upgrades that may be required in a third transmission planning region and, if the transmission providers in the regions in which the transmission facility is located agree to bear costs associated with such upgrades, then the interregional cost allocation method must include provisions for allocating the costs of such upgrades among the beneficiaries in the transmission planning regions in which the transmission facility is located.⁸⁹

As described above, the NYISO's and PJM's cost allocation methodology does not allocate the costs of an Interregional Transmission Project to a region if it has not been selected

⁸⁶ Proposed JOA Section 35.10.2(g).

⁸⁷ Proposed JOA Section 35.10.2(h).

⁸⁸ Order No. 1000 at P 646 (footnote omitted).

⁸⁹ Order No. 1000 at P 657 (footnotes omitted).

in the region's transmission plan.⁹⁰ In addition, as described in Section VII of this compliance filing, the NYISO has revised Attachment Y of its OATT to provide for identifying the consequences for transmission projects on neighboring regions. In addition, as described above, the NYISO and PJM have specified that they would not agree to be responsible for sharing of costs of upgrades that might be required in a region in which an Interregional Transmission Project is not located. Accordingly, the NYISO's and PJM's cost allocation methodology satisfies this principle.⁹¹

5. Interregional Principle #5

Interregional Principle #5 provides that:

The cost allocation method and data requirements for determining benefits and identifying beneficiaries for an interregional transmission facility must be transparent with adequate documentation to allow a stakeholder to determine how they were applied to a proposed interregional transmission facility.⁹²

The cost allocation methodology described above is set forth in detail in Section 35.10.2 of the Joint Operating Agreement. The entire interregional transmission planning process is conducted under the Amended Protocol in concert with the stakeholders of the NYISO, PJM, and ISO-NE. As described above in Section IV of this compliance filing, the Amended Protocol provides for transparency, input, and review by stakeholders through the IPSAC. Relevant information is also posted on the websites of the NYISO, PJM, and ISO-NE. In addition, as described in Sections VI and VII of this compliance filing, the NYISO has included a clear description of the interregional transmission planning process and interregional cost allocation methodology in Attachment Y of its OATT. The NYISO has also clarified in Attachment Y that any interested party can participate in the NYISO's Interregional Planning Task Force ("IPTF") to participate in the interregional transmission planning process. Moreover, NYISO stakeholders participate in the regional planning processes that underlie the selection of an Interregional Transmission Project for cost allocation purposes. Accordingly, the NYISO's and PJM's cost allocation methodology satisfies this principle.

6. Interregional Principle #6

Interregional Principle #6 provides that:

The public utility transmission providers located in neighboring transmission planning regions may choose to use a different cost allocation method for different types of interregional transmission facilities, such as transmission facilities needed for reliability, congestion relief, or to achieve Public Policy Requirements. Each cost

⁹⁰ Proposed JOA Section 35.10.2(g).

⁹¹ Proposed JOA Section 35.10.6.

⁹² Order No. 1000 at P 668 (footnote omitted).

allocation method must be set out clearly and explained in detail in the compliance filing for this rule.⁹³

The NYISO's and PJM's cost allocation methodology described above and set forth in Section 35.10.2 of the Joint Operating Agreement applies to all eligible Interregional Transmission Projects involving the NYISO and PJM, regardless of the purpose that the transmission facility will serve. In addition, as described in Section VII of this compliance filing, the NYISO region's share of the costs of an Interregional Transmission Project are further allocated to its customers based on the need that the project resolves (reliability, economic, public policy) in line with a regional cost allocation process set forth in Attachment Y of the NYISO OATT.

E. Example of the Application of the Cost Allocation Methodology

The following example illustrates the cost allocation methodology for an Interregional Transmission Project as described in Section V.C of this compliance filing.⁹⁴

A cost allocation analysis of the costs of Interregional Transmission Project Z is to be performed during a given month establishing the beginning of that month as the Base Date.

