

March 8, 2024

BY eTARIFF FILING

Hon. Debbie-Ann A. Reese, Acting Secretary
Federal Energy Regulatory Commission
Dockets Room, Room 1A
888 First Street, N.E.
Washington, DC 20426

**Re: Central Hudson Gas and Electric Corporation
Filing of Rate Schedule 21 to NYISO Open Access Transmission Tariff
Docket No. ER24-____**

Dear Acting Secretary Reese:

Pursuant to Section 205 of the Federal Power Act (“FPA”)¹ and Part 35.13 of the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) regulations,² Central Hudson Gas and Electric Corporation (“Central Hudson” or “Applicant”), submits via eTariff this filing to amend the New York Independent System Operator, Inc. (“NYISO”) Open Access Transmission Tariff (“OATT”).³ The proposed amendments reflect the addition of a new Rate Schedule 21 to provide for Central Hudson’s recovery of costs associated with the provision of Wholesale Distribution Service (“WDS”) to customers who own electric resources connected to Central Hudson’s distribution system and sell the output of those resources through the NYISO-administered wholesale markets, as well as customers charging electric energy storage systems for purposes of making wholesale sales through the NYISO-administered wholesale markets.

The proposed WDS Rates would allow the amendments proposed herein to be implemented following the effective date of Central Hudson’s updated, state-jurisdictional Standby and Buyback service rates, the calculation methodologies for which were approved by the

¹ 16 U.S.C. § 824d (2018).

² 18 C.F.R Part 35.13 (2021).

³ The NYISO is submitting this filing in FERC’s eTariff system on Central Hudson’s behalf solely in the NYISO’s role as the tariff administrator of the NYISO OATT. The burden of demonstrating that the proposed tariff amendments are just and reasonable rests on Central Hudson, as Applicant. The NYISO takes no position on any substantive aspect of this filing at this time. Unless otherwise defined herein, capitalized terms used in this transmittal letter shall have the meanings ascribed to them under the NYISO OATT.

New York Public Service Commission (“NYPSC”) in an order issued October 13, 2023.⁴ Central Hudson’s updated Standby and Buyback service rates are effective January 1, 2024.⁵

As demonstrated by this transmittal letter and the attached exhibits, the proposed WDS Rates are just and reasonable and not unduly discriminatory. Central Hudson requests the Commission accept the proposed tariff amendments for filing, with an effective date of May 8, 2024, which is the day following the end of the statutory 60-day notice period.

I. Background

A. Applicant

Central Hudson is a corporation created and organized under the laws of New York, with its principal offices in Poughkeepsie, New York. Central Hudson is a natural gas and electric utility engaged in, among other things, the businesses of: (i) distributing natural gas for residential, commercial, and industrial use; and (ii) transmitting and distributing electric power to wholesale and retail customers and transmitting electric power on behalf of third parties. Central Hudson’s transmission of electric power in interstate commerce is regulated by the Commission. Central Hudson is a wholly owned subsidiary of CH Energy Group, Inc. an indirect subsidiary of Fortis Inc., a Canadian company located in St. John’s, Newfoundland and publicly traded on the Toronto stock exchange. Central Hudson is a participant in the NYISO’s electricity markets and holds market-based rate tariff authority under the Federal Power Act.

B. FERC Order Nos. 841 and 2222

The Commission’s Order No. 841, issued February 15, 2018, directed regional transmission organizations (“RTOs”) and independent system operators (“ISOs”) under the Commission’s jurisdiction to remove barriers to the participation of electric storage resources, including those interconnected to distribution facilities, in wholesale markets. Importantly, the Commission determined in Order No. 841 that wholesale purchases and sales by electric storage resources (i.e., for charging and discharging) must be at the applicable wholesale rate regardless of which participation model the electric storage resource uses to participate.⁶ In response to concerns raised by parties regarding the use of distribution systems for such transactions, the Commission pointed to previous cases permitting a distribution utility to assess a wholesale distribution charge when an electric storage resource participates in wholesale markets, and explained that it may be appropriate for distribution utilities to assess similar charges.⁷ The Commission accepted the NYISO’s proposed Order No. 841 compliance changes effective August

⁴ See Order Establishing Updated Standby Service Rates and Implementing Optional Mass Market Demand Rates, In the Matter of the Value of Distributed Energy Resources, NYPSC Case 15-E-0751 (October 13, 2023) (“NYPSC Standby Rates Order”).

