**UNITED STATES OF AMERICA**

**BEFORE THE**

**FEDERAL ENERGY REGULATORY COMMISSION**

**Potomac Economics, Ltd. Docket No. EL17-62-000**

 **v.**

**PJM Interconnection, LLC**

**MOTION TO INTERVENE AND COMMENTS OF**

**THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**

Pursuant to Rules 211 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. §§ 385.211 and 385.214 (2016), the New York Independent System Operator, Inc. (“NYISO”) hereby moves to intervene in this proceeding and submits comments on the Complaint filed by Potomac Economics, Ltd. (“Potomac Economics”) alleging that certain provisions of PJM Interconnection, LLC’s (“PJM’s”) tariffs,[[1]](#footnote-1) which Potomac Economics describes as imposing a “Pseudo-Tie Requirement,”[[2]](#footnote-2) are unjust and unreasonable.

The NYISO agrees with many of the concerns Potomac Economics alleges in its Complaint. The concerns Potomac Economics raises are consistent with concerns that NYISO raised in its March 31, 2017 *Motion to Intervene One Day Out-of-Time and Protest* (“NYISO Protest”) of PJM’s March 9 filing proposing “External Capacity Enhancements” to PJM’s tariffs.[[3]](#footnote-3) To avoid the need to restate arguments the NYISO has already presented to the Commission in its Protest, the NYISO Protest is included as Attachment A to this filing and the NYISO hereby incorporates its Protest by reference into these Comments.

Consistent with the relief that Potomac Economics requests on page 49 of its Complaint, the Commission should (a) determine that the Pseudo-Tie Requirements in the PJM tariffs[[4]](#footnote-4) are unjust and unreasonable, (b) require PJM to submit tariff rules that do not mandate the use of pseudo-ties to achieve interregional capacity sales and give PJM flexibility to accommodate regional differences at its borders, and (c) instruct PJM to work cooperatively with the NYISO and other external control area operators to develop and file mutually acceptable capacity delivery procedures and capacity import limits.

**I**. **COMMUNICATIONS**

 Communications and correspondence regarding this filing should be directed to:

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\* Persons designated for service.[[5]](#footnote-5)

**II. MOTION TO INTERVENE**

The NYISO is the independent, not-for-profit entity responsible for administering Commission-jurisdictional markets for electricity and capacity, for providing open-access transmission service, and for maintaining electric reliability in the New York Control Area (“NYCA”). The NYCA and PJM are neighboring regions. There is substantial interregional trading between them, including exports and imports of capacity. Changes to one region’s capacity market rules can have substantial impacts on market outcomes and system operations in the other.

Allowing a generator that is directly interconnected to the NYCA to be committed and dispatched by PJM in accordance with PJM’s pseudo-tie rules could threaten the reliable operation of the NYCA and disrupt the NYISO-administered markets. The NYISO, therefore, has a direct and substantial interest in the outcome of this proceeding that cannot be adequately represented by any other party. It is appropriate and in the public interest that the NYISO be permitted to intervene herein and to participate with full rights as a party. The NYISO respectfully requests that the Commission grant its motion to intervene in this proceeding.

**III. DOCUMENTS SUBMITTED**

The NYISO submits the following documents:

1. This *Motion to Intervene and Comments of the New York Independent System Operator, Inc*.; and
2. A copy of the *Motion to Intervene One Day Out-of-Time and Protest* that NYISO submitted on March 31, 2017 in FERC Docket No. ER17-1138 (Attachment A).

**IV. COMMENTS**

**A. Potomac Economics’ Complaint Demonstrates that PJM’s Pseudo-Tie Requirement Decreases Efficiency and Increases Costs Incurred to Serve Load**

The concerns that Potomac Economics raises in Section II.B (on pages 18-22) of its Complaint explain why permitting PJM to commit and dispatch resources that are electrically interconnected with a neighboring Balancing Authority Area will not produce an economically efficient dispatch and will tend to degrade reliability in the Balancing Authority Area to which the pseudo-tied generator is directly interconnected. The NYISO has many of the same concerns Potomac Economics does. Potomac Economics’ discussion of market efficiency concerns is consistent with market efficiency concerns NYISO raised on pages 34-36 of the attached NYISO Protest.