- Region A has identified a reliability need in its region and has selected a transmission project (Project X) as the preferred solution in its regional plan. The estimated cost of Project X is: Cost (X), provided in a given year's dollars. The number of years from the Base Date to the year associated with the cost estimate of Project (X) is: $N(X)$.
- Region B has identified a reliability need in its region and has selected a transmission project (Project Y) as the preferred solution in its Regional Plan. The estimated cost of Project Y is: Cost (Y), provided in a given year's dollars. The number of years from the Base Date to the year associated with the cost estimate of Project (Y) is: $N(Y)$.
- Regions A and B, through the interregional planning process have determined that an Interregional Transmission Project (Project Z) will address the reliability needs in both regions more efficiently and cost-effectively than the separate regional projects. The estimated cost of Project Z is: Cost (Z). Regions A and B have each determined that Interregional Transmission Project Z is the preferred solution to their reliability needs and have adopted that Interregional Transmission Project in their respective regional plans in lieu of Projects X and Y, respectively. If Regions A and B have agreed to bear the costs of upgrades in other affected transmission planning regions, these costs will be considered part of Cost (Z).
- The discount rate used for all displaced regional transmission projects is: D

⁹³ Order No. 1000 at P 685 (footnotes omitted).

⁹⁴ The example has been included in Section 35.10.2(j) of the Joint Operating Agreement.

- Based on the foregoing assumptions, the following formulas will be used:
 - $\text{Present Value of Cost (X)} = \text{PV Cost (X)} = \text{Cost (X)} / (1+D)^{N(X)}$
 - $\text{Present Value of Cost (Y)} = \text{PV Cost (Y)} = \text{Cost (Y)} / (1+D)^{N(Y)}$
 - $\text{Cost Allocation to Region A} = \text{Cost (Z)} \times \text{PV Cost (X)} / [\text{PV Cost (X)} + \text{PV Cost (Y)}]$
 - $\text{Cost Allocation to Region B} = \text{Cost (Z)} \times \text{PV Cost (Y)} / [\text{PV Cost (X)} + \text{PV Cost (Y)}]$ •

Applying those formulas, if:

$\text{Cost (X)} = \$60 \text{ Million and } N(X) = 8.25 \text{ years}$

$\text{Cost (Y)} = \$40 \text{ Million and } N(Y) = 4.50 \text{ years}$

$\text{Cost (Z)} = \$80 \text{ Million}$

$D = 7.5\% \text{ per year}$

Then:

$\text{PV Cost (X)} = 60 / (1+0.075)^{8.25} = 33.039 \text{ Million}$

$\text{PV Cost (Y)} = 40 / (1+0.075)^{4.50} = 28.888 \text{ Million}$

$\text{Cost Allocation to Region A} = \$80 \times 33.039 / (33.039 + 28.888) = \42.681 Million

$\text{Cost Allocation to Region B} = \$80 \times 28.888 / (33.039 + 28.888) = \37.319 Million

F. Clarification of Filing Rights Regarding Cost Allocation for Interregional Transmission Projects in the NYISO and PJM

The NYISO and PJM acknowledge in Section 9 of the Amended Protocol that the cost allocation methodology set forth in the Joint Operating Agreement shall not be changed without the mutual consent of the holders of the Section 205 rights in the PJM and NYISO regions, including for the NYISO the Long Island Power Authority and the New York Power Authority.

The NYISO and PJM proposed to revise Section 35.10 to reserve their filing rights and those of the NYTOs and the PJM transmission owners with regard to the cost allocation methodology for Interregional Transmission Projects. These provisions were written with the input of the transmission owners of both regions, and reasonably maintain their filing rights in accordance with existing agreements and tariff provisions. Specifically, the NYISO and PJM propose to indicate in Section 35.10.4 that:

- Nothing in Sections 35.10.2 through 35.10.6 of the Joint Operating Agreement or in the Amended Protocol will convey, expand, limit or otherwise alter any rights of the NYISO or PJM, transmission owners, transmission developers, other market participants, or other

entities in PJM or NYISO to submit filings under Section 205 of the Federal Power Act regarding cost allocation or any other matter.

