

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

New York Independent System Operator, Inc.) Docket No. ER08-1281-004

**REQUEST FOR LEAVE TO RESPOND AND RESPONSE OF
THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.
TO THE REQUEST FOR REHEARING OF
THE PSEG COMPANIES**

On August 16, 2010 Public Service Electric and Gas Company, PSEG Power LLC and PSEG Energy Resources & Trade LLC (collectively, “PSEG Companies”) submitted a *Request for Rehearing* (“Request”) addressing the Federal Energy Regulatory Commission’s (“Commission’s”) July 15, 2010 Order in the above-captioned docket (the “Order”).¹ Pursuant to Sections 212 and 213 of the Commission’s Rules of Practice and Procedure,² the New York Independent System Operator, Inc. (“NYISO”) respectfully requests leave to respond, and briefly responds, to the PSEG Companies’ Request.

I. REQUEST FOR LEAVE TO SUBMIT RESPONSE

The NYISO recognizes that Rule 213 generally does not permit, and that the Commission normally discourages, answers to rehearing requests. The Commission has allowed such answers, however, when they help to clarify complex issues, provide additional information that will assist the Commission, or are otherwise helpful in the development of a record.³

¹ *New York Independent System Operator, Inc.*, 132 FERC ¶ 61,031 (2010).

² 18 C.F.R. §§ 385.212, 385.213 (2010).

³ See, e.g., *Dominion Cove Point LNG, LP*, 118 FERC ¶ 61,007 at P 10 (2007) (accepting answers to rehearing requests); *KeySpan LNG, LP*, 114 FERC ¶ 61,054 at P 7 (2006) (same); *Michigan Electric Transmission Co., LLC*, 106 FERC ¶ 61,064 at P 3 (2004) (stating that answer to rehearing request aided the Commission’s understanding of the issues); *Entergy Gulf States, Inc.*, 99 FERC ¶ 61,095 at P 8 (2002)

The PSEG Companies ask the Commission to direct the NYISO and PJM Interconnection LLC (“PJM”) to take actions based on statements that are not supported by any evidence, or that are the subject of other, more focused, ongoing Commission proceedings. The PSEG Companies’ Request is, effectively, a motion for affirmative relief; which the NYISO would ordinarily be permitted to answer as a matter of right.⁴ To the extent that the Commission concludes that the NYISO needs its permission to answer, the NYISO respectfully requests leave to answer the PSEG Companies’ Request.

II. RESPONSE

A. **The PSEG Companies’ Regional Planning Concerns were Addressed in Order No. 890 Compliance Filings, or Will Be Addressed in Docket No. RM10-23-000**

The PSEG Companies argue that PJM and the NYISO should be required, in this docket, to modify their planning processes to address a broad range of “seams” issues, ranging from the congestion impact of thunderstorm alerts in New York City to a better coordinated planning process, to interregional cost allocation for transmission facilities. While some of the PSEG Companies’ proposed remedies might, at some point in the future, reduce the impact of Lake Erie loop flow, the ties between the PSEG Companies’ proposed remedies, and controlling Lake Erie loop flow are tenuous, and the Commission has addressed, or is addressing the PSEG Companies’ concerns in other, more appropriate, dockets.

(accepting answer to rehearing request that assisted the Commission in resolving the issues); *PacifiCorp*, 98 FERC ¶ 61,117, at 61,347 (2002) (observing that prohibition on answers to rehearing requests can be waived when the answer helps develop a complete record).

⁴ See, e.g., *Iroquois Gas Transmission Sys., L.P.*, 61 FERC ¶ 61,341 at 62,341 n.9 (1992) (party is entitled to respond to affirmative request in a pleading regardless of how that pleading is captioned); *Seminole Electric Cooperative, Inc. v. Florida Power & Light Company*, 53 FERC ¶ 61,026, 61,101 (1990) (answer accepted to the extent it responded to a party’s requests for affirmative relief).

