

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

New York Independent System Operator, Inc.)

Docket No. ER15-1042-000

**MOTION FOR LEAVE TO RESPOND, AND RESPONSE OF THE
NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**

Pursuant to Rules 212 and 213 of the Federal Energy Regulatory Commission’s (the “Commission’s”) Rules of Practice and Procedure,¹ the New York Independent System Operator, Inc. (“NYISO”) respectfully requests leave to submit the following response (“Response”) to the protests filed in this docket on March 6, 2015 by the Independent Power Producers of New York, Inc. (“IPPNY”) and Dynegy Marketing and Trade, LLC (“DMT”) (“Protests”). The Protests were submitted in response to the NYISO’s February 13, 2015 Federal Power Act Section 205 filing of *Proposed Amendments to its Market Administration and Control Area Services Tariff Rate Schedule 2* (“NYISO Filing”). The NYISO Filing proposed revisions to Rate Schedule 2 of its Market Administration and Control Area Services Tariff (“Services Tariff”) that redesign the compensation to Suppliers providing Voltage Support Service (“VSS”). The Commission should reject both Protests and accept the NYISO Filing as filed for the reasons explained in this Response.

I. Motion for Leave to Respond

The NYISO recognizes that the Commission generally discourages responses to protests. However, the NYISO respectfully requests leave to submit this Response. The Commission has allowed responses to protests when they help to clarify complex issues, provide additional information that will assist the Commission, correct inaccurate statements, or are otherwise

¹ 18 C.F.R. §§ 385.212 and 385.213.

helpful in developing the record in a proceeding.² The NYISO's Response meets this standard. The NYISO's response does not introduce new arguments, but instead is submitted for the limited purpose of clarifying certain factual matters and providing additional information to the Commission, thereby assisting the Commission in its review and consideration of the issues presented in this proceeding. The NYISO therefore respectfully requests that the Commission exercise its discretion and accept this Response.

II. Response to Protests

The Protests ask the Commission to direct the NYISO "to apply its proposed solution of pegging the compensation rate to CPI to the inflation of costs over the last decade."³ Both Protests note that the NYISO has not accounted for the inflation that has occurred since the existing VSS compensation rate was set in 2002.⁴ Both Protests should be rejected and the NYISO Filing should be accepted by the Commission as filed for the reasons explained in this Response.

The proposal to include a VSS compensation rate inflator in the VSS compensation proposal offered by the NYISO was one of the most contentious issues addressed in the stakeholder process. The NYISO's initial VSS compensation redesign proposal⁵ did not include any escalation, for past or future, inflation. The NYISO added a going-forward VSS

² See, e.g., *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"); *New York Independent System Operator, Inc.*, 91 FERC ¶ 61,218 at 61,797 (2000) (allowing "the NYISO's Answer of April 27, 2000, [because it was deemed] useful in addressing the issues arising in these proceedings"); *Central Hudson Gas & Electric Corp.*, 88 FERC ¶ 61,138 at 61,381 (1999) (accepting prohibited pleadings because they helped to clarify the issues and because of the complex nature of the proceeding).

³ IPPNY Protest at 3; see also DMT Protest at 3.

⁴ See IPPNY Protest at 3 and DMT Protest at 3.

⁵ The first redesign proposal was offered for stakeholder discussion in September 2013. See http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_miwg/meeting_materials/2013-09-27/VSS%20Payment%20Change_MIWG_SOAS.pdf.

compensation inflator to its proposal in response to Market Participant feedback in December 2013.⁶ Although a majority of stakeholders supported increasing the annual VSS compensation rate, they considered, and rejected, a proposal to escalate the proposed starting point for the 2014 VSS compensation rate by applying the annual CPI for each year from 2002 through the present. Neither did any NYISO Market Participant present any evidence during the stakeholder process to indicate that the existing compensation rate, as approved in 2002,⁷ was unreasonably low. Therefore, the FERC should reject the relief requested in the Protests as no reasonable basis has been provided in support of such relief.

III. Conclusion

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission (i) accept this Response to the Protest, and (ii) accept the NYISO's proposed VSS compensation redesign for filing without modification.

Respectfully submitted,

/s/ James H. Sweeney
James H. Sweeney, Attorney
New York Independent System Operator, Inc.

Dated: March 16, 2015

cc:	Michael Bardee	Gregory Berson
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⁶ The NYISO's proposal included a specific redesigned VSS compensation rate for calendar year 2014, in dollars per MVar, to be escalated by the average annual CPI each subsequent year. Therefore, the VSS compensation rate for calendar year 2016, calculated in 2015, will be escalated by the average annual CPI.

⁷ See *New York Independent System Operator, Inc.*, 117 FERC ¶ 61,002 (2006) at P 11 ("The current rate has been in place since 2002 and, when established in 2002, was based on full cost support that fully justified the Commission's accepting NYISO's proposed rate. The mere passage of time does not, by itself, invalidate the rate established in 2002.").

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 16th day of March, 2015.

/s/ Mohsana Akter

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