- The NYISO and PJM have been authorized by entities that have cost allocation rights for their respective regions, but are not parties to the Joint Operating Agreement, to enter into and file the cost allocation provisions set forth in Sections 35.10.2 through 35.10.6 of the Joint Operating Agreement.
- Such cost allocation provisions shall not be modified without the mutual consent of the holders of Section 205 rights and the Long Island Power Authority and the New York Power Authority with respect to interregional cost allocation in the PJM region and the NYISO region.
- With respect to PJM, the provisions in Sections 35.10.2 through 35.10.6 have been approved by the PJM Transmission Owners acting through the Consolidated Transmission Owners Agreement (“CTOA”) pursuant to Section 9.1 of the PJM Open Access Transmission Tariff (“PJM Tariff”) and Article 7 of the CTOA, and any amendment to the provisions of Sections 35.10.2 through 35.10.6 or any other provision of the Joint Operating Agreement allocating the costs of Interregional Transmission Projects, shall require approval by the PJM Transmission Owners acting through the CTOA pursuant to Section 9.1 of the PJM Tariff and Article 7 of the CTOA and shall be filed pursuant Section 205 of the Federal Power Act in accordance with the PJM Tariff and Article 7 of the CTOA.
- Nothing in Sections 35.10.2 through 35.10.6 of the Joint Operating Agreement shall limit or alter the rights of the PJM Transmission Owners set forth in the PJM Tariff and CTOA to submit filings under Section 205 of the Federal Power Act.

G. Coordination Between the NYISO and PJM Regarding the Impacts of Projects Located Entirely in One Region

In addition to the interregional cost allocation methodology, the NYISO and PJM propose to insert a new Section 35.10.7 to the Joint Operating Agreement to provide for an enhanced coordination process between both regions with regard to the impact of projects located entirely in one of the regions.

Under the proposed revisions, the NYISO and PJM will share with each other their baseline reliability analyses.⁹⁵ Each region will identify any potential violations to its system resulting from a proposed reliability transmission project located entirely in the other region.⁹⁶ The NYISO and PJM will then discuss identified impacts and coordinate any studies required to analyze such impacts.⁹⁷ Based on the results of the studies, the NYISO and PJM will discuss with each other potential alternative solutions and the mitigation of impacts on the potentially

⁹⁵ Proposed JOA Section 35.10.7.1.

⁹⁶ Proposed JOA Section 35.10.7.2.

⁹⁷ Proposed JOA Section 35.10.7.3.

impacted region's systems and will present agreed-upon mitigation to stakeholders in the region with the proposed reliability transmission project as part of the solution to the identified reliability need.⁹⁸ Other than any agreed-upon mitigation or operational alternatives, the NYISO and PJM are only responsible for the costs of addressing impacts to their own respective systems.⁹⁹

Any disputes arising under this Section 35.10.7 will be addressed under the existing dispute resolution provisions in Section 35.15 of the Joint Operating Agreement. The NYISO understands Section 35.15.2 to require that the parties first seek voluntary mediation, and, if a party determines that mediation has failed, a party may initiate a formal proceeding at the Commission under Section 206 of the Federal Power Act. The NYISO understands that the language recognizing each party's rights to seek formal resolution at the Commission does not represent any party's consent to participate in or to the outcome of such a proceeding.

VI. THE INTERREGIONAL COST ALLOCATION METHODOLOGY IN ATTACHMENT Y OF THE NYISO OATT AND COMPLIANCE WITH THE INTERREGIONAL COST ALLOCATION REQUIREMENTS OF ORDER NO. 1000

The new interregional cost allocation methodology in Section 31.5.7 of Attachment Y of the NYISO OATT satisfies the interregional cost allocation requirements of Order Nos. 1000 and 1000-A with regard to the allocation of costs of Interregional Transmission Projects involving the NYISO and ISO-NE.¹⁰⁰ ISO-NE is filing the same cost allocation methodology in its tariffs.

The cost allocation methodology in Section 31.5.7 of Attachment Y, including the alternate cost allocation methodology provision, is substantially identical in all material respects to the cost allocation methodology set forth in the Joint Operating Agreement, as described in Section V of this compliance filing.¹⁰¹ The methodology in Section 31.5.7 complies with Order No. 1000's six interregional cost allocation principles for the same reasons as those set forth in Section V of this compliance filing.

⁹⁸ Proposed JOA Section 35.10.7.4.

⁹⁹ Proposed JOA Section 35.10.7.4.