⁵ The NYPSC Standby Rates Order directed to submit updated tariff leaves to become effective on a temporary basis as of January 1, 2024. *Id.* at 82. The NYPSC expects to review these temporary tariffs and either accept such tariffs or direct further modifications in a future order. *Id.* at 87.

⁶ Order No. 841 at P 289.

⁷ See *id.* at P 35 n.56. See also *id.* at PP 296, 301.

26, 2020.⁸

Subsequently, on September 17, 2020, the Commission issued Order No. 2222, which aimed to remove barriers to the participation of distributed energy resources (“DERs”) in wholesale markets.⁹ To address these barriers, Order No. 2222 required each RTO and ISO under the Commission’s jurisdiction to implement tariff revisions to establish DER aggregators as a type of market participant that can register under one or more DER Participation Model programs contained in the RTO/ISO tariff that accommodates the physical and operational characteristics of each DER aggregation.¹⁰ On June 17, 2022, the Commission accepted the NYISO’s tariff amendments in compliance Order No. 2222, subject to further compliance.¹¹ The NYISO has stated that it expects its Order No. 2222 compliance tariff revisions to become effective in the fourth quarter of 2026. In 2019, prior to the issuance of Order No. 2222, the NYISO had proposed to establish a comprehensive DER and Aggregation participation model. Those tariff revisions, proposed in Docket No. ER19-2276-000, *et al.*, were accepted by the Commission in January 2020. In 2023, the NYISO submitted proposed enhancements to its 2019 DER and Aggregation participation model in Docket No. ER23-2040-000, *et al.* The tariff revisions proposed in that docket remain pending before the Commission. Central Hudson intends to file, at a later date subsequent to the FERC’s approval of the NYISO’s proposed tariff revisions in Docket No. ER23-2040-000, *et al.*, further amendments to the tariff herein to incorporate provisions allowing for wholesale energy and other market transactions with third parties and through an aggregation to facilitate implementation of the NYISO’s DER and Aggregation participation model and FERC Order No. 2222.

C. NYPSC Orders

Central Hudson, Consolidated Edison Company of New York, Inc. (“Con Edison”), New York State Electric & Gas Corporation, Rochester Gas & Electric Corporation, Niagara Mohawk Power Corporation, and Orange and Rockland Utilities, Inc. (collectively, the “Joint Utilities”) each submitted draft tariff amendments to the NYPSC on July 14, 2022, to implement updated

⁸ See New York Indep. System Operator, Inc., Docket No. ER19-467-005 (Oct. 23, 2020) (delegated order accepting August 26, 2020 as the effective date for the NYISO to implement its Energy Storage Resource participation model in compliance with Order No. 841); New York Indep. System Operator, Inc., Docket No. ER19-467-006 (Oct. 23, 2020) (delegated order accepting further revisions to the NYISO OATT in compliance with Order No. 841). The Commission accepted additional tariff amendments in Docket Nos. ER20-1696-000 and ER20-2113-000 comprising the NYISO’s Energy Storage Resource participation model.

⁹ Participation of Distributed Energy Resources Aggregations in Markets Operated by Regional Transmission Organizations & Independent System Operators, Order No. 2222, 172 FERC ¶ 61,247 (2020), order on rehearing, Order No. 2222-A, 174 FERC ¶ 61,197, order on rehearing, Order No. 2222-B, 175 FERC ¶ 61,227 (2021). The Commission defined DERs to include “any resource located on the distribution system, any subsystem thereof or behind a customer meter.” Order No. 2222 at P 114.

¹⁰ Order No. 2222 at P 6.

¹¹ See New York Indep. System Operator, Inc., 179 FERC ¶ 61,198 (2022). On November 14, 2022, the NYISO submitted proposed further tariff revisions and requested an extension of the effective date for the same to allow it time to address database, workflow, and software changes. The Commission granted the NYISO’s requested extension on December 1, 2022. See New York Indep. Sys. Operator, Inc., Notice of Extension of Time, Docket No. ER21-2460-004 (Dec. 1, 2022) (granting extension of effective date for NYISO Order No. 2222 tariff amendments until no later than December 31, 2026).

