

January 24, 2013

Submitted Electronically

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 Proposed Tariff Amendments
Enabling Implementation of HTP Scheduled Line;
Docket No. ER13-____-____.

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,¹ the New York Independent System Operator, Inc. ("NYISO") hereby submits proposed revisions to its Market Administration and Control Area Services Tariff ("Services Tariff") and to its Open Access Transmission Tariff ("OATT") (collectively, the "Tariffs") to implement the HTP Scheduled Line.² Also in this filing, NYISO and PJM Interconnection, L.L.C. ("PJM") (collectively the "RTOs") jointly submit, in electronic format, revisions to the Joint Operating Agreement ("JOA") between NYISO and PJM that is set forth in Attachment CC to the NYISO's OATT to implement the HTP Scheduled Line.³

Scheduled Lines are "controllable" transmission facilities that are approved for treatment as distinct scheduling paths for which transfer capability and prices are posted. The HTP Scheduled Line will represent a new interconnection between the New York Control Area ("NYCA") and PJM Control Area.

The proposed Tariff revisions: (a) identify the facility as a Scheduled Line; and (b) set forth the market rules that will apply at the Proxy Generator Bus associated with the proposed

¹ 18 C.F.R. § 385.205 (2012).

² Capitalized terms not specifically defined herein shall have the meaning set forth in the NYISO's Tariffs, as amended by the enclosed proposed revisions to the Tariffs.

³ Order No. 714, *Electronic Tariff Filings*, ¶ 31,276 (2008), and Section 35.1 of the Commission's regulations, 18 C.F.R. § 35.1(a), allow multiple public utilities that are parties to the same tariff (*e.g.*, a joint tariff such as the JOA) to designate one of the public utilities as the designated filer of the joint tariff. The designated filer submits a single tariff filing for inclusion in its database that reflects the joint tariff, along with the requisite certificates of concurrence from the other parties to the joint tariff. NYISO is the designated filing party for the JOA. Therefore, NYISO is submitting the JOA modifications in the instant filing along with PJM's Certificate of Concurrence. The designation of the NYISO as the designated filer for the JOA is for administrative convenience and in no way shall limit PJM's filing rights under the Federal Power Act as they relate to the JOA.

HTP Scheduled Line. After the Tariff revisions proposed herein are accepted for filing by the Commission, the NYISO will implement the new Scheduled Line in its market systems by adding a new Proxy Generator Bus representing the new interconnection between the NYCA and PJM. This will enable the NYISO to schedule and price the HTP Scheduled Line separate from the “primary” Proxy Generator Buses that represent the aggregated transfer capability of multiple transmission facilities that interconnect the NYCA with PJM. Initially, NYISO Market Participants will be able to schedule Import and Wheels-Through External Transactions⁴ at the new Proxy Generator Bus.

One Market Participant currently holds long-term firm Advance Reservations over the HTP Scheduled Line and the NYISO expects multiple Market Participants to hold long-term firm Advance Reservations by the time the HTP Scheduled Line becomes operational. The enhanced scheduling capability proposed in the attached Tariff provisions will allow those Market Participants to schedule transactions across the HTP Scheduled Line, while at the same time allowing third-parties to schedule transactions using HTP Scheduled Line capacity that has been released. This will facilitate efficient inter-regional trading between PJM and New York, strengthening the integration of the two markets.

I. LIST OF DOCUMENTS SUBMITTED

The NYISO submits the following documents:

1. This filing letter;
2. A clean version of the proposed revisions to the NYISO’s Services Tariff (Attachment I);
3. A blackline version of the proposed revisions to the NYISO’s Services Tariff (Attachment II);
4. A clean version of the proposed revisions to the NYISO’s OATT (Attachment III);
5. A blackline version of the proposed revisions to the NYISO’s OATT (Attachment IV);
6. The Affidavit of Dr. David B. Patton addressing the application of the Special Pricing Rules to the HTP Scheduled Line (Attachment V); and
7. PJM Interconnection, LLC Certificate of Concurrence for revisions to NYISO’s OATT Section 35 Attachment CC (PJM concurs with Section IV(E) of this letter) (Attachment VI).

⁴ As explained below, at the time of implementation, the HTP Scheduled Line will not support Exports from New York to PJM.

II. COPIES OF CORRESPONDENCE

Correspondence concerning this filing should be served on:

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III. BACKGROUND AND JUSTIFICATION

A. Proxy Generator Buses and Scheduled Lines

A Proxy Generator Bus is a Generator Bus located outside the NYCA that is used by the NYISO to represent a typical bus in an adjacent Control Area for which Locational Based Marginal Prices (“LBMPs”) are calculated. Prior to the NYISO’s implementation of Scheduled Lines, Proxy Generator Buses ordinarily represented and accounted for the entire intertie capability between the NYISO and a neighboring Control Area. Implementation of the Scheduled Line Tariff provisions has enabled the NYISO to move away from relying on a single Proxy Generator Bus to represent and account for its entire interchange capability with each of its neighboring Control Areas. The NYISO is now able, on a case-by-case basis, to implement transmission facility specific Proxy Generator Buses that can be used to segregate and schedule External Transactions (Imports, Exports and Wheels-Through) over specific transmission facilities that comprise a portion of the overall interchange capability between Control Areas. This enables Market Participants to schedule External Transactions at the Proxy Generator Bus that is associated with a Scheduled Line both in the Day-Ahead and Real-Time Markets and enables the NYISO’s operators to separately monitor each Scheduled Line and curtail transactions on the line, should such actions prove necessary to ensure reliable system operation.

Scheduled Lines are distinct scheduling paths for which the NYISO posts Total Transfer Capability (“TTC”) and Available Transfer Capability (“ATC”). Each Scheduled Line is associated with a distinct Proxy Generator Bus. Transmission facilities for which Scheduled Line treatment may be appropriate include so-called “controllable” facilities that give the transmission system operators a significant degree of control over the power that flows (or does not flow) over the facility. The capability to maintain the Scheduled Line actual interchange at the Desired Net Interchange (“DNI”), or within the tolerances dictated by Good Utility Practice, is a necessary prerequisite. In this case, HTP will use a high voltage direct current (“HVDC”) interconnection consisting of one back-to-back converter station to maintain the actual interchange over the HTP Scheduled Line consistent with the DNI that

PJM and the NYISO set for the facility.⁵

It is not possible to make a blanket determination as to the facilities for which Scheduled Line treatment is appropriate. Many factors other than the ability to control flows must be considered when deciding whether a particular transmission facility should be broken out from the larger Control Area interface as a Scheduled Line. Relevant factors include (but are not limited to) the following: (a) the desires of the neighboring Control Area that is interconnected with the NYCA via the transmission facility that is being considered for Scheduled Line treatment; (b) differences or inconsistencies between the tariffs and/or market rules of the neighboring Control Area that interconnects to the NYCA via the Scheduled Line and the NYISO's Tariff requirements or market rules; (c) the ability of the neighboring Control Area to support the existence of multiple Proxy Generator Buses representing its interfaces with the NYCA; (d) the possibility of significant unscheduled flows over the relevant facilities; (e) