

June 21, 2017

By Electronic Delivery

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

**Re: New York Independent System Operator, Inc.'s Proposed Tariff
Amendments to Open Access Transmission Tariff Rate Schedule 1 for
Ramapo Phase Angle Regulator Cost Recovery; Docket No. ER17-____-000**

Dear Secretary Bose:

The New York Independent System Operator, Inc. ("NYISO") submits this filing pursuant to Section 205 of the Federal Power Act¹ to propose amendments to Rate Schedule 1 of the NYISO Open Access Transmission Tariff ("OATT"). The proposed Rate Schedule 1 revisions will require NYISO Transmission Customers, on a going-forward basis, to pay up to 100% of Consolidated Edison Co. of New York's ("Con Edison's") cost of owning, maintaining, and operating two phase angle regulators ("PARs") at the Ramapo Substation (the "Ramapo PARs Charge").² NYISO Transmission Customers currently pay 50% of Con Edison's Ramapo PARs Charge, while certain PJM Interconnection, LLC ("PJM") transmission owners pay the other 50%. The proposed change to the NYISO Transmission Customer allocation is necessary to facilitate Con Edison's installation of a replacement PAR at the Ramapo Substation while NYISO, PJM and their stakeholders continue discussing the potential allocation of the Ramapo PARs Charge between and among NYISO and PJM customers.

I. Documents Submitted

1. This filing letter;

¹ 16 U.S.C. §824d.

² Capitalized terms not otherwise defined herein shall have the meaning specified Section 1 of the Open Access Transmission Tariff ("OATT").

2. A clean version of the proposed revisions to the NYISO's OATT ("Attachment I"); and
3. A blacklined version of the proposed revisions to the NYISO's OATT ("Attachment II").

II. Background

In 1993, members of the New York Power Pool ("NYPP") and the PJM Group (*i.e.*, identified "PJM classic" transmission owners) executed a PARs Facilities Agreement requiring Con Edison to purchase, install, own, and maintain two PARs at the Con Edison Ramapo Substation for the purposes of controlling power flows on the 500 kV Branchburg-Ramapo 5018 transmission line (the "1993 Agreement").³ The 1993 Agreement provides for the NYPP members and PJM Group to reimburse Con Edison for the annual carrying charges on the plant in service and for the expenses incurred in the installation, operation and maintenance of the Ramapo PARs.

Con Edison calculates a monthly charge for the Ramapo PARs pursuant to the 1993 Agreement, which identifies the reimbursable costs. The 1993 Agreement then allocates 50% of the Ramapo PARs Charge to the NYPP members and 50% to the PJM Group. The NYISO has stepped into the role that the NYPP used to perform and collects the New York portion of the Ramapo PARs Charge and remits the funds to Con Edison. The NYISO also sends a monthly bill to PJM and/or to a designated PJM transmission owner. Rate Schedule 1 of the NYISO OATT currently allocates the New York 50% share to all of its Transmission Customers.⁴

On June 24, 2016, one of the Ramapo PARs was destroyed during a fire at the Ramapo Substation. There has only been one PAR in operation at the Ramapo Substation since that fire. Con Edison is waiting for certainty on cost recovery before it incurs the cost of installing a replacement Ramapo PAR. The PJM Group has stated that it is not willing to contribute to the cost of replacing the destroyed PAR under the terms of the 1993 Agreement.

Con Edison projects a total annual cost of approximately \$5.5 million to purchase, install, own and maintain two PARs at the Ramapo Substation; including the cost of purchasing and installing a replacement PAR. The NYISO believes that maintaining two Ramapo PARs provides significant benefits to the New York Control Area and to the PJM Control Area. NYISO and PJM have commenced a joint stakeholder initiative to consider cost allocation and cost recovery for the expenses Con Edison incurs to purchase, install, operate and maintain two Ramapo PARs. At this point, the time required to complete and the ultimate outcome of the joint NYISO/PJM stakeholder initiative remain unclear. After comparing the expected annual cost of

³ The 1993 PARs Facilities Agreement was accepted for filing by FERC in Docket No. ER93-640-000 on May 10, 1993.

⁴ See OATT Section 6.1.6.1.1 (prior to the modifications proposed herein).

two Ramapo PARs to the expected benefits to New York, discussed below, the NYISO and its stakeholders elected to submit proposed OATT revisions that will permit NYISO to allocate up to 100% of the Ramapo PARs Charge to its Transmission Customers. Assuring Con Edison that it will be able to recover its costs of installing and placing in-service a second Ramapo PAR will allow accelerate the installation of the replacement PAR. While PJM or its transmission customers may ultimately agree to pay a portion of the annual costs in the future, the cost of delaying replacement of the destroyed Ramapo PAR until the joint stakeholder process is complete is outweighed by the economic and reliability benefits New York expects to achieve from having two Ramapo PARs in-service as soon as possible, independent of the benefits PJM may receive.

