

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

New York Independent System Operator, Inc.)

Docket No. ER13-1380-001

**REQUEST FOR LEAVE TO ANSWER AND ANSWER
OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**

In accordance with Rule 213 of the Commission’s Rules of Practice and Procedure,¹ the New York Independent System Operator, Inc. (“NYISO”) respectfully submits this answer to, and seeks leave to answer, the *Answer of Consolidated Edison Company of New York, Inc., and Orange and Rockland Utilities, Inc., and Central Hudson Gas and Electric Corporation* (“CE/CH Answer”). The CE/CH Answer was submitted on June 19, 2013 in response to the NYISO’s June 12 filing in this proceeding (the “June 12 Filing”).²

The CE/CH Answer consists largely of arguments that CE/CH has made before in this proceeding³ and which the NYISO previously addressed. The NYISO has both demonstrated the invalidity or inapplicability of those arguments and shown that they do not undermine the

¹ 18 C.F.R. 385.213 (2013).

² The NYISO submitted the June 12 Filing in response to the Commission’s June 6, 2013 request for additional information (“June 6 Letter”) regarding the NYISO’s *Proposed Tariff Revisions to Establish and Recognize a New Capacity Zone and Request for Action on Pending Compliance Filing* (“April 30 Filing”). CE/CH refers to the June 12 Filing as an “Amended Filing” which is technically accurate under the Commission’s regulations, even though the June 12 Filing did not in any way revise the proposal set forth in the April 30 Filing.

³ See *Answer of Consolidated Edison Company of New York, Inc., Orange and Rockland Utilities, Inc., and Central Hudson Gas and Electric Corporation in Opposition to New York Independent System Operator, Inc.’s Request for Shortened Notice and Comment Period* (June 13, 2013); *Request for Leave to File Answer and Answer of Consolidated Edison Company of New York, Inc.* (June 5, 2013); *Protest of Consolidated Edison Company of New York, Inc., Orange and Rockland Utilities, Inc., and Central Hudson Gas and Electric Corporation*, Docket No. ER13-1380-000 at 5-6, 10, 16 (filed May 21, 2013) (“CE/CH Protest”).

validity of NYISO's proposed New Capacity Zone ("NCZ")⁴ comprised of Load Zones G, H, I and J ("G-J") and tariff revisions to implement it.⁵ Therefore, this answer focuses solely on the two points in the CE/CH Answer that are the most inaccurate and potentially misleading. The NYISO's silence regarding any assertion in the CE/CH Answer, however, should not be construed as acceptance of it.⁶

Neither CE/CH nor any other party in this proceeding has shown that the NYISO's proposal to establish a G-J NCZ and not include Load Zone K is unjust or unreasonable. Nor has any party argued that the Commission's just and reasonable standard should not govern the Commission's review of the NCZ boundary and the April 30 Filing. CE/CH has made it clear that it would prefer Load Zone K to be included in the NCZ and argued that it should be. Even if its arguments were reasonable, which the NYISO does not concede, that would be an insufficient basis for the Commission to decline to accept the NYISO's proposed NCZ boundary.

Similarly, there is nothing in the CE/CH Answer that should delay a Commission ruling on the April 30 Filing. As the April 30 Filing⁷ and the June 12 Filing⁸ emphasized, it is very

⁴ Capitalized terms that are not defined herein have the meaning specified in the NYISO's Market Administration and Control Area Services Tariff, and if not defined therein, then in the Open Access Transmission Tariff ("OATT").

⁵ See *Answer to Comments and Request for Leave to Answer and Answer to Protests of the New York Independent System Operator, Inc.* ("NYISO Answer") at Section II.C and *Answering Affidavit of Henry Chao, Ph.D., and John M. Adams* which is Attachment 2 to the Answer (June 5, 2013) ("Chao/Adams Answering Affidavit"); June 12 Filing at Section II.

⁶ Similarly, the fact that the NYISO is not responding to the *Motion for Leave to Answer and Answer of Multiple Intervenors* or the *Request for Leave to File Answer and Answer of Central Hudson Gas & Electric Corporation* in this proceeding (filed on June 18 and 20, respectively) should not be interpreted as indicating that the NYISO accepts or acquiesces in any of their arguments.

