

November 2, 2020

By Electronic Delivery

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

Re: Proposed Implementation Agreement Under Section 4.1.9.3 of the New York Independent System Operator, Inc.'s Market Administration and Control Area Services Tariff and Request for November 5, 2020 Effective Date

Dear Secretary Bose:

In accordance with Section 4.1.9.3 of its Market Administration and Control Area Services Tariff ("Services Tariff"), Section 205 of the Federal Power Act ("FPA"),¹ and Part 35 of the Commission's regulations,² 18 C.F.R. § 35, *et seq.*, the New York Independent System Operator, Inc. ("NYISO") respectfully submits the attached Implementation Agreement. The proposed Implementation Agreement governs Helix Ravenswood, LLC's ("Ravenswood's") recovery of the costs it incurred to construct a new fuel oil storage tank and appurtenances in order to accommodate the conversion of the Ravenswood Generating Station³ to cease burning No. 6 fuel oil.

For the reasons explained in Section V of this filing letter, the NYISO (with Ravenswood's support) respectfully requests that the Commission waive the 60-day prior notice requirement in Section 35.3(a)(1) of its regulations,⁴ along with any other Part 35 filing requirements not applicable to the proposal herein, to permit the Implementation Agreement to go into effect on November 5, 2020.

¹ 16 U.S.C. § 824d.

² 18 C.F.R. § 35, *et seq.*

³ The Ravenswood Generating Station consists of Ravenswood ST 01, Ravenswood ST 02, and Ravenswood ST 03.

⁴ 18 C.F.R. § 35.3(a)(1).

New York City local law required electric generators to stop burning No. 6 fuel oil by January 1, 2020.⁵ The new fuel oil system, which Ravenswood put into service in November 2019, allows Ravenswood ST 01, Ravenswood ST 02, and Ravenswood ST 03 to generate electric energy using a permissible liquid fuel in lieu of natural gas, when the Generators are required to do so by New York State Reliability Council (“NYSRC”) Local Reliability Rule G.2., *Loss of Gas Supply (New York City)*, (“Rule G.2”). The proposed Implementation Agreement is designated as Service Agreement No. 2575 under the NYISO Open Access Transmission Tariff (“OATT”).

Section 4.1.9 of the NYISO’s Services Tariff addresses, among other things, cost recovery by dual-fuel generating units that are designated pursuant to NYSRC Local Reliability Rule G.2 to either burn an alternate fuel (oil) at designated minimum levels, or to activate their auto-fuel swap capability, based on forecast Load levels in New York City.⁶ These generating units are referred to as “Eligible Units” for purposes of Services Tariff Section 4.1.9. Ravenswood ST 01, Ravenswood ST 02, and Ravenswood ST 03 at the Ravenswood Generating Station are Eligible Units. The units have a combined maximum output of approximately 1,780 MW and can burn natural gas or liquid fuel oil, or a combination of the two fuels.

The new fuel oil system is necessary because the fuel oil storage facility that it replaced was only capable of storing No. 6 fuel oil, which the facility can no longer burn pursuant to New York City local law. In order to remain able to operate on either natural gas or an alternate fuel, Ravenswood had to convert its storage facility and equipment to store and burn Fuel Oil No. 4 instead of No. 6 fuel oil. This fuel conversion will allow Ravenswood ST 01, Ravenswood ST 02, and Ravenswood ST 03 to continue supporting electric system reliability by providing the loss of gas supply service required by the NYSRC, while at the same time complying with the requirements of Section 24-168 of the Administrative Code of the City of New York.

Section 4.1.9.3 of the Services Tariff specifies that generating units that seek to recover costs incurred in connection with its compliance with Rule G.2, in addition to the commodity cost, associated taxes and emission allowance cost, shall negotiate an Implementation Agreement with the NYISO. The generating unit and the NYISO must also “consider the input of the New York State Public Service Commission, and the Transmission Owner designated by Rule [G.2] . . .”, in this case the Consolidated Edison Company of New York, Inc. (“Consolidated Edison”).⁷ The NYISO and Ravenswood negotiated and executed a new Implementation Agreement (Attachment I) to address Ravenswood’s recovery of certain costs incurred to comply with Rule G.2. While negotiating and drafting this Implementation Agreement, the NYISO sought input from the New York Department of Public Service and Consolidated Edison. The NYISO is

⁵ See Section 24-168 of the Administrative Code of the City of New York, as amended by local law 31 for the year 2018.