¹⁰⁰ Though Con Edison, O&R, NYPA, and LIPA support this compliance filing, they disagree with the application of the avoided cost methodology to an interregional transmission project that costs more than the cost of the displaced regional projects and reserve the right to file a protest to this aspect of the filing.

¹⁰¹ Minor language differences between the provisions in Section 31.5.7 of Attachment Y and the parallel provisions in the NYISO-PJM Joint Operating Agreement are not intended to introduce substantive differences. For example, Section 31.5.7.1(b)(iv) of Attachment Y expressly provides that for purposes of reviewing that reasonably comparable estimating procedures have been used for displaced regional transmission projects, the regions' review process will occur in the IPSAC.

In addition, as between the NYISO and PJM, the NYISO and ISO-NE acknowledge, as set forth in Section 9 of the Amended Protocol and Section 31.5.7. 1 of Attachment Y, that the cost allocation methodology set forth in the NYISO's and ISO-NE's tariffs shall not be changed without the mutual consent of the holders of Section 205 rights in the ISO-NE and NYISO region.¹⁰²

The NYISO similarly proposes, and understands that ISO-NE will propose, to clarify in the cost allocation methodology the scope of their filing rights and those of the transmission owners in their regions with regard to the cost allocation methodology. These provisions were written with the input of the transmission owners of both regions, and reasonably maintain the filing rights of the transmission owners in New York and ISO-NE in accordance with existing agreements and tariff provisions. Specifically, Section 31.5.7.3 of Attachment Y of the NYISO OATT provides that:

- Nothing in this Section 31.5.7 will convey, expand, limit or otherwise alter any rights of ISO-NE, the ISO, PJM, each region's transmission owners, market participants, or other entities to submit filings under Section 205 of the Federal Power Act regarding interregional cost allocation or any other matter; and
- Where applicable, the regions have been authorized by entities that have cost allocation rights for their respective regions to implement the provisions of this Section 31.5.7.

VII. ADDITIONAL COMPLIANCE REVISIONS IN ATTACHMENT Y OF THE NYISO OATT

The following revisions proposed to Attachment Y of the NYISO OATT, in conjunction with the Amended Protocol, Joint Operating Agreement, and other revisions to Attachment Y described above, complete the interregional coordination and interregional cost allocation requirements of Order No. 1000 by providing for the coordination of regional and interregional transmission planning process and the inclusion of Interregional Transmission Projects in regional transmission plans. The compliance revisions to Attachment Y are being submitted by the Joint Filing Parties, *i.e.*, by the NYISO and the NYTOs.

A. Integration of Interregional Transmission Projects into the NYISO's Transmission Planning Processes

Order No. 1000 requires the development and implementation of procedures for the identification and joint evaluation by neighboring regions of Interregional Transmission Projects to determine whether those facilities are more efficient or cost-effective than regional solutions. Order No. 1000 requires that these procedures include a process by which:

¹⁰² This includes the NYTOs, which include the Long Island Power Authority and the New York Power Authority.

- A developer of an Interregional Transmission Project must first propose its project in the regional processes of each of the neighboring regions;¹⁰³ and
- The joint evaluation of the Interregional Transmission Project must occur in the same general timeframe as, rather than subsequent to, each transmission planning region's individual consideration of the proposed project, with a meaningful opportunity to review and evaluate through the interregional coordination procedures information developed through the regional planning process and vice versa;¹⁰⁴ and

These requirements are satisfied by Section 7 of the Amended Protocol, as described in Section IV in this compliance filing, along with the revisions to Attachment Y of the NYISO OATT described below. Section 7 of the Amended Protocol establishes a process to identify and jointly evaluate Interregional Transmission Projects. Under these requirements, the developer of an Interregional Transmission Project must first propose the project in each of the neighboring regions in which the project is physically located. In addition, the joint evaluation of the Interregional Transmission Project must occur in the same general timeframe of each region's individual consideration of the project.

In line with these requirements, the Joint Filing Parties propose the revisions to Attachment Y of the NYISO OATT to provide for an Interregional Transmission Project to be proposed and evaluated comparably with regional projects within the NYISO's reliability, economic, and Public Policy Requirements transmission planning processes. In addition, the Joint Filing Parties propose to specify that the interregional planning processes will be conducted in parallel with these intraregional processes.