In Order No. 890, the Commission ordered the ISOs and RTOs to engage in interregional planning on an open and transparent basis. In response, the NYISO, PJM and ISO-New England informed the Commission that they engage in effective interregional planning through the Northeast Coordinated System Planning Protocol (“NCSPP”), which produces the Northeast Coordinated System Plan. In its order accepting the NYISO’s compliance filing, the Commission determined that NYISO’s participation in the NCSPP complies with its interregional planning principles.⁵ The Commission issued a similar finding with regard to PJM.⁶

⁵ *New York Independent System Operator, Inc.*, 125 FERC ¶ 61,068 at P 70 (2008) (“We find that NYISO’s revised Attachment Y satisfies the requirements of the regional participation principle stated in Order No. 890 as they apply to the planning activities conducted by NYISO. For example, 1.1, 1.3, 3.0.c and 5.3.e of Attachment Y requires NYISO to conduct the regional system planning process and develop the annual system plan in coordination with neighboring control areas. The Northeastern ISO/RTO Planning Coordination Protocol provides the procedures for the exchange of planning-related data and information and establishes the system planning analysis procedures to be utilized by the parties, contributing to the ongoing reliability and enhanced operational and economic performance of the neighboring systems. The Protocol also provides, among other things, for the development of a Northeastern Coordinated System Plan among PJM, NYISO, and ISO-NE (including the technical participation of the Ontario IESO, Ontario Power Authority, Hydro Québec, and New Brunswick) which will integrate the individual system plans of the parties.”).

⁶ *PJM Interconnection, LLC*, 123 FERC ¶ 61,163 at PP 75-76 (2008) (“We also find that PJM complies with the interregional coordination requirement found in the regional participation principle. Specifically, Order No. 890 requires that regions should coordinate as necessary to share data, information and assumptions to maintain reliability and allow customers to consider resource options that span the regions. [footnote omitted] PJM has adequately explained in its compliance filing how each of the JOAs it has entered into with its neighboring transmission systems provides a forum for the sharing of data, information, and assumptions in order to coordinate planning among the regions. For example, the Midwest ISO JOA provides, among other things, for the preparation of a Coordinated System Plan for Midwest ISO and PJM, the goal of which is to maintain reliability, improve operational performance and enhance the competitiveness of electricity markets. The NPCP will also provide for the development of a Northeastern Coordinated System Plan among PJM and NYISO and ISO-NE, which will integrate the system plans of the parties in order to resolve seams issues and enhance the coordinated performance of the systems.... Under the NPCP, parties will form a Joint ISO/RTO Planning Committee (JIPC), comprised of representatives of the staff of the parties, for the purpose of coordinating planning activities, identifying issues related to the Inter-area planning process, and facilitating the resolution of such issues. In addition, ad hoc committees will be established to resolve specific planning coordination issues. Such ad hoc committees may include representatives of the JIPC, the affected transmission owners, and other interested stakeholders. [footnote omitted] Therefore, we find that PJM satisfies Order No. 890’s regional participation requirement, subject to the modifications discussed below in the local planning section of this order.”).

On June 17, 2010, the Commission issued a Notice of Proposed Rulemaking (“NOPR”) on transmission planning and cost allocation in Docket No. RM10-23-000.⁷ In its NOPR the Commission seeks comments on whether further reforms are needed to transmission planning processes in transmission providers' and transmission planners' tariffs to address a host of issues, including interregional planning and cost allocation. In the NOPR, the Commission proposes to require ISOs and RTOs to enter into bilateral agreements with neighboring regions to carry out interregional planning.⁸ These agreements would have to be filed with the Commission.⁹ The Commission further proposes to require neighboring ISOs and RTOs to include a cost allocation methodology and cost recovery mechanism in their tariffs for all facilities included in their respective transmission plans.¹⁰ The proposed cost allocation method must provide for the allocation of costs of interregional facilities between two regions.¹¹ The PSEG Companies should raise their concerns regarding interregional cost allocation in their comments on the NOPR, which are due on September 29, 2010. The NYISO does not agree that it would be appropriate to develop interregional planning and cost allocation methods in this proceeding that are not informed by the Commission's decisions in Docket No. RM10-23.