⁷ See April 30 Filing at n. 9 (explaining the tariff basis for the requirement that the proposed NCZ be in place for the start of the NYISO's next Capability Year and concurrent with the implementation of new ICAP Demand Curves, *i.e.*, on May 1, 2014).

⁸ See June 12 Filing at 2-3.

important that an order be issued by July 1, 2013, and no later than July 18, 2013, authorizing the NYISO to establish the G-J Locality⁹ for the Capability Year beginning May 1, 2014.¹⁰

I. REQUEST FOR LEAVE TO ANSWER

The Commission has discretion under Rule 213(a)(2) to accept answers to pleadings styled as answers. The Commission has accepted such answers when they help to clarify complex issues, provide additional information, or are otherwise helpful in the development of the record in a proceeding.¹¹ The Commission should accept this filing because it will help to clarify complex issues and will correct misleading statements in the CE/CH Answer. In deference to the Commission's rules, the NYISO has limited its response to only those statements that required an answer in order for the record to be clear.

II. ANSWER

A. CE/CH CONTINUES TO MISCHARACTERIZE THE NYISO'S 2012 RELIABILITY NEEDS ASSESSMENT ("2012 RNA") AND MISCHARACTERIZES THE NYISO'S 2012 COMPREHENSIVE RELIABILITY PLAN ("2012 CRP")

CE/CH continues to attempt to support its allegation that it is "unreasonable for the NYISO to provide that capacity located in Zone K can be used to satisfy a LHV need but then

⁹ The April 30 Filing proposed to make "G-J Locality" a defined term, and explained that adding it "would clearly specify that the NYISO's NCZ is to be 'comprised of Load Zones G, H, I, and J, collectively.'" The NYISO's *Initial Compliance Filing* on June 19, 2013 in Docket No. ER12-360-001 proposed a compliance revision to the definition of "Locality" that is wholly consistent with the April 30 Filing's proposal to establish "G-J Locality" as a new defined term, and its proposal to revise the definition of "Locality" to recognize that it would consist of Load Zones G, H, I, and J.

¹⁰ See also *New York Independent System Operator, Inc.*, Docket No. ER12-360-000 at 7 (filed November 7, 2011) and *New York Independent System Operator, Inc.*, 140 FERC ¶ 61,160 [at PP 32-37 (accepting NCZ implementation timetable)] (2012).

¹¹ See e.g., *New York Independent System Operator, Inc.*, 108 FERC ¶ 61,188 at P 7 (2004) (accepting the NYISO's answer to protests because it provided information that aided the Commission in better understanding the matters at issue in the proceeding); *Morgan Stanley Capital Group, Inc. v. New York Independent System Operator, Inc.*, 93 FERC ¶ 61,017 at 61,036 (2000) (accepting an answer that was "helpful in the development of the record.....").

exclude that zone from the Proposed NCZ.”¹² It suggests that NYISO statements in the 2012 RNA and 2012 CRP “contradict”¹³ the NYISO’s demonstration in this proceeding that incremental capacity in Load Zone K would provide, at most, limited reliability value to Load Zones GHI.¹⁴ Specifically, CE/CH asserts that in the 2012 RNA Load Zone K “is included and identified in the resource adequacy plan to satisfy a need that is located in the Lower Hudson Valley.”¹⁵ It states that the 2012 RNA provides that the “Reliability Needs identified for resource adequacy in 2020 through 2022 [for an LHV violation] can be satisfied through the addition of resources in the form of generic compensatory MWs in Zones G through K below the UPNY/SENY interface.”¹⁶ As in the CE/CH Protest, CE/CH is again relying on an isolated excerpt from the 2012 RNA that is taken out of context.¹⁷

As the NYISO explained in the June 12 Filing,¹⁸ the 2012 RNA clearly demonstrates that there is an export constraint that limits the amount of compensatory MW that can be added to Load Zone K over the RNA’s 10 year planning horizon.¹⁹ This is consistent with the NYISO’s NCZ boundary analysis and with a finding that the result of that analysis is just and reasonable. The NYISO respectfully submits that if the Commission reviews the relevant portion of the 2012 RNA in its entirety it will readily see that it does not support CE/CH’s argument.