Standby and Buyback service rates, among other changes. Standby Rates compensate a utility for being available in case a customer's on-site distributed generation does not fully offset a customer's load, and generally apply to two types of customers: (1) customers that normally fully supply their own power through on-site generation but maintain a connection to the electric grid for service during generator failure or maintenance; and (2) customers that supply part of their own power through on-site generation but frequently supplement it with electricity supplied through the electric grid.¹² Buyback Rates, in contrast, account for the utility's payment to the customer for its export power, based on wholesale prices for energy and capacity in the NYISO market.¹³

The tariff amendments submitted by the Joint Utilities on July 14, 2022, were filed in compliance with the NYPSC's Order Establishing an Allocated Cost of Service Methodology for Standby and Buyback Service Rate and Energy Storage Contract Demand Charge Exemptions and Order Directing Standby and Buyback Service Tariff Filings.¹⁴ The Order Directing Standby and Buyback Service Tariff Filings required the Joint Utilities to amend their Standby and Buyback Rates to incorporate rates designed using the Allocated Cost of Service ("ACOS") methodology adopted in the Order Establishing an Allocated Cost of Service Methodology for Standby and Buyback Service Rates and Energy Storage Contract Demand Charge Exemptions. The NYPSC Standby Rates Order approved these amendments to Central Hudson's state retail tariff, subject to further compliance.¹⁵

In issuing its approval in the NYPSC Standby Rates Order, the NYPSC undertook a comprehensive review of the relevant rates, terms, and conditions of service provided over Central Hudson's distribution system, including changes to the same necessary to facilitate the WDS contemplated by this filing. Central Hudson requests that the Commission consider proposed Rate Schedule 21 filed herewith in light of the NYPSC Standby Rates Order's approval of Central Hudson's proposed calculation methodologies for its Standby and Buyback service rates and afford this filing a measure of deference commensurate with the NYPSC's endorsement. The Commission has previously recognized that deference to the NYPSC is appropriate with respect to determining rates for WDS.¹⁶ Central Hudson respectfully requests that the Commission find such deference is similarly appropriate here.

II. Description of The Proposed Tariff Revisions

Proposed Rate Schedule 21 will enable Central Hudson to provide WDS to generation or storage resources interconnected to Central Hudson's distribution system that seek to participate in the NYISO-administered wholesale markets. The tariff language proposed for inclusion in Rate

¹² See Order on Standby and Buyback Service Rate Design and Establishing Optional Demand-Based Rates, *In the Matter of the Value of Distributed Energy Resources*, NYPSC Case 15-E-0751, at 6-7 (May 16, 2019).

¹³ See *id.* at 7-8.

¹⁴ See Order Directing Standby and Buyback Service Tariff Filings, *In the Matter of the Value of Distributed Energy Resources*, NYPSC Case 15-E-0751 (March 16, 2022).

¹⁵ The NYPSC Standby Rates Order required certain updates to the draft tariff leaves submitted as part of Central Hudson's July 14, 2022 compliance filing and directed Central Hudson to submit a further compliance filing with updated tariff leaves to become effective on a temporary basis as of January 1, 2024. NYPSC Standby Rates Order at 82.

¹⁶ See *Consolidated Edison Company of New York, Inc.*, 15 FERC ¶ 61,174, at 61,405 (1981).

Schedule 21 clarifies the eligibility of customers connected to Central Hudson's distribution system to participate in the NYISO wholesale markets preventing duplicative compensation from Central Hudson and the NYISO for the same service.¹⁷ Pursuant to proposed Section 6.21.3 of Rate Schedule 21, WDS will be available to any Central Hudson customer who (i) owns an electric generator, including an electric energy storage system that is connected to Central Hudson's distribution system, (ii) proposes to directly engage in wholesale energy and other market transactions, and (iii) signs a separate agreement with Central Hudson for the interconnection and parallel operation of its generator.

Under proposed Rate Schedule 21, eligible customers will pay Central Hudson to deliver electric energy at wholesale over Central Hudson's distribution facilities ("Wholesale Energy Export Service"), and customers with an electric energy storage system charging to sell through the NYISO-administered markets for wholesale purposes will pay Central Hudson for the provision of service over Central Hudson's facilities necessary to facilitate that charging ("Wholesale Charging Service"). Consistent with the Commission's prior deference to the NYPSC with respect to WDS rates, the rates for Central Hudson's Wholesale Energy Export Service and Wholesale Charging Service (together, the "WDS Rates") have been established in accordance with the calculation methodologies for Central Hudson's Standby and Buyback Rates approved in the NYPSC Standby Rates Order, with appropriate modifications as further described herein.