A. Economic Benefits of Two Ramapo PARs

Having two PARs in-service at the Ramapo Substation provide substantial economic benefits to New York. The NYISO's summer import scheduling limit from PJM is approximately 1,000 MW with no Ramapo PARs in-service, approximately 1,400 MW with one Ramapo PAR in-service and approximately 1,750 MW with two Ramapo PARs in-service. NYISO estimates, based on its Congestion Assessment and Resource Integration Study ("CARIS") model, that having two Ramapo PARs in-service produces \$25 million in production cost benefits per year and \$100 million in New York load payment benefit per year compared to having no PARs in-service at the Ramapo Substation.⁵ Having two Ramapo PARs in-service also reduces the cost New York incurs to satisfy the minimum Installed Reserve Margin ("IRM") and Locational Capacity Requirements ("LCRs"). Based on the 2017 IRM Study Report, the NYISO estimates that a reduction from two in-service Ramapo PARs to one Ramapo PAR could increase the total cost of procuring capacity by \$75 million across Rest of State, Zone J, and Zone K.

In order to focus this filing on the NYISO's proposed OATT revisions and avoid extraneous controversy related to whether and how much PJM market participants should contribute toward the cost of the Ramapo PARs, the NYISO has not attempted to quantify the benefits that PJM receives from the Ramapo PARs in this filing. Accurately quantifying the benefits to PJM will be addressed in the ongoing discussions among PJM, NYISO and their stakeholders.

⁵ See NYISO's Ramapo Phase Angle Regulator Cost Recovery presentation to the Management Committee at slides 9-13 (May 31, 2017), available at http://www.nyiso.com/public/webdocs/markets_operations/committees/mc/meeting_materials/2017-05-31/04_Ramapo%20PAR%20Cost%20Allocation.pdf. The study compared two Ramapo PARs in-service to zero Ramapo PARs because the proposed OATT revisions will permit NYISO to charge its Transmission Customers for up to 100% of the cost of installing and maintaining two PARs at Ramapo on a going-forward basis.

B. Reliability Benefits of Two Ramapo PARs

Two Ramapo PARs increase the overall reliability of the transmission system; however, the Ramapo PARs are not currently required to meet the minimum NERC Planning Standards. During a blackout in either southeastern New York or northern New Jersey, having two Ramapo PARs in-service increases the support available from the 500 kV Hopatcong-Ramapo 5018 transmission line.⁶ Once the line is energized, the second PAR increases the transfer capability from approximately 450 MW (one PAR) to approximately 900 MW (two PARs), depending on system conditions during the restoration efforts. When the 500 kV Hopatcong-Ramapo 5018 transmission line was closed in-service following the August 14, 2003 blackout, it transmitted power that was vital to restoring the New York State Transmission System.

The control capability of the 500 kV Hopatcong-Ramapo 5018 transmission line is increased with two Ramapo PARs. The additional control capability increases the operational flexibility available to the NYISO and PJM, and can reduce the risk of sustained customer outages during extreme contingencies caused by severe weather, such as ice storms, hurricanes, tornadoes, severe thunderstorms, or other significant events. Two Ramapo PARs provide valuable control capability near the southeastern New York and northern New Jersey load centers.

III. Description and Justification of Proposed Revisions to Rate Schedule 1

NYISO proposes to modify Rate Schedule 1 of the OATT, Section 6.1.6.1, such that NYISO Transmission Customers will, on a going-forward basis, pay up to 100% of Con Edison's cost of owning, maintaining, and operating two Ramapo PARs, including up to 100% of the costs associated with installing a second PAR at the Ramapo Substation. As discussed above, NYISO Transmission Customers currently pay 50% of the Ramapo PARs Charge.

The proposed OATT revisions will require Con Edison to continue to calculate the Ramapo PARs Charge using the procedures set forth in the 1993 Agreement. The proposed OATT revisions will require Con Edison to continue using the procedures set forth in the 1993 Agreement to calculate the Ramapo PARs Charge even if the 1993 Agreement is terminated by the parties to that agreement.

Con Edison is engaged in an ongoing dispute with certain PJM transmission owners about their obligation to pay a portion of the cost of the Ramapo PARs under the 1993 Agreement. When that dispute is resolved, or when PJM or its customers assume an obligation to pay a portion of the Ramapo PARs Charge, then the New York portion of the Ramapo PARs charge may be reduced and NYISO Transmission Customers may receive a partial refund of prior payments. Under the described circumstances PJM or the PJM transmission owners may

⁶ The Branchburg-Ramapo transmission line is now the Hopatcong-Ramapo transmission line due to the addition of the Hopatcong Substation in New Jersey. The Ramapo Substation is connected to the 5018 Hopatcong-Ramapo transmission line.

pay the NYISO or they may pay Con Edison. The proposed OATT revisions are designed to ensure that, under either circumstance, the NYISO Transmission Customers' payment obligation will be reduced by the amount Con Edison recovers in excess of the full, allowed Ramapo PARs Charge.