On pages 22-26 and 28-29 of the Potomac Complaint and in paragraphs 12-27 of Dr. David Patton’s affidavit,[[6]](#footnote-6) Potomac Economics uses Midcontinent ISO (“MISO”) data to demonstrate that PJM’s operation of pseudo-tied generators that are directly interconnected to the MISO has caused commitment and dispatch inefficiencies on the transmission system that the MISO operates. The data Potomac Economics provides addresses the operation of twelve generators that are directly connected to the transmission system that the MISO secures, but are committed and dispatched by PJM. Potomac Economics’ findings validate the NYISO’s concerns. Potomac Economics found that real-time transmission congestion rose substantially on new Market-to Market constraints that were affected by the operation of the pseudo-tied resources.[[7]](#footnote-7)

The Complaint also confirms NYISO’s determination that Market-to-Market Coordination is not an adequate substitute for NYISO retaining dispatch control of NYCA generators.[[8]](#footnote-8) It confirms NYISO’s expectation that accommodating PJM’s commitment and dispatch of pseudo-tied resources will decrease the efficiency of the NYISO’s market solutions and increase total production costs incurred to serve NYISO’s customers. The Complaint explains that MISO is forced to commit and dispatch the generators that remain under its operational control less efficiently because MISO does not know how PJM will dispatch its pseudo-tied generators.[[9]](#footnote-9)

On page 28 of its Complaint Potomac Economics raises a concern that pseudo-tying a resource to PJM might enable a generation owner to mothball or retire a Generator that is located in New York without being required to comply with NYISO’s Generator Deactivation Process.[[10]](#footnote-10) Any agreement permitting a resource to become pseudo-tied to PJM would need to include rules addressing the deactivation of pseudo-tied resources in its “native” Balancing Authority Area.

**B. Potomac Economics’ Proposed Solution Provides an Appropriate Starting Point for Developing Mutually Acceptable Rules to Govern Cross-Border Capacity Sales**

The solution that Potomac Economics proposes on pages 35-46 of its Complaint presents a good starting point for discussions between neighboring Balancing Authorities and PJM to develop a mutually acceptable set of rules to govern cross-border capacity sales. While many aspects of Potomac Economics’ proposed solution could be applied at the NYISO’s border with PJM, there are a few provisions that are not consistent with the NYISO’s market rules. For example, the NYISO is not prepared to permit a PJM Generation Capacity Resource that is interconnected to the NYCA to schedule an export to PJM “20 minutes prior to real time if the resource is online.”[[11]](#footnote-11) Instead, the PJM Generation Capacity Resource would be required to comply with the NYISO’s rules for scheduling external transactions as is the case for Generators in New York participating in the ISO-New England (“ISO-NE”) Forward Capacity Markets.[[12]](#footnote-12) The NYISO’s rules will permit PJM to receive the full output of its Generation Capacity Resource whenever that resource is online, as long as it is scheduled consistent with the NYISO’s rules.

Consistent with the relief Potomac Economics requested in its Complaint, the NYISO is prepared to work cooperatively with PJM over a reasonable time horizon to develop and file mutually acceptable cross-border capacity delivery procedures and capacity import limits.

**V. SERVICE**

The NYISO will send an electronic link to this filing to the official representative of each party to this proceeding, to 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).

**VI. CONCLUSION**

Wherefore, the NYISO respectfully requests that the Commission grant its intervention in the above-captioned proceeding. Consistent with the relief that Potomac Economics requests on page 49 of its Complaint, the NYISO further respectfully requests that the Commission (a) determine that the Pseudo-Tie Requirements in the PJM tariffs[[13]](#footnote-13) are unjust and unreasonable, (b) require PJM to submit tariff rules that do not mandate the use of pseudo-ties to achieve interregional capacity sales and that give PJM flexibility to accommodate regional differences at its borders, and (c) instruct PJM to work cooperatively with the NYISO and other external control area operators to develop and file mutually acceptable capacity delivery procedures and capacity import limits.

At minimum, the Commission should require PJM to make explicit in its tariff that pseudo-tie arrangements can only occur if the native Balancing Authority agrees and elects to execute a pseudo-tie agreement with PJM and the applicable generator. This requirement would codify in PJM’s tariff the Commission’s finding in prior proceedings.[[14]](#footnote-14)

 Respectfully submitted,

 */s/ Alex M. Schnell*

 Alex M. Schnell

 Assistant General Counsel/
 Registered Corporate Counsel

 New York Independent System Operator, Inc.

Dated: May 8, 2017

cc: Michael Bardee

Nicole Buell

Anna Cochrane

Kurt Longo

David Morenoff

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Larry Parkinson

J. Arnold Quinn

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1. For convenience, throughout this pleading PJM’s Open Access Transmission Tariff (“PJM OATT”) and its Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region (“RAA”) are referred to collectively as PJM’s “tariffs.” [↑](#footnote-ref-1)
2. *See* Potomac Economics Complaint at 5, fn. 6. [↑](#footnote-ref-2)
3. PJM Interconnection, L.L.C., *External Capacity Enhancements*, Docket No. ER17-1138-000 (March 9, 2017). [↑](#footnote-ref-3)
4. The Pseudo-Tie Requirements include the PJM tariff requirements that generators located outside of PJM that seek to become PJM Capacity Performance Resources must have confirmed long-term firm transmission service and must not be subject to NERC tagging as an interchange transaction in order to be excepted from PJM’s Capacity Import Limit. [↑](#footnote-ref-4)
5. The NYISO respectfully requests waiver of the requirements of Rule 18 C.F.R. § 385.203(b)(3) (2015) to permit service on more than two persons. [↑](#footnote-ref-5)
6. Dr. David Patton’s affidavit is Attachment I to the Potomac Complaint. [↑](#footnote-ref-6)
7. Complaint at 24-25. [↑](#footnote-ref-7)
8. Complaint at 21-22. [↑](#footnote-ref-8)
9. *See* Complaint at 24 (“Inefficiencies caused by MISO committing and dispatching other units inefficiently because it does not know how the pseudo-tied units will be dispatched”); Complaint at 25-26 (“These analyses represent only some of the potential costs and inefficiencies caused by the pseudo-ties. They do not include … the effects of conservative actions and parameters used by MISO operators to account for the uncertainties regarding the commitment and dispatch levels of the pseudo-tied resources, … and the inefficient commitment of … MISO generators because the pseudo-tied resources are missing from [MISO’s] day-ahead market”); Complaint at 29 (“There are many other days in which we understand that MISO has operated more conservatively, increasing the cost to MISO’s customers, to account for its lack of commitment and dispatch control of the pseudo-tied units and the uncertainty regarding their commitment and dispatch by PJM.”). [↑](#footnote-ref-9)
10. *See* FERC Docket No. ER16-120. [↑](#footnote-ref-10)
11. Complaint at 39. [↑](#footnote-ref-11)
12. *See* Section IV.B.1. of the NYISO Protest (“Under the ISO-NE rules, external capacity resources remain available in the native region’s commitment and dispatch and are permitted to supply energy to their native region if it otherwise is not required by ISO-NE.”). [↑](#footnote-ref-12)
13. The Pseudo-Tie Requirements include the PJM tariff requirements that generators located outside of PJM that seek to become PJM Capacity Performance Resources must have confirmed long-term firm transmission service and must not be subject to NERC tagging as an interchange transaction in order to be excepted from PJM’s Capacity Import Limit. [↑](#footnote-ref-13)
14. *See* *PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,208 at PP 96-97 (2015), *order on reh’g*, 155 FERC ¶ 61,157 (2016). [↑](#footnote-ref-14)