1. Interregional Transmission Project

The Joint Filing Parties propose to define the term "Interregional Transmission Project" in Section 31.1.1 ("Definitions") as follows:

Interregional Transmission Project: A transmission facility located in two or more transmission planning regions that is evaluated under the Interregional Planning Protocol and proposed to address an identified Reliability Need, congestion identified in CARIS, or a transmission need driven by a Public Policy Requirement pursuant to Order No. 1000 and the provisions of this Attachment Y.

2. Reliability Planning Process

The Joint Filing Parties propose a new Section 31.2.4.2 ("Interregional Transmission Projects") to establish that Interregional Transmission Projects may be proposed as solutions in the NYISO's reliability planning process. Section 31.2.4.2 provides:

¹⁰³ *Id.* at P 436.

¹⁰⁴ *Id.* at PP 436, 439.

Interregional Transmission Projects may be proposed as regulated backstop solutions, alternative regulated solutions, or market-based solutions. Interregional Transmission Projects proposed as regulated backstop solutions, alternative regulated solutions or market-based solutions shall be subject to the applicable requirements of the reliability planning process of this Attachment Y.

Additionally, the Joint Filing Parties propose to revise Section 31.2.2.3.2 to incorporate Interregional Transmission Projects into the base case for the Reliability Needs Assessment, which identifies Reliability Needs. Section 31.2.2.3.2 provides (in relevant part):

The Five Year Base Case shall also include Interregional Transmission Projects that have been approved by the NYPSC transmission siting process and meet the base case inclusion requirements in the ISO Procedures.

The Joint Filing Parties also propose to revise Section 31.2.6 to provide that the draft Comprehensive Reliability Plan (“CRP”), which sets forth the NYISO’s findings and recommendations for solving a Reliability Need, will include a comparison of any Interregional Transmission Project identified and evaluated pursuant to the Amended Protocol. Section 31.2.6 provides (in relevant part):

The draft CRP shall include a comparison of a proposed regional solution to an identified Reliability Need to an Interregional Transmission Project identified and evaluated under the “Analysis and Consideration of Interregional Transmission Projects” section of the Interregional Planning Protocol, if any. An Interregional Transmission Project proposed in the NYISO’s reliability planning process may be selected as a market based response, regulated backstop solution or an alternative regulated solution, under the provisions of the ISO’s reliability planning process.

3. Economic Planning Process

The Joint Filing Parties propose revisions to Section 31.3.1.1 to provide that Interregional Transmission Projects may be proposed as solutions to congestion identified in the NYISO’s Congestion Assessment and Resource Integration Study (“CARIS”). Section 31.3.1.1 provides (in relevant part):

The CARIS process shall determine whether to approve an Interregional Transmission Project, identified and evaluated under the “Analysis and Consideration of Interregional Transmission Projects” section of the Interregional Planning Protocol, if any, and proposed in the NYISO’s economic planning process as an economic transmission project in lieu of a proposed regional economic transmission project for regulated cost allocation and recovery under the ISO Tariff.

Additionally, the Joint Filing Parties propose to make the following related revisions to Section 31.3.2.4 (“Actual Project Proposals”):

As discussed in Section 31.3.1 of this Attachment Y, the CARIS analyzes system congestion over the Study Period and, for informational purposes, provides benefit/cost analysis and other analysis of potential generic solutions to the congestion identified. If, in response to the CARIS, a Developer proposes an actual project, including an Interregional Transmission Project that has been identified and evaluated in accordance with the “Analysis and Consideration of Interregional Transmission Projects” section of the Interregional Planning Protocol, to address specific congestion identified in the CARIS, then the ISO will process that project proposal in accordance with the relevant provisions of Sections 31.5.1, 31.5.4 and 31.5.5 of this Attachment Y.

4. Public Policy Requirements Planning Process

The Joint Filing Parties propose revisions to Section 31.4.3 (“Request for and Evaluation of Proposed Transmission Solutions”) to provide that Interregional Transmission Projects may be proposed to address identified Public Policy Requirements. Section 31.4.3 provides:

The ISO will request and evaluate specific proposed transmission solutions to a transmission need identified by the NYDPS, including any proposed Interregional Transmission Project that has been identified and evaluated in accordance with the “Analysis and Consideration of Interregional Transmission Projects” section of the Interregional Planning Protocol.

