

October 30, 2015

**Submitted Electronically**

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

Re: *New York Independent System Operator, Inc.*'s Proposed Amendments to its  
Open Access Transmission Tariff and Market Administration and Control Area  
Services Tariff to Increase Eligibility for the Special Market Rules Applicable to  
Generators Serving the New York City Steam Distribution System from 499 MW  
to 523 MW;  
Docket No. ER16-\_\_\_\_-000.

Dear Ms. Bose:

The New York Independent System Operator, Inc. ("NYISO") submits this filing pursuant to Section 205 of the Federal Power Act,<sup>1</sup> and Part 35 of the regulations of the Federal Energy Regulatory Commission ("Commission"), to propose amendments to its Open Access Transmission Tariff ("OATT") and its Market Administration and Control Area Services Tariff ("Services Tariff"). The proposed amendments would increase from 499 MW to 523 MW the applicability of special bidding rules, balancing rules and the exemption from undergeneration penalties to generation supplying the New York City steam distribution system.

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<sup>1</sup> 16 U.S.C. §824d.

## **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 NYISO's OATT ("Attachment I");
3. A clean version of the proposed revisions to the NYISO's Services Tariff ("Attachment II");
4. A backline version of the proposed revisions to the NYISO's OATT ("Attachment III"); and
5. A backline version of the proposed revisions to the NYISO's Services Tariff ("Attachment IV").

## **II. Correspondence**

All communications and correspondence concerning this filing should be directed to:

Robert E. Fernandez, General Counsel  
Raymond Stalter, Director, Regulatory Affairs  
\*James H. Sweeney, Attorney  
New York Independent System Operator, Inc.  
10 Krey Boulevard  
Rensselaer, NY 12144  
Tel: (518) 356-6000  
Fax: (518) 356-7678  
[jsweeney@nyiso.com](mailto:jsweeney@nyiso.com)

\* Person designated for receipt of service

## **III. Background and Justification**

The NYISO's tariffs currently apply special bidding rules, balancing rules and an exemption from undergeneration penalties to 499 MW of capacity from units supplying the New York City steam distribution system due to the operating characteristics of that capacity.<sup>2</sup> Since 2005, 499 MW has been the entire capacity of the generating units dedicated to the steam system. The steam distribution system is a utility service operated by Consolidated Edison

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<sup>2</sup> See, OATT Section 16.3.4.2.1.2 and Services Tariff Sections 4.5, 5.12.1.11.2 and 15.3A.

Company of New York, Inc. (“Con Edison”) and regulated by the New York State Public Service Commission under Article 2 of the New York Public Service Law. The Commission approved the current exemption level in May 2005.<sup>3</sup>

The special bidding rules, balancing rules and undergeneration penalty exemption are necessary because of the unique operating characteristics of the units serving Con Edison’s steam system. Con Edison dispatches these units to meet steam customers’ demand. Electricity, a byproduct of this steam production, is sold by Con Edison to the NYISO-administered wholesale markets. The greater the steam demand, the greater the electric output. The electric output of these units, therefore, does not follow the NYISO’s dispatch schedule either on a five minute basis or as a fixed schedule for the next hour. Operating these units to follow the NYISO’s basepoint signals could require the units serving the steam system to produce too much or too little steam, thereby jeopardizing the reliability of service to the steam customers.<sup>4</sup>

Without the special bidding rules, balancing rules and penalty exemption, the NYISO’s market rules would impose unavoidable financial harm on Con Edison for selling the electricity byproduct of these facilities to the wholesale market. Specifically, units that generate less Energy than scheduled by the NYISO, by more than three percent of their total capacity, pay a penalty calculated as the product of the real-time price of regulation and the Energy scheduled but not delivered.<sup>5</sup> Further, generators are not paid for Energy produced in excess of three percent of their maximum capacity above the output scheduled by the NYISO. These tariff rules were adopted to incentivize electric generating facilities to follow the basepoint signals sent by the NYISO,<sup>6</sup> something these units cannot do with or without the incentive.

Con Edison recently completed its Advanced Gas Path Upgrade project for two units of its East River facility that provide service to its electric and steam systems. The project involved the installation of General Electric Advanced Hot Gas-Path hardware on the combustion turbine generators, replacement of existing combustion and gas-path hardware and software modifications to existing controls. The modification allows the units to produce additional electric generating capacity of 24 MW (*i.e.*, an increase of 12 MW per unit of winter output); while the steam generating capacity rating will remain unchanged. Con Edison has indicated that the increased efficiency resulting from the project will improve the heat rate of the units by about 2% and reduce emissions. The total electric capacity of the units serving Con Edison’s steam distribution system, accounting for the Advanced Gas Path Upgrade project, is now 523 MW.

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<sup>3</sup> *New York Independent System Operator, Inc.*, Letter Order, Docket No. ER05-900-000 (May 26, 2005).

<sup>4</sup> Con Edison can reconfigure its steam system to provide the NYISO with the output of these units in the event of an electric system emergency.

<sup>5</sup> Capitalized terms not otherwise defined herein shall have the meaning specified in Section 1 of the OATT and Section 2 of the Services Tariff.

<sup>6</sup> *See Central Hudson Gas & Electric Corp.*, 86 FERC ¶ 61,062, at 61,226 (1999).

The tariff changes proposed herein would increase, from 499 MW to 523 MW, the applicability of special bidding rules, balancing rules and the exemption from undergeneration penalties so that they would continue to apply to the units' total maximum electric capacity. Without the increase, Energy produced from the 24 MW of additional generating capacity resulting from the Advanced Gas Path Upgrade project could be subject to substantial and unavoidable financial penalties. The increase in the exemption is warranted to accommodate the increased electric capacity of units whose electric generation will continue to be a byproduct of their primary function, which is to service a regulated steam distribution system.

#### **IV. Description of Proposed Revisions to the Services Tariff**

The proposed tariff revisions increase the number of MW subject to the special bidding requirements, balancing rules and that are exempted from undergeneration penalties so that the total electric capacity of the units serving Con Edison's steam distribution system will be exempt. Specifically, the NYISO proposes to replace the designated 499 MW with 523 MW in four tariff sections. The NYISO proposes to make the same amendments to OATT Section 16.3.4.2.1.2 and Services Tariff Sections 4.5, 5.12.1.11.2 and 15.3A. The NYISO also proposes ministerial numbering revisions to Services Tariff Section 15.3A.

#### **V. Effective Date**

The NYISO respectfully requests a December 29, 2015 effective date for the tariff revisions proposed in this filing, sixty days from the date of filing.

#### **VI. Stakeholder Approval**

The NYISO's Management Committee approved these tariff amendments on September 30, 2015 by a show of hands vote without opposition. The NYISO Board of Directors approved these tariff amendments on October 20, 2015.

#### **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 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](http://www.nyiso.com).

### **VIII. Conclusion**

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept the proposed tariff changes identified in the Attachments hereto, with an effective date of December 29, 2015.

Respectfully submitted,

/s/ James H. Sweeney

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

cc: Michael Bardee  
Anna Cochrane  
Kurt Longo  
Max Minzner  
Daniel Nowak  
Larry Parkinson  
J. Arnold Quinn  
Douglas Roe  
Kathleen Schnorf  
Jamie Simler  
Kevin Siqveland  
Gary Will