Section 6.1.6.3 of the proposed OATT revisions requires Con Edison to remit a refund to the NYISO that will in turn be distributed by NYISO to its Transmission Customers if (a) Transmission Customers paid more than 50% of the Ramapo PAR Charge for a particular Billing Period, and (b) Con Edison's Ramapo PAR cost recovery for that Billing Period exceeded 100% of the Ramapo PARs Charge. The proposed rules also require the NYISO to remit a refund to Transmission Customers if the described circumstances are met and NYISO is paid directly by PJM or PJM's customers. Any refunds will be allocated to NYISO Transmission Customers based on their market participation during the Billing Period in which the refund is paid using the same load ratio share basis used to allocate the *NonISOFacilitiesCosts* charges to Transmission Customers.

On a going-forward basis, the last sentence of proposed Section 6.1.6.1 states that payments by NYISO Transmission Customers will be reduced consistent with any obligation that PJM assumes on behalf of its customers.

Proposed OATT Section 6.1.6.2 includes a number of provisions to improve the transparency of the Ramapo PARs Charge for all NYISO Transmission Customers. Under the proposed rules Con Edison will develop and submit to the NYISO an itemized monthly invoice for the Ramapo PARs Charge in accordance with Section 2.4 of the 1993 Agreement. Each month, the NYISO will post the itemized monthly invoice for the preceding month on its website. By August 1 of each year, Con Edison will prepare and the NYISO will post on its website an estimate of the monthly costs and expenses associated with the Ramapo PARs for the next calendar year and for each of the four subsequent years. Con Edison will maintain books and records related to its calculation of the Ramapo PARs Charge, including the costs incurred. Each NYISO Transmission Customer will have the right to review Con Edison's books and records related to the calculation of the Ramapo PARs Charge. The NYISO is not equipped to, and does not propose to assume the role of auditing the monthly bills issued by Con Edison that are used to develop the Ramapo PARs Charge.

Proposed OATT Section 6.1.6.4 provides that Con Edison will include a lump sum charge in a monthly invoice if a Ramapo PAR fails and is not reparable, or if a Ramapo PAR is retired with the consent of the NYISO. In the event that either of the Ramapo PARs described in proposed OATT Section 6.1.6.1 fail and are not reparable, or are retired with the consent of the NYISO, then the original cost of the facilities retired will be deducted from the gross plant in service and any unrecovered book cost will be increased by the cost of removal and reduced by any salvage value, tax benefits, and insurance proceeds. Con Edison will bill the net balance to the NYISO for payment in a lump sum in accordance with the Rate Schedule 1 calculation, transparency, and cost allocation provisions applicable to the Ramapo PARs Charge.

Proposed OATT Section 6.1.6.4 also allows the NYISO to direct Con Edison to repair or replace a damaged or condemned Ramapo PAR, provided that: (1) the costs of such repair or replacement, net of any insurance proceeds, will be reimbursable to Con Edison in accordance with the calculation, transparency, and cost allocation provisions applicable to the Ramapo PARs Charge; (2) Con Edison will be the sole party responsible for determining whether a repair or replacement is in accordance with good utility practice; and (3) the schedule for any such repair or replacement will be determined by Con Edison based on reliability considerations.

IV. Effective Date

The NYISO respectfully requests that the Commission issue an order accepting the proposed OATT revisions by August 21, 2017 (*i.e.*, sixty-one days from the date of this filing) with an effective date of July 1, 2017.

The requested July 1, 2017 effective date will provide Con Edison the cost recovery certainty necessary for the expedited installation of the second PAR at the Ramapo Substation. In reliance on this filing, Con Edison has already begun the work necessary to put the replacement Ramapo PAR in-service. Con Edison has indicated that it expects the replacement Ramapo PAR should be placed in-service in September of 2017.

V. Stakeholder Approval

The proposed amendments to Rate Schedule 1 were approved without dissent by the NYISO Management Committee on May 31, 2017. The NYISO Board of Directors approved the filing of these proposed revisions on June 19, 2017.

VI. Communications and Correspondence

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

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VII. Service

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

VIII. Conclusion

The New York Independent System Operator, Inc. respectfully requests that the Commission accept for filing the proposed OATT revisions that are attached hereto with an effective date of July 1, 2017.

Respectfully submitted,

/s/ James H. Sweeney

James H. Sweeney

Senior Attorney

New York Independent System Operator, Inc.

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