5. Parallel Performance of Interregional and Regional Planning Processes

The Joint Filing Parties propose revisions to Section 31.1.8.2 to specify that the interregional planning process will be conducted in parallel with the regional planning processes. Section 31.1.8.2 provides (in relevant part):

As further detailed in Sections 31.2, 31.3, 31.4, and 31.5, the interregional planning process shall be conducted in parallel with the reliability planning process, the economic planning process, and the Public Policy Requirements planning process to identify and evaluate Interregional Transmission Projects that may more efficiently or cost-effectively meet the needs of the region than a regional transmission project.

B. Eligibility for Interregional Cost Allocation

Order No. 1000 requires that an Interregional Transmission Project must be selected in both regions’ regional transmission planning processes to be eligible for interregional cost allocation.¹⁰⁵ As described in Section V of this compliance filing, the cost allocation rules in

¹⁰⁵ *Id.* at PP 400, 436, 581-582.

Section 35.10.2(a) of the JOA for Interregional Transmission Projects involving the NYISO and PJM expressly require that an Interregional Transmission Project must be selected in both regions' regional transmission plans to be eligible for interregional cost allocation. In parallel, as described in Section VI of this compliance filing, the cost allocation rules in Section 31.5.7.1(a) of Attachment Y include the same requirement for Interregional Transmission Projects involving the NYISO and ISO-NE.

The Joint Filing Parties propose to make the following revisions to Attachment Y that acknowledge this requirement:

- Section 31.5.1.7 (“Eligibility for Cost Allocation and Cost Recovery”) provides (in relevant part): “Interregional Transmission Projects identified in accordance with the Interregional Planning Protocol, and that have been accepted in each region’s planning process, shall be eligible for interregional cost allocation and cost recovery, as set forth in Section 31.5 of this Attachment Y and associated rate schedules.”
- New Section 31.1.6 (“Interregional Planning Process”) provides that the interregional planning process provides for the “allocation of costs among the ISO/RTO Regions of Interregional Transmission Projects, identified in accordance with the Interregional Planning Protocol and approved by each region, pursuant to the cost allocation methodology set forth in Section 31.5.7 herein.”

The Joint Filing Parties also propose to include Order No. 1000’s six interregional cost allocation principles in Section 31.5.2.2 of Attachment Y, and to specify that the NYISO will implement the interregional cost allocation methodology set forth in Section 31.5.7 in accordance with these principles.

C. Allocation of Regional Share of Costs of Interregional Transmission Project

Order No. 1000 provides that: “Each transmission planning region would determine for itself how to allocate the costs of a new interregional transmission facility consistent with this Final Rule.”¹⁰⁶ Order No. 1000 indicates that the public utility transmission providers may allocate their share of the costs of an Interregional Transmission Project using their regional cost allocation method or methods.¹⁰⁷

The Joint Filing Parties propose to revise Attachment Y to provide that the NYISO will allocate its region’s share of the costs of an Interregional Transmission Project based on the type of regional transmission project that is being displaced by the Interregional Transmission Project. For example, if the Interregional Transmission Project displaces a regional transmission project that is required to resolve a Reliability Need, the NYISO will allocate its region’s share of the costs of the Interregional Transmission Project through the cost allocation methodology for its reliability planning process in Attachment Y. The NYISO would similarly apply the cost

¹⁰⁶ Order No. 1000 at P 735.

¹⁰⁷ Order No. 1000 at P 733.

allocation methodology for its economic or Public Policy Requirement planning processes for Interregional Transmission Projects that displace regional transmission projects and solve these needs. This approach ensures that the costs of Interregional Transmission Projects that satisfy reliability, economic, or public policy needs are allocated to those that benefit from such projects on a comparable basis with how the costs of regional projects that satisfied those same needs would be allocated to those that benefit. This approach uses regional cost allocation methodologies accepted by the Commission as consistent with its Order No. 1000 requirements and regional cost allocation principles.

