

September 27, 2013

ELECTRONICALLY SUBMITTED

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 Sixth Informational Report on Efforts to Develop Rules Addressing Compensation to Generators that Are Determined to be Needed for Reliability; Docket No. ER10-2220-000.

Dear Secretary Bose:

In accordance with paragraph 54 and ordering paragraph “(C)” of the Federal Energy Regulatory Commission’s (“Commission’s”) October 12, 2010, Order On Proposed Mitigation Measures in Docket No. ER10-2220-000 (“Order”),¹ the New York Independent System Operator, Inc. (“NYISO”), hereby submits this *Sixth Informational Report on Efforts to Develop Rules Addressing Compensation to Generators that Are Determined to be Needed for Reliability* (“September 2013 Informational Report”). The NYISO submitted its *Fifth Informational Report on Efforts to Develop Rules Addressing Compensation to Generators that Are Determined to be Needed for Reliability* on April 1, 2013, (“April 2013 Informational Report”). **In footnote 44 of its Order the Commission stated that it does not intend to issue public notices, accept comments, or issue orders on this Informational Report.**

¹*New York Independent System Operator, Inc.*, 133 FERC ¶ 61,030. Since issuance of this Order in October 2010, the Commission has accepted tariff revisions to establish a New Capacity Zone comprised of Load Zones G, H, I and J, and a corresponding revision to the definition of “Rest of State.” *See New York Independent System Operator, Inc.*, 144 FERC ¶ 61,126, (Docket No. ER13-1380-00, accepting Services Tariff Sections 2.7, 2.18.) Rest of State is presently defined as Load Zones A through I, and on January 27, 2014 it will be comprised of Load Zones A through F.

Paragraph 54 of the Order stated, in part, as follows:

Because fixed cost recovery issues do not go to whether NYISO's mitigation proposal is in itself just and reasonable, this proceeding is not the appropriate forum in which to raise such issues. Further, commenters do not present factual evidence that demonstrates that market participants generally will be unable to recover their costs due to application of the proposed mitigation provisions. We note, however, that the NYISO Board of Directors, in its July 29, 2010 decision on the appeal of the NYISO Management Committee's adoption of the instant mitigation proposal, directed NYISO management to work with stakeholders to examine the generation owners' claims that existing cost recovery mechanisms are inadequate and to review the process that evaluates permanent solutions to reliability problems. Accordingly, we believe the better course is to await the outcome of the stakeholder process as directed by the NYISO Board of Directors. In this regard, we direct NYISO to file status reports every 180 days beginning 180 days from the date of this order for informational purposes only.⁴⁴

⁴⁴ The Commission does not intend to issue public notices, accept comments, or issue orders on such informational filings.

In compliance with the cited sections of the Order, the NYISO submits this Informational Report.

I. Informational Report

A. Summary of the April 2013 Informational Report

The NYISO did not present new or updated proposals to its stakeholders between the October 2012 Informational Report and the April 2013 Informational Report. Also during this time, the NYISO did not receive any new or updated proposals from its stakeholders or New York State Department of Public Service ("DPS") staff. Between October 2012 and April 2013, the NYISO continued to actively monitor and assess whether additional rules addressing compensation to generators needed for reliability, such as the Alternative RRC proposal discussed in the October 2012 Informational Report, are necessary to improve the NYISO administered markets.

B. September 2013 Informational Report

The NYISO has not presented new or updated proposals to its stakeholders since filing the April 2013 Informational Report. In addition, the NYISO has not received any new or updated proposals from its stakeholders or DPS staff. The NYISO continues to actively monitor and assess whether additional rules addressing compensation to generators needed for reliability, such as the Alternative RRC proposal discussed in the October 2012 Informational Report, are necessary to improve the NYISO administered markets.

