

August 11, 2017

By Electronic Delivery

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street N.E.
Washington, D.C. 20426

**Re: *New York Independent System Operator, Inc., Proposed Tariff Revisions
Addressing Testing of Automated Fuel Swap Capability;
Docket No. ER17-____-000***

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,¹ the New York Independent System Operator, Inc. (“NYISO”) hereby submits proposed revisions to the provisions in its Market Administration and Control Area Services Tariff (“Services Tariff”) that address cost recovery for Generators that primarily consume natural gas but are required to either burn an alternate fuel, or to be capable of automatically switching over (“swapping”) to an alternative fuel, when load exceeds certain levels in New York City or on Long Island. The purpose of these requirements is to operate the bulk electric system such that the loss of a single natural gas facility will not result in the loss of electric load in New York City or on Long Island. The revisions proposed in this filing will require combined cycle Generators located in New York City that have the ability to automatically swap from natural gas to a liquid fuel source in the event of a sudden interruption of gas fuel supply or loss of gas pressure to successfully test or utilize the fuel swap function at least once each Capability Period.² The proposed tariff revisions presented here were developed to comply with the New York State Reliability Council’s (“NYSRC’s”) recently adopted modifications to a Local Reliability Rule that addresses the loss of natural gas supply in New York City.

¹ 16 U.S.C. § 824d.

² Capitalized terms that are not defined in this filing letter have the meaning ascribed to them in Article 2 of the Services Tariff.

On November 10, 2016, the NYSRC approved Proposed Reliability Rule 131C (“PRR 131C”).³ PRR 131C requires combined cycle Generators located in New York City that have the ability to automatically swap from natural gas to a liquid fuel source in the event of a sudden interruption of gas fuel supply or loss of gas pressure to successfully test or utilize the fuel swap function at least once each Capability Period. PRR 131C also directs the NYISO to “pursue the tariff revisions necessary to establish the authority needed to comply with this rule change.”⁴ As explained below, the NYISO is required to comply with Reliability Rules promulgated by the NYSRC.

The Services Tariff revisions proposed in this filing impose an obligation on combined cycle Generators that are located in New York City, that possess the ability to automatically swap from natural gas to a liquid fuel, and that are subject to NYSRC Local Reliability Rule G2.R4,⁵ to either successfully test their fuel swap function or to successfully perform a fuel swap in real-time operations at least once each Capability Period. The proposed Services Tariff revisions also give the NYISO authority to reimburse costs that a Generator incurs while performing a required fuel swap test.

The NYISO requests that the Federal Energy Regulatory Commission (“Commission”) permit the proposed tariff revisions to become effective on November 1, 2017; which is more than 60 days after the date of this filing.

I. List of Documents Submitted

The NYISO submits the following documents:

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

³ The NYSRC’s adoption of PRR 131C amended the NYSRC Local Reliability Rule G2: Loss of Gas Supply — New York City. Link to PRR 131C: <http://www.nysrc.org/pdf/Revisions/RR131C-16-06.pdf>

⁴ NYSRC PRR 131C, Item No. 9, Implementation Plan.

⁵ See pp. 90-91 of the NYSRC’s current *Reliability Rules and Compliance Manual*: <http://www.nysrc.org/pdf/Reliability%20Rules%20Manuals/RRC%20Manual%20V40%20Final.pdf>

II. Copies of Correspondence

Communications regarding this pleading should be addressed to:

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III. Background

The NYSRC is the local reliability organization charged with promoting and preserving the reliability of the New York State Power System (“NYS Power System”), consistent with Reliability Rules established by the North American Electric Reliability Corporation (“NERC”) and the regional regulatory body, the Northeast Power Coordinating Council (“NPCC”).⁶ Section 2.02 of the NYSRC Agreement establishes that, “[t]he mission of the NYSRC is to promote and preserve the reliability of electric service...by developing, maintaining, and, from time to time, updating the Reliability Rules which shall be complied with by the ISO and all entities engaging in electric transmission, ancillary services, energy and power transactions on the NYS Power System.” Furthermore, the Agreement between the NYISO and the NYSRC (“ISO/NYSRC Agreement”) establishes that the NYSRC “shall be responsible for developing Reliability Rules pursuant to which the ISO shall maintain the safety and short-term reliability of the NYS Power System.”⁷

⁶ On June 30, 1998, the Commission entered an Order conditionally approving the formation of the NYSRC and conditionally accepting the NYSRC Agreement and the ISO/NYSRC Agreement. 83 FERC ¶ 61,362. On April 30, 1999, the Commission issued a subsequent Order requesting further revisions regarding the governance of the NYSRC and the relationship of the NYISO and NYSRC. 87 FERC ¶ 61,135. On July 29, 1999, following a compliance filing that addressed the request for further revisions, the Commission issued an Order approving the formation of the NYSRC and accepting the NYSRC Agreement and ISO/NYSRC Agreement. 88 FERC ¶ 61,138.

⁷ ISO/NYSRC Agreement Section 4.1.