⁶ Capitalized terms not otherwise defined herein shall have the meaning specified in the Services Tariff or OATT.

⁷ Local Reliability Rule I-R3 was renumbered to Local Reliability Rule G.2 when the New York State Reliability Council renumbered its Reliability Rules in January 2015.

authorized to state that Consolidated Edison supports the terms of the proposed Implementation Agreement.

I. Documents Submitted

The NYISO respectfully submits the following documents with this filing letter:

1. Proposed Implementation Agreement between the NYISO and Ravenswood (Attachment I)

II. Communications and Correspondence

All communications and service in this proceeding should be directed 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”).⁸ 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

⁸ On June 30, 1998, the Federal Energy Regulatory Commission (“Commission”) issued 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.

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.”⁹

The NYISO, Ravenswood, and Consolidated Edison must comply with NYSRC Local Reliability Rule G.2 such that the NYS Bulk Power System is operated so that the loss of a single gas facility does not result in the loss of electric load within the New York City zone. 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.”¹⁰ The NYISO must also comply with the Independent System Operator Agreement (“ISO Agreement”)¹¹ and the ISO/NYSRC Agreement,¹² which are on file with and were accepted by the Commission.

Ravenswood ST 01, Ravenswood ST 02, and Ravenswood ST 03, combining for a maximum output of approximately 1,780 MW at the Ravenswood Generating Station in Queens, New York, currently support reliable operation of the NYS Power System through their ability to generate electric power by burning natural gas or an alternate liquid fuel, or a combination of the two, in compliance with NYSRC Local Reliability Rule G.2. In response to the New York City local law prohibiting use of No. 6 fuel oil, Ravenswood constructed the new fuel oil system such that the Ravenswood Generating Station units can store and fire Fuel Oil No. 4 or Fuel Oil No. 2 as an alternate fuel and continue complying with the NYSRC loss of gas supply reliability rule. The Ravenswood Generating Station is currently storing Fuel Oil No. 4 and firing on this alternate fuel when necessary. The facility will only require minor additional work to fire on Fuel Oil No. 2 when it is required to do so pursuant to New York City local law.¹³

⁹ ISO/NYSRC Agreement Section 4.1.

¹⁰ Services Tariff Section 5.2.

¹¹ 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.”

¹² 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.”

¹³ See Section 24-168 of the Administrative Code of the City of New York. No later than January 1, 2025, the Ravenswood Generating Station will be converted to burning Fuel Oil No. 2 as its alternate fuel. The new storage tank was constructed to accommodate Fuel Oil No. 2. Relatively minor changes will still need to be made to the burner tips at the generating facilities, and operational, maintenance and administrative changes will be necessary when the Ravenswood Generating Station convert to the use of Fuel Oil No. 2.

IV. Description of Proposed Implementation Agreement

The proposed Implementation Agreement supports the efforts that Ravenswood undertook to move forward in a timely, cost effective manner with the fuel system modifications necessary to help maintain the reliable operation of the NYS Bulk Power System. The conversion of generating units Ravenswood ST 01, Ravenswood ST 02, and Ravenswood ST 03 to Fuel Oil No. 4 (and, eventually, to Fuel Oil No. 2) was required for the Ravenswood Generating Station to comply with Section 24-168 of the Administrative Code of the City of New York, while also continuing to comply with New York State Reliability Council's Local Reliability Rule G.2, Loss of Generator Gas Supply - New York City.