¹² CE/CH Answer at 7-8. CE/CH’s references to the “LHV” or to the “Lower Hudson Valley” refer to Load Zones G, H, and I (“GHI”).

¹³ *Answering Affidavit of Dr. Mayer Sasson* (“Sasson Answering Affidavit”).at P 16.

¹⁴ *See, e.g.*, June 12 Filing at 15.

¹⁵ CE/CH Answer at 7.

¹⁶ *Id.*

¹⁷ *See* CE/CH Answer at 7. *See also*, CE/CH Protest at 20-21 *citing* Sasson Answering Affidavit at P 11.

¹⁸ June 12 Filing at 14-15.

¹⁹ *See e.g.* 2012 RNA at 39-40, available at <http://www.nyiso.com/public/webdocs/markets_operations/services/planning/Planning_Studies/Reliability_Planning_Studies/Reliability_Assessment_Documents/2012_RNA_Final_Report_9-18-12_PDF.pdf>.

CE/CH also cites to the NYISO's 2012 CRP in an attempt to support the proposition that "solutions offered, which included generation in Zone K, did meet reliability criteria."²⁰

Dr. Sasson states that "when backstop solutions were proposed for all SENY zones by the Responsible TOs it included solutions that contained generation in LIPA, which were formally accepted by the NYISO in the 2012 CRP."²¹ What the 2012 CRP in fact stated is:

- "6. Regulated backstop solutions to address RNA 2021-2022 Resource Adequacy Needs
- a. TO proposal #1 would include ***300 MW combination of generation, demand response, or energy efficiency in Zones G-K in 2021*** followed by 275 MW increase in transfer limit from F-G by 2022. (two to four year lead time for 2021 projects and up to six year lead time for the transmission project)
 - b. TO proposal #2 would include ***275 MW combination of generation, demand response, or energy efficiency in Zones G-K in 2021*** followed by 300 MW increase in transfer limit from F-G by 2022. (two to four year lead time for 2021 projects and up to six year lead time for the transmission project)²²

Thus, the backstop solution identified in the CRP is in fact consistent with the deterministic and probabilistic analyses that the NYISO conducted to support its NCZ boundary determination. The 275 MW in the one proposal, and the 300 MW in the other proposal, referenced above would be no higher (even if it were all capacity²³ and were located in Load Zone K, which is not specified) than the approximately 300 MW of capacity located in Load Zone K that can be transferred to Load Zones GHI without violating the loss of load criterion.

²⁰ CE/CH Answer at 7.

²¹ Sasson Answering Affidavit at P 16.

²² See New York Independent System Operator, Inc., *2012 Comprehensive Reliability Plan, Final Report* (March 19, 2013), at Appendix C "2012 CRP Projects and Timing," available at <http://www.nyiso.com/public/webdocs/markets_operations/services/planning/Planning_Studies/Reliability_Planning_Studies/Reliability_Assessment_Documents/2012_Comprehensive_Reliability_Plan_Final_Report.pdf>.

²³ Energy efficiency is not Capacity under the NYISO's tariffs.

B. CE/CH'S SCENARIO IN WHICH A CAPACITY ADDITION IN A SINGLE LOCATION IN LOAD ZONE K POSSIBLY BENEFITS LOAD ZONES GHI IGNORES THE IMPLICATIONS OF ENCOURGING NEW CAPACITY TO LOCATE ANYWHERE IN LOAD ZONE K

CE/CH and Dr. Sasson describe a single scenario in which interconnecting “1,000 MW of capacity in western Zone K on the 345 kV system” could increase the transfer capability between Load Zone K and Load Zones GHI.²⁴ The Y49 and Y50 345 kV cables are the tie lines between Zone K and Zone I and are the only 345 kV facilities in Load Zone K tied to other NYCA Load Zones.²⁵ These facilities are located in an area of Load Zone K that would make it very difficult, if not impossible, to implement Dr. Sasson’s scenario. However, without even considering whether a scenario in which 1,000 MW of generation capacity is added on the 345 kV system in Nassau County, Long Island (*i.e.*, western Load Zone K) is realistic,²⁶ or the OATT Attachment S requirements that such an addition would have to satisfy for Capacity Resource Interconnection Service in order to be deliverable throughout Load Zone K, the scenario can be disposed of by focusing on price signals.²⁷

²⁴ See CE/CH Answer at 4 *citing* CE/CH Protest at 22-24 and *Sasson Answering Affidavit* at P 12.