The Joint Filing Parties propose to revise Section 31.5.1.7 (“Eligibility for Cost Allocation and Cost Recovery”) to establish this process for allocating the NYISO region’s share of the costs of an Interregional Transmission Project. Section 31.5.1.7 provides:

The ISO’s share of the cost of an Interregional Transmission Project selected pursuant to this Attachment Y to meet a Reliability Need, congestion identified in CARIS, or a transmission need driven by a Public Policy Requirement shall be eligible for cost allocation consistent with the cost allocation methodology applicable to the type of regional transmission project that would be replaced through the construction of such Interregional Transmission Project.

The Joint Filing Parties propose to revise the description of the cost allocation methodology for the NYISO’s reliability planning process in Section 31.5.3.1 (“Cost Allocation Principles”) to provide for this allocation. Section 31.5.3.1 provides (in relevant part):

This methodology shall apply to cost allocation for a regulated transmission solution to an identified Reliability Need, including the ISO’s share of the cost of an Interregional Transmission Project proposed as a regulated transmission solution to an identified Reliability Need allocated in accordance with Section 31.5.7 of this Attachment Y.

Similarly, the Joint Filing Parties propose to revise the description of the cost allocation methodology for the NYISO’s economic planning process in Section 31.5.4.4 (“Cost Allocation for Eligible Projects”) to provide (in relevant part):

This methodology shall apply to cost allocation for a [regulated economic transmission project (“RETP”)], including the ISO’s share of the cost of an Interregional Transmission Project proposed as a RETP allocated in accordance with Section 31.5.7 of this Attachment Y.

In addition, the Joint Filing Parties propose to revise the description of the cost allocation methodology for the NYISO’s Public Policy Requirements planning process in Section 31.5.5.4 (“Cost Allocation for Eligible Projects”) to provide (in relevant part):

This methodology shall apply to cost allocation for a proposed solution to a transmission need driven by a Public Policy Requirements, including the ISO’s share of the costs of an Interregional Transmission Project proposed as a solution

to a transmission need driven by a Public Policy Requirement allocated in accordance with Section 31.5.7 of this Attachment Y.

D. Additional Compliance Revisions

The Joint Filing Parties propose the following additional modifications to Attachment Y.

1. Overview of Interregional Planning Process

Order No. 1000 requires a public utility transmission provider that includes its interregional transmission coordination procedures in an interregional transmission coordinating agreement to include in its OATT a sufficiently detailed description for stakeholders to follow how interregional transmission coordination will be conducted.¹⁰⁸ The Joint Filing Parties propose to replace the overview of the existing “Interregional Planning Coordination” process in Section 31.6.6 with the following revised overview of the “Interregional Planning Process” in Section 31.1.6:

The ISO, the Transmission Owners, and Market Participants and other interested parties shall coordinate system planning activities with neighboring planning regions (*i.e.*, the ISO/RTO Regions and adjacent portions of Canada). The Interregional Planning Protocol includes a description of the committee structure, processes, and procedures through which system planning activities are openly and transparently coordinated by the ISO/RTO Regions. The objective of the interregional planning process is to contribute to the on-going reliability and the enhanced operational and economic performance of the ISO/RTO Regions through: (1) exchange of relevant data and information; (2) coordination of procedures to evaluate certain interconnection and transmission service requests; (3) periodic comprehensive interregional assessments; (4) identification and evaluation of potential Interregional Transmission Projects that can address regional needs in a manner that may be more efficient or cost-effective than separate regional solutions, in accordance with the requirements of Order No. 1000; (5) allocation of costs among the ISO/RTO Regions of Interregional Transmission Projects, identified in accordance with the Interregional Planning Protocol and approved by each region, pursuant to the cost allocation methodology set forth in Section 31.5.7 herein.

The planning activities of the ISO/RTO Regions shall be conducted consistent with the planning criteria of each ISO/RTO Region’s regional reliability organization(s) as well as the relevant local reliability entities. The ISO/RTO Regions shall periodically produce a Northeastern Coordinated System Plan that integrates the system plans of all of the ISO/RTO Regions.

¹⁰⁸ Order No. 1000 at P 475 n 372.

2. Consequences for Other Regions

The Joint Filing Parties propose to revise Sections 31.2.2.7, 31.3.1.6, and 31.4.4.1 of Attachment Y to provide that the NYISO will coordinate with the neighboring ISO/RTO Regions (*i.e.*, PJM and ISO-NE) to identify the consequences of reliability transmission projects, economic transmission projects, and transmission solutions driven by Public Policy Requirements on such ISO/RTO Regions “using the respective planning criteria of such ISO/RTO Regions.” The proposed revisions enable the NYISO to identify consequence of its regional planning process for neighboring ISO/RTO systems to inform the interregional planning process. In addition, consistent with Order No. 1000’s interregional cost allocation principle 4, the revisions enable the NYISO to coordinate with neighboring ISOs/RTOs to identify the consequences on their systems of an Interregional Transmission Project.

3. Stakeholder Participation

The Joint Filing Parties propose to revise Section 31.1.7 to provide that, for purposes of any matter addressed in the NYISO’s Attachment Y, any interested entity is eligible to participate in the NYISO’s Interregional Planning Task Force (“IPTF”), irrespective of whether the entity has become a Party to the NYISO’s Independent System Operator Agreement. The IPTF was formed to enable NYISO stakeholders to provide input and guidance to the NYISO regarding technical and economic aspects of interregional planning.

4. Adoption of Procedures

Section 31.1.8.1 of Attachment Y provides that the NYISO will adopt procedures to implement and administer the CSPP set forth in Attachment Y. The Joint Filing Parties proposed to revise this section to provide that the NYISO will also adopt procedures, with input from all interested parties, to implement and administer the CSPP requirements set forth in the Amended Protocol.

5. Definitions

The Joint Filing Parties also propose to revise or insert the following definitions for Attachment Y:

CSPP: The Comprehensive System Planning Process set forth in this Attachment Y, and in the Interregional Planning Protocol, which covers reliability planning, economic planning, Public Policy Requirements planning, cost allocation and cost recovery, and the interregional planning process coordination.

Interregional Planning Protocol: The Amended and Restated Northeastern ISO/RTO Planning Coordination Protocol, or any successor to that protocol.

IPTF: The Interregional Planning Task Force, or any successor ISO stakeholder working group or committee designated to fulfill the functions assigned to the IPTF in this tariff.

ISO/RTO Region: One or more of the three ISO or RTO regions known as PJM, ISO-New England, and NYISO, which are the “Parties” to the Interregional Planning Protocol.

Order No. 1000: The Final Rule entitled Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities, issued by the Commission on July 21, 2011, in Docket RM10-23-001, as modified on rehearing, or upon appeal. (See FERC Stats & Regs. ¶ 31,323 (2011) (“Order No. 1000”), on reh’g and clarification, 139 FERC ¶ 61,132 (“Order No. 1000-A”), on reh’g and clarification, 141 FERC ¶ 61,044 (2012) (“Order No. 1000-B”).

6. Ministerial Modifications

Additionally, the Joint Filing Parties propose to make certain ministerial modifications to Attachment Y that will not alter the substance of the NYISO’s transmission planning process as set forth in Attachment Y.¹⁰⁹ These changes include correcting internal cross-references and applying defined terms consistently throughout Attachment Y.

VIII. EFFECTIVE DATE

The NYISO, and with respect to Section VII, the Joint Filing Parties, respectfully request that the compliance tariff modifications proposed herein become effective January 1, 2014. The NYISO understands that PJM and ISO-NE are proposing the same effective date for their Order No. 1000 interregional compliance revisions to the extent that they are interrelated with the NYISO’s revisions.

IX. SERVICE

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

X. CONCLUSION

WHEREFORE, the New York Independent System Operator, Inc. and, for purposes of Section VII, the New York Transmission Owners respectfully request that the Commission accept this compliance filing, without requiring any modifications, and make it effective on January 1, 2014.

¹⁰⁹ The Commission has previously authorized the NYISO to include these kinds of limited, but necessary, clarifications in compliance filings and should follow that precedent here. *See New York Independent System Operator, Inc.*, 125 FERC ¶ 61,206 (2008), *reh’g*, 127 FERC ¶ 61,042 (2009) (accepting proposed tariff revisions necessary to correct drafting errors, clarify ambiguities, or flesh out necessary implementation details).

Respectfully submitted,

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