The NYSRC may establish Reliability Rules that are more stringent than those established by NERC and NPCC. The Energy Policy Act of 2005 (“EPA 2005”) provides that the State of New York “may establish rules that result in greater reliability within that State, as long as such action does not result in lesser reliability outside the State than that provided by the reliability standards.”⁸

The NYISO must comply with Reliability Rules promulgated by the NYSRC. Specifically, Section 5.2 of the Services Tariff establishes that “[i]n acting as the Control Area operator, the ISO will be responsible for maintaining the safety and the short-term reliability of the NYCA and for the implementation of reliability standards promulgated by NERC and NPCC and for the Reliability Rules promulgated by the NYSRC.”⁹ The NYISO must also comply with the Independent System Operator Agreement (“ISO Agreement”)¹⁰ and the ISO/NYSRC Agreement,¹¹ which are on file with and were accepted by the Commission.

Following a development, review, and comment process, the NYSRC developed PRR 131C, which imposes fuel swap testing requirements on combined cycle Generators that are located in New York City, that possess the ability to automatically swap from natural gas to a liquid fuel and that are subject to NYSRC Local Reliability Rule G2.R4. The NYSRC approved its final rule on November 10, 2016.

IV. Description of Proposed Tariff Revisions

Proposed new Services Tariff Section 4.1.9.1.1 sets forth the rules that are necessary for the NYISO to comply with the NYSRC’s changes to Local Reliability Rule G2.R4. The proposed new rules mandate that combined cycle Generators that are located in New York City, that possess the ability to automatically swap from natural gas to a liquid fuel, and that are subject to the fuel swapping requirement (a) develop procedures for performing fuel swap tests, and (b) successfully test to demonstrate the ability to automatically swap from natural gas to a liquid fuel each Capability Period. The testing requirement can be met by successfully performing a fuel swap in real-time operations during the relevant Capability Period.

⁸ Federal Power Act, Energy Policy Act of 2005 §215(i)(3) states that “[n]othing in this section shall be construed to preempt any authority of any State to take action to ensure the safety, adequacy, and reliability of electric service within that State, as long as such action is not inconsistent with any reliability standard, except that the State of New York may establish rules that result in greater reliability within that State, as long as such action does not result in lesser reliability outside the State than that provided by the reliability standards.”

⁹ Services Tariff Section 5.2.

¹⁰ See ISO Agreement Section 6.02, “The ISO OATT and the ISO Services Tariff will require those entities having a Service Agreement with the ISO to comply with the Reliability Rules and ISO Procedures regarding the reliability of the NYS Power System and to furnish data to the ISO as required.”

¹¹ See ISO/NYSRC Agreement Section 2.1 which establishes that “[p]ursuant to the NYSRC Agreement, the NYSRC shall develop Reliability Rules which shall be complied with by the ISO and all entities engaged in transactions on the NYS Power System.”; see also ISO/NYSRC Agreement Section 3.3 which establishes that the NYISO shall “implement and comply with all Reliability Rules established by the NYSRC.”

To permit recovery of the cost of performing a fuel swap test, proposed new Services Tariff Section 4.1.9.1.1 states that a period when an Eligible Unit¹² is performing scheduled automatic fuel swap testing is an “Eligibility Period.” Existing language in Services Tariff Section 4.1.9.2 grants recovery of variable operating costs (including commodity costs, taxes and emissions allowance costs of burning the alternative fuel) to Eligible Units during Eligibility Periods.

The NYISO also proposes ministerial Tariff revisions to address changes that the NYSRC has made to the numbering system it uses to designate its Reliability Rules. The NYISO proposes to replace outdated references to Local Reliability Rules I-R3 with references to “the Local Reliability Rule addressing the Loss of Generator Gas Supply for Generators located in New York City.” The NYISO similarly proposes to replace outdated references to Local Reliability Rule I-R5 with references to “the Local Reliability Rule addressing the Loss of Generator Gas Supply for Generators located on Long Island.” Necessary conforming changes appear in Sections 4.1.9, 4.1.9.1, 4.1.9.1.1, 4.1.9.2, 4.1.9.3 and 4.1.9.4 of the attached Services Tariff revisions.

V. Proposed Effective Date

The NYISO respectfully requests that the Commission accept the proposed tariff revisions for filing with an effective date of November 1, 2017, which is more than 60 days after the date of this filing. The proposed effective date is the first day of the NYISO’s Winter Capability Period. NYISO will expect compliance with the fuel swap testing requirement beginning with the 2017/18 Winter Capability Period.

VI. Stakeholder Approval

The tariff revisions proposed in this filing were discussed with stakeholders at the NYISO’s May 18, 2017 Operating Committee (“OC”) meeting, its May 31, 2017 Business Issues Committee (“BIC”) meeting and its June 13, 2017 Management Committee (“MC”) meeting. The proposed revisions were unanimously approved by the OC (with abstentions) and the BIC, and were unanimously approved by the MC with one abstention. On July 18, 2017 the NYISO Board of Directors approved the proposed tariff revisions for filing with the Commission, pursuant to Section 205 of the Federal Power Act.

VII. Service List

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.

¹² See Services Tariff Section 4.1.9.1.

VIII. Conclusion

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept the Tariff revisions proposed in this filing, without modification, effective November 1, 2017.

Respectfully submitted,

/s/ Alex M. Schnell

Alex M. Schnell

Assistant General Counsel/

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Gregory J. Campbell

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