A. Incorporation of the NYPSC-Approved Standby and Buyback Rates

Proposed Rate Schedule 21 contemplates that Central Hudson's NYPSC-approved Standby and Buyback Rates will determine the calculation of the WDS Rates. Central Hudson prepares an Embedded Cost of Service study ("ECOS Study") as the preliminary step in developing its electric retail rates, including the Standby and Buyback Rates. The ECOS Study apportions Central Hudson's total revenue requirement among the retail service classes served by Central Hudson and provides functionalized, classified, and class-allocated cost elements broken out by FERC account.¹⁸ An updated ACOS methodology ("ACOS Study") developed by Central Hudson in accordance with the Standby ACOS Order is then used to further allocate Central Hudson's costs as between "shared" and "local" components.¹⁹ The ACOS Study, as prescribed by the NYPSC, uses a "Decision Tree" methodology to further map the shared and local costs on a FERC account basis for customers at the secondary, primary, and the transmission voltage delivery levels. The ACOS Study's allocation of shared versus local costs provides the basis for the revenue requirements associated with the As-used Daily Demand Charges and the Contract Demand Charges in Central Hudson's Standby Rate design, which also form the basis for establishing WDS rates as adjusted to exclude the transmission revenue

¹⁷ While Order No. 2222 allows DERs to simultaneously participate in RTO/ISO markets and retail programs, it specifically prohibits duplicative compensation of services provided by DERs. *See* Order No. 2222 at PP 159-164.

¹⁸ Central Hudson's retail service classes are assigned based on customer requirements and include SC1, SC2 Non-demand, SC2 Secondary Demand, SC2 Primary Demand, SC3, and SC13. Service class SC13 is further delineated by voltage.

¹⁹ The Decision Tree methodology is "a series of yes or no answers mapped to various outcomes" that is employed "to determine how embedded costs are to be allocated to the shared, local, and customer cost categories." Standby ACOS Order at 5 & n.10.

requirement as shown in Attachment C.

A. Wholesale Charging Service

The rate design for Central Hudson's Wholesale Charging Service, as described in proposed Section 6.21.5.2, is similarly based on the calculation methodology for Central Hudson's Standby Rates approved in the NYPSC Standby Rates Order. The approved Standby Rate components include a customer charge, the As-used Daily Demand Charges (i.e., As-used On-peak Daily Demand and As-used Super-peak Daily Demand) and Contract Demand Charges, and if applicable, a reactive demand charge.

The Wholesale Charging Service rates specified in proposed Section 6.21.7 are calculated from the revenue requirements for each Standby Rate component in accordance with the Standby Rates Order. However, for purposes of calculating the Wholesale Charging Service rates, transmission costs are removed. The net revenue requirements of each rate component are blended and divided by the respective billing determinants to develop rates that are based on voltage delivery service level, rather than parent service class. As such, the Wholesale Charging Service Rate is calculated for customers at the Secondary, Primary, Large Primary, Sub-transmission, and Transmission voltage delivery service levels.

Proposed sections 6.21.5.2.1.1 and 6.21.5.2.1.2 set forth the requirements for determining each customer's Contract Demand. Proposed Section 6.21.7 specifies the monthly rates customers with electric energy storage systems charging to sell to NYISO or a third party for wholesale purposes will pay to Central Hudson.

B. Wholesale Energy Export Service

Central Hudson's Wholesale Energy Export Demand rates are outlined in Proposed Section 6.21.6. Proposed Section 6.21.5.1 sets forth the provisions that will govern calculation of the demand charge for Central Hudson's Wholesale Energy Export Service ("Wholesale Energy Export Demand Charge"). Pursuant to proposed Section 6.21.5.1.1, Central Hudson's Wholesale Energy Export Demand Charge will be based on a respective WDS customer's Demand Quantity and their applicable Wholesale Energy Export Service Demand rates. The demand rates were developed using the same local revenue requirements as Central Hudson's Standby Rates, with the exception that certain costs identified by the Decision Tree questions as not applicable to exports of electric energy were excluded. Transmission costs were also netted from the revenue requirements.

The resulting net revenue requirements were blended by voltage delivery service level, and then divided by the applicable billing determinants to develop a blended Wholesale Energy Export Demand rate for each voltage delivery service level. Wholesale Energy Export Service customers will also pay a customer charge, if they do not already pay a customer charge for Wholesale

Charging Service. The customer charge will be the same as the charge applicable to Wholesale Charging Service.

D. Proposed Rate Schedule 21 is Just and Reasonable

As discussed above, proposed Rate Schedule 21 reflects rates, terms, and conditions of service directly determined by those already determined to be reasonable and approved for inclusion in Central Hudson's state retail tariff in the NYPSC Standby Rates Order. The Commission has previously found that deferring to the NYPSC's findings regarding the rate calculations underlying the determination of WDS rates satisfies the Commission's regulatory responsibility under the FPA, while also serving "the ends of comity and administrative efficiency, and . . . foster[ing] parity of rates between customers." The interest in ensuring parity between customers is particularly acute in the case of WDS, as distribution-connected customers may well be engaging in both retail and wholesale transactions, and thus providing services regulated by both New York State and the Commission.

Given the close connection between the state- and Commission-regulated transactions, the involvement of industry participants in the review of the amendments to Central Hudson's state retail tariff reviewed in the NYPSC Standby Rates Order proceeding, and the extensive record developed by the NYPSC regarding rate design issues relating to services provided by distribution-connected resources, it is appropriate for the Commission to defer to the findings of the NYPSC here. In accordance with the findings in the NYPSC Standby Rates Order, Central Hudson submitted a compliance filing on December 15, 2023 that reflected the tariff amendments conditionally approved by the NYPSC, as well as certain prescriptive changes. These tariff amendments went into effect on a temporary basis on January 1, 2024, pending final review by the NYPSC.

Additionally, proposed Rate Schedule 21 is modelled on Attachment O to Con Edison's OATT, which contains the rates, terms, and conditions of Con Edison's existing WDS. This approach is just and reasonable, as it utilizes a Commission-accepted mechanism for calculating and assessing the costs associated with the provision of WDS that also satisfies the requirements of Order Nos. 841 and 2222. Consistent with the aims of the NYPSC compliance filing submitted by Central Hudson on December 15, 2023, Con Edison has proposed to amend Attachment O to its OATT to reflect the updates to Con Edison's state retail tariff approved in the NYPSC Standby Rates Order. Proposed Rate Schedule 21 was developed in consideration of Con Edison's amendments to Attachment O.

III. Requested Effective Date

Central Hudson respectfully requests an effective date of May 8, 2024 (*i.e.*, the day following the end of the statutory 60-day notice period), for the proposed Rate Schedule 21.

IV. Correspondence and Communications

All correspondence and communications concerning the above-captioned proceeding should be addressed to the following persons:²⁰

Paul A. Colbert
Associate General Counsel –
Regulatory Affairs
Central Hudson Gas & Electric
Corporation
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Stacy Powers
Director Costs, Rates, and Forecasts
Central Hudson Gas & Electric Corporation
284 South Avenue
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V. Service

A complete copy of this filing will be posted on the NYISO's website at www.nyiso.com. The NYISO has confirmed to Central Hudson that it will send an electronic link to this filing to the official representative of each its customers and each participant on its stakeholder committees.

VI. List of Documents

In accordance with the Commission's eTariff regulations and as Tariff Administrator, NYISO is submitting an eTariff XML filing package containing the following materials:²¹

1. This Transmittal Letter;
2. Attachment A: A clean tariff version of Central Hudson's proposed revisions for Section 6.21 of the NYISO OATT – Rate Schedule 21
3. Attachment B: NYPSC Standby Rates Order
4. Attachment C: WDS Revenue Requirement and Rate Design
5. Attachment D: NYPSC Order on the Central Hudson's Electric Retail Rates (Case 20-E-0428)

²⁰ Applicant requests waiver of Rule 203(b)(3) of the Commission's Rules of Practice and Procedure, 18 C.F.R § 385.203(b)(3) (2021), to the extent necessary to permit more than two persons to be included on the official service list on its behalf in this proceeding.

²¹ Please note that Attachments B through D are submitted as supporting documentation and are for reference only.

VII. Conclusion

For the reasons set forth above, Central Hudson respectfully requests the Commission accept for filing, effective as of the date specified above, or such other date as may be prescribed by the Commission, the tariff amendments filed herewith.

Respectfully submitted,

/s/ Paul A. Colbert

Paul A. Colbert
Associate General Counsel
Regulatory Affairs

Central Hudson Gas and Electric Corporation