B. The PSEG Companies' Have Not Proposed a Viable Method of Performing “Separate Proxy Bus Calculations” for “All Controllable Lines that Cross the NYISO/PJM Seam”

On pages 11 and 12 of their Request, the PSEG Companies argue that the current proxy bus configuration between PJM and NYISO “is not sufficient to adequately model the two

⁷ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, 131 FERC ¶ 61,253 (2010).

⁸ *Id.* at P 114.

⁹ *Id.* at P 120.

¹⁰ *Id.* at P 159.

¹¹ *Id.* at P. 161.

systems and, hence, will inevitably result in unwanted loop flows.” The PSEG Companies’ proposed solution is, apparently, to separately schedule and price each and every transmission line that is capable of some degree of control via Phase Angle Regulator (“PAR”), an AC/DC/AC interconnection, or a comparable control technology. The PSEG Companies’ pleadings never explain why or how separately scheduling and pricing each of the “controllable” transmission facilities at the PJM/New York border will reduce Lake Erie loop flows.

The PSEG Companies’ proposal is both unsupported and inadvisable for several reasons. First, creating a fragmented New York/PJM border comprised of close to ten distinct scheduled lines, plus an A/C proxy bus, would present significant new opportunities for market manipulation. Many of the scheduled lines would originate or terminate at electrically similar locations, potentially presenting “phantom” arbitrage opportunities (the opportunity to arbitrage small price differentials, without providing meaningful benefits to either PJM or New York). In addition, it would be possible to fully schedule and constrain one scheduled line, while other scheduled lines had no transactions scheduled.

Second, as the PSEG Companies are well aware, while PAR controls are effective within a limited range, some PAR controlled transmission facilities at the border between PJM and the NYISO are only capable of controlling flows at a gross (+/- 50 MW) level (the taps move in 50 MW increments), and some of the PAR-controlled facilities at the PJM/New York border are only permitted a limited number of “tap” moves per day and per month in order to limit wear-and-tear on the facilities.¹² Separately scheduling and pricing each PAR controlled transmission line would likely exacerbate unscheduled flows, because it would not be possible to conform flows to schedules over each of the PSEG Companies’ proposed “scheduled lines.” It is easier to

¹² Once the daily or monthly allotment of tap moves was used up, it would no longer be possible to even attempt to conform flows to schedules over a particular transmission line.

conform total interface flows to schedules than it would be to attempt to conform flows to schedules on a line-specific basis.

Finally, the PSEG Companies' proposal would be administratively inefficient because it would require the NYISO and PJM control rooms to distinctly track, monitor, and (where possible) take action to correct for flows over each distinct scheduled line. Also, it presents the potential for a transmission line to be fully scheduled, while nearby lines are not scheduled, or for all of the "tap" moves on a particular PAR to be used up, while other nearby PARs still have available control capability.

For the reasons set forth above, the Commission should reject the PSEG Companies' unsupported and technically infeasible proposal.

C. The PSEG Companies' Rehearing Request is Premature

In its July 15, 2010 Order the Commission instructed several participants in this proceeding to submit additional information for its consideration and asked the Ontario Independent Electricity System Operator to submit additional information. The Commission has not issued a final decision in this proceeding. The PSEG Companies' Request is premature.

III. CONCLUSION

For the reasons set forth above, the NYISO respectfully requests that the Commission consider this Response and reject the PSEG Companies' various requests for affirmative relief.

Respectfully submitted,

/s/ Alex M. Schnell

Alex M. Schnell

New York Independent System Operator, Inc.

Dated: August 31, 2010

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service lists compiled by the Secretary in this proceeding in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure, 18 C.F.R. § 385.2010.

Dated at Rensselaer, New York this 31st day of August, 2010.

/s/ Alex M. Schnell
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