C. Additional Market Activity Update

The April 2013 Informational Report included information on a matter that involved certain New York Control Area resources seeking to retire. The New York State Public Service Commission (“NYPSC”) issued an order that approved a mechanism for a transmission owner to compensate specific generating units that were seeking to retire but were determined to be necessary to address a reliability need.² The subject of the order was a proposal for the transmission owner (Niagara Mohawk Power Corp. d/b/a/ National Grid) to compensate the generator owner (Dunkirk Power LLC, “Dunkirk”) for “reliability support services” (“RSS”) provided by two of the four generating units at the Dunkirk facility. National Grid filed its contract with Dunkirk for RSS with the PSC for approval and cost recovery. National Grid then issued a Request for Proposal (“RFP”) for solutions to address the continuing reliability needs beyond May 31, 2013. The Dunkirk unit provided the least cost solution and the only solution available to operate starting on June 1, 2013. National Grid filed a request with the PSC to extend the RSS agreement for one of the Dunkirk units on March 5, 2013. The agreement provides for the deferral of mothballing one 115 kV-connected 80 MW Dunkirk generating unit. The deferral would allow the continued operation and maintenance of the one Dunkirk unit from June 1, 2013 through May 31, 2015 for a fixed total price of approximately \$72.741 million.

Since the April 2013 Informational Report, National Grid filed proposed tariff revisions to certain National Grid-specific components of the Wholesale Transmission Service Charge formula under Attachment H of the NYISO Open Access Transmission Tariff.³ National Grid’s filing requested amendments to its Scheduling, System Control and Dispatch Costs formula to incorporate costs incurred for RSS, which secure the reliability of the company’s transmission system. National Grid stated that its filing was necessitated by costs incurred during calendar year 2012 under the first of two RSS contracts. This RSS contract, as approved by the NYPSC, deferred the mothballing of the Dunkirk generating station and allowed for continued operation pending the completion of upgrades to National Grid’s transmission system. The Commission rejected National Grid’s proposed tariff revisions without prejudice, therefore allowing National Grid to submit another filing.

Also since April 2013, the Independent Power Producers of New York, Inc. (“IPPNY”) filed a complaint with the Commission⁴ alleging the artificial suppression of prices in the New York Control Area (“NYCA”) installed capacity (“ICAP”) market from below-cost offers of capacity from resources that would have exited the market but for out-of-market revenues under

² NYPSC Case No. 12-E-0136, *Order Deciding Reliability Issues and Addressing Cost Allocation and Recovery* (issued August 16, 2012). Order may be retrieved from <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={34D25567-D7B7-41EA-822F-6585B344BC0E}>

³ See Federal Energy Regulatory Commission Docket No. ER13-1182.

⁴ See Federal Energy Regulatory Commission Docket No. EL13-62.

reliability must-run (“RMR”) contracts and similar mechanisms and requesting that the Commission order the NYISO to revise its Market Administration and Control Area Services Tariff (“Services Tariff”). IPPNY’s complaint also specifically referenced Reliability Support Services Agreements (“RSSAs”) like those approved by the NYPSC, and discussed in the NYISO’s April 2013 Information Report, as causes of price suppression resulting from facilities that would have otherwise been mothballed. The NYISO and several other parties have filed protests and comments on that filing. This proceeding remains pending before the Commission.

D. Next Steps

The NYISO will continue to assess whether enhancements to the prior proposals or additional alternate approaches are necessary to address compensation to generators needed for reliability and to improve the NYISO administered markets. The NYISO does not have any presentations scheduled at this time. The NYISO will continue to discuss this topic with its stakeholders.

II. Service

The NYISO will send an electronic link to this Informational Report to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, to all parties listed on the Commission’s official service list in this Docket 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.

III. Conclusion

The NYISO respectfully submits this Informational Report in compliance with the Commission’s Order. For the reasons explained above, the NYISO is continuing to monitor and assess whether additional rules addressing compensation to generators needed for reliability are necessary to improve the NYISO administered markets. The NYISO’s next informational report is due on March 27, 2014.

Respectfully submitted,

/s/ James H. Sweeney

Rana Mukerji, Senior Vice President of Market Structures
Robert E. Fernandez, General Counsel
James H. Sweeney, Attorney
New York Independent System Operator, Inc.