²⁵ The *Affidavit of Henry Chao, Ph.D and John M. Adams* (“Chao/Adams Affidavit”) filed in support of the April 30 Filing as Attachment XIV thereto explained that “the backbone transmission system serving Load Zone K is a 138 kV except for its external ties [*i.e.*, the Y49 and Y50] to Load Zone I” [while the] “backbone transmission system serving Load Zones GHIJ is a more robust 345 kV system. . .” See Chao/Adams Affidavit at P 32. The Y49 and Y50 lines are depicted in the Chao/Adams Answering Affidavit at Diagram 1, P 41, and the transfer limits are discussed therein at PP 27-53. The only other 345 kV facility in Load Zone K is a short distance tie (1.7 miles) between Newbridge and the converter station by which the Neptune DC line from PJM Interconnection connects to the NYCA system.

²⁶ The NYISO’s Interconnection Queue shows that there are no currently proposed, or withdrawn generation projects proposed for Western Load Zone K (*i.e.*, Nassau County) <http://www.nyiso.com/public/markets_operations/services/planning/documents/index.jsp>.

²⁷ In response to an earlier unsupported assertion by CE/CH regarding capacity additions on Long Island increasing the transfer capability, the NYISO identified the “potentially prohibitive cost of system upgrades [associated with satisfying deliverability requirements] that may be required to achieve such a result.” See NYISO Answer at 29; *see also* Chao/Adams Answering Affidavit at P 53. Rather than address that point, Dr. Sasson now states that it “more reasonable” to locate 1,000 MW of capacity on the 345 kV system into Nassau County in Load Zone K, rather than in his previously proposed location. See

The ICAP Demand Curve for the NCZ will send a price signal to add capacity when and where it is needed. Dr. Sasson acknowledges that including Load Zone K in the NCZ could result in capacity additions in Load Zone K that are bottled when the need exists in Load Zones GHI.²⁸ Because all capacity in the NCZ will receive the same ICAP Demand Curve price regardless of its location within the NCZ (just as under the present Locality rules,) the price signal for capacity additions would include additions interconnected to the 138 kV and 69 kV systems east of the Y49 and Y50 cables (in Load Zone K.) Other than the single scenario of 1,000 MW of capacity added in Nassau County connected to the 345 kV system which might possibly increase the transfer capability so additional capacity might be exported out from the Zone K, capacity additions in Load Zone K greater than approximately 300 MW become bottled when there is an attempt to transfer such capacity from Long Island to Load Zones GHI.²⁹ The facts force Dr. Sasson to acknowledge that under his unique scenario of 1,000 MW interconnected to the 345 kV system, the price signal for capacity additions would not be limited to the one location in Nassau County on the 345 kV system; it would be for capacity additions throughout Load Zone K. Therefore, more capacity additions, greater than the actual need in Load Zones GHI, would be incentivized.

To address the capacity bottling problem that would ensue from these capacity additions, the Sasson Answering Affidavit hypothesizes that incremental capacity: “would have the incentive to, [become] unbottled with a reasonable additional investment.”³⁰ However,

Sasson Answering Affidavit at P 11. Even assuming *arguendo* the latter scenario is “more reasonable” than the former, it still is not reasonable, and neither scenario supports including Load Zone K in the NCZ.

²⁸ See Sasson Answering Affidavit at P 12

²⁹ See Chao/Adams Affidavit at PP 12-34, Chao/Adams Answering Affidavit at PP 25-27; see also June 12 Filing at 8-12.

³⁰ See *id.*

establishing an NCZ boundary based on a single scenario³¹ that foreseeably would result in creating a price incentive to add more capacity just to unbottle capacity additions is inconsistent with the Affidavit of Dr. David B. Patton (“Patton Affidavit”) which describes that “[NCZs] are intended to reflect the reliability needs of the system over the planning horizon, since this allows the capacity market to attract investment to the areas where investment provides the greatest reliability benefit.”³²

In addition to there being more efficient means to address capacity needs than the “unbottling” investments, the Sasson Answering Affidavit fails to identify that the possible increase in transfer capability from Load Zone K to Load Zone I from a hypothetical 1,000 MW capacity addition could result in an unreliable system condition. For instance, the operation of the 1,000 MW of added generation will compete with flows into Load Zone K over the 345 kV ties lines from Load Zone I, resulting in potential transmission security concerns on the 138 kV and 69 kV transmission systems in the Northwest Nassau County and Southeast Nassau County areas.

The NYISO’s proposal, on the other hand, demonstrates that the appropriate NCZ boundary would send a price signal where capacity was needed in the first instance to address system needs. Unlike Dr. Sasson’s scenario, the NYISO’s proposal does not entail a signal to

³¹ The NYISO again notes that it is not addressing the degree of likelihood of adding 1,000 MW of capacity in Nassau County, Load Zone K because it is not necessary to do so in order for the NYISO to demonstrate as it does herein that the CE/CH scenario does not result in a reasonable outcome.

³² See Patton Affidavit at P 8. The Patton Affidavit was Attachment XI to the April 30 Filing. Dr. Patton is the President of Potomac Economics, the independent Market Monitoring Unit for the NYISO. The inefficient “unbottling” result of the Sasson Answering Affidavit’s hypothesis purportedly supporting the inclusion of Load Zone K, would also be inconsistent with Dr. Patton’s description that “resources within the [NCZ] will receive the same price and implicitly be deemed to be comparable in satisfying the local reliability needs of the NYISO.” See *id.* at P 9.

add more capacity than is otherwise necessary in order to “unbottle” bottled capacity.³³ The CE/CH argument to include Load Zone K is thus an argument for sending a signal for a greater than one-for-one substitution of Load Zones GHI capacity. By contrast, the NYISO’s proposal is supported by the fungibility test, which examined

how well incremental capacity in Load Zone J and Load Zone K, evaluated one at a time, would help maintain the NYCA LOLE criterion of 0.1 days per year or 1 day in ten years versus a **same amount of capacity** in Load Zones GHI. The key analytical threshold was whether capacity in a Load Zone **could be substituted one-for-one** with capacity in another Load Zone (or group of Load Zones.) The results of testing the fungibility of capacity as measured by LOLE demonstrated that this was the case for Load Zone J but not Load Zone K.³⁴

CE/CH’s Answer, including the Sasson Answering Affidavit, do not undermine that result or the NYISO’s proposal that it is appropriate for the NCZ to consist of Load Zones G-J and not include Load Zone K.

III. CONCLUSION

For the reasons specified above, the NYISO respectfully requests that the Commission accept this answer; reject the objections raised and recommendations proposed in the CE/CH Answer; accept all of the tariff revisions proposed in the April 30 Filing without requiring any modification; grant the various effective dates requested in the April 30 Filing;³⁵ and permit the

³³ CE/CH misleadingly asserts that the NYISO stated that “up to 3,500 MW of new capacity in Zone K can assist Zones GHI.” See CE/CH Answer at 6. A review of the NYISO’s pleadings including the limited one cited in the CE/CH Answer makes clear that the 3,500 MW value was stated in contrast to Load Zone J capacity that was fungible, and also that any amount of approximately 300 MW or more becomes bottled. See Chao/Adams Affidavit at PP 12-34, Chao/Adams Answering Affidavit at PP 25-27; see also June 12 Filing at 8-12. The NYISO thus refers the Commission to the record for the actual evidence on this and other points, rather than further refute misstatements in the CE/CH Answer.

³⁴ Chao/Adams Answering Affidavit at PP 27-28 (*emphasis added*). See also, June 12 filing at 4-8.

³⁵ See April 30 Filing at Section V and 30-32.

NYISO to implement the NCZ encompassing Load Zones G, H, I, and J for the May 1, 2014 start of the 2014/2015 Capability Year.

Respectfully submitted,

/s/ Gloria Kavanah

Gloria Kavanah

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New York Independent System Operator, Inc.

June 24, 2013

CERTIFICATE OF SERVICE

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

Dated at Rensselaer, NY this 24th day of June, 2013.

/s/ Joy A. Zimmerlin

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