Pursuant to Services Tariff Section 4.1.9, the NYISO negotiated an Implementation Agreement with Ravenswood to share a portion of the prudent capital costs incurred as part of the fuel oil system conversion. The NYISO and Ravenswood started discussing Ravenswood's fuel oil system conversion and the need for this Implementation Agreement in early 2017. On May 9, 2017, in a separate implementation agreement filing, the NYISO and Ravenswood described the early fuel oil system conversion discussions and explained the process they would utilize to negotiate the Implementation Agreement enclosed here. Consistent with Section 4.1.9.3 of the Services Tariff and the agreement that was filed and accepted by the Commission in 2017,¹⁴ Ravenswood and the NYISO engaged in good faith negotiations to review and verify the prudently incurred costs that will be shared and developed a mutually acceptable rate and reimbursement structure. The Implementation Agreement proposed in this filing is similar, but not identical, to the implementation agreement that the NYISO executed with Astoria Generating Company in 2019 to install new fuel tanks at the Astoria Generating Station. The Commission reviewed and accepted that implementation agreement in Docket No. ER19-2555.¹⁵

The proposed Implementation Agreement establishes a mechanism whereby Ravenswood and the Loads in the Consolidated Edison Transmission District will share a portion of the prudently incurred capital costs associated with constructing key elements of the fuel oil system, including a 2 million gallon fuel oil storage tank. Based on a total project cost of approximately \$32 million, the NYISO agreed, with the support of Consolidated Edison, to reimburse Ravenswood for approximately one-third of the total project cost.¹⁶ NYISO will reimburse Ravenswood at a flat, fixed rate of \$216,448.99 per month for 59 months plus a one-time upfront payment of \$516,448.99 in November 2020. The NYISO and Ravenswood agreed that NYISO would begin monthly payments in November 2020. The NYISO will collect the money it pays to Ravenswood pursuant to this proposed Implementation Agreement from Load withdrawals in the Consolidated Edison Transmission District, in accordance with Section 6.1.7 of the NYISO

¹⁴ *New York Independent System Operator, Inc.*, Letter Order, Docket No. ER17-1579-000 (June 16, 2017).

¹⁵ *New York Independent System Operator, Inc.*, Letter Order, Docket No. ER19-2555-000 (September 6, 2019).

¹⁶ Ravenswood is also responsible for approximately one-third of the prudently incurred capital costs associated with constructing key elements of the new fuel oil storage tank and fuel oil system and, pursuant to a separate agreement, Consolidated Edison Company of New York, Inc.'s steam business ("Con Edison Steam") will reimburse Ravenswood for approximately one-third of the prudently incurred capital costs.

OATT.¹⁷ The proposed cost sharing allowed Ravenswood to construct a state-of-the-art fuel oil system to support electric system reliability and to comply with both the City of New York local law and the NYSRC Local Reliability Rule G.2.

V. Effective Date

The NYISO respectfully requests that the Commission issue an order accepting the proposed Implementation Agreement by January 4, 2021 (*i.e.*, the day following the end of the statutory 60-day notice period) with an effective date of November 5, 2020.

The NYISO also respectfully requests that the Commission waive the 60-day prior notice requirement set forth in Section 35.3(a)(1) of its regulations,¹⁸ as well as any other Part 35 filing requirements not applicable to the proposal herein, to permit the Implementation Agreement to go into effect November 5, 2020, as agreed to by the signatories. Ravenswood completed construction of the new storage tank and related fuel oil system equipment and put the new fuel oil system into service in November 2019 based on the ongoing good faith discussions among the NYISO, Ravenswood, and Consolidated Edison, with input from the New York State Department of Public Service. Ravenswood has carried the construction cost of the facilities since that date. Now that the signatories have executed the proposed Implementation Agreement, the requested November 5, 2020 effective date will allow the NYISO to start making payments to Ravenswood on the November 2020 monthly invoice, consistent with Ravenswood's request for prompt reimbursement of the expenses it has already incurred.

VI. 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.

¹⁷ The NYISO currently collects money in the same manner for another effective Implementation Agreement under Services Tariff Section 4.1.9. *See*, Service Agreement No. 2474 under the NYISO OATT filed in Docket No. ER19-2555-000, Implementation Agreement governing Astoria Generating Company LP's recovery of its costs to construct a new fuel oil system in furtherance of New York State Reliability Council Local Reliability Rule G.2.

¹⁸ 18 C.F.R. § 35.3(a)(1).

VII. Conclusion

The NYISO respectfully requests that the Commission waive the 60-day prior notice requirement set forth in Section 35.3(a)(1) of its regulations and issue an order by January 4, 2021, accepting the proposed Implementation Agreement without modification or condition, thereby making the rates, terms and conditions of the Implementation Agreement effective on November 5, 2020.

Respectfully submitted,

/s/ James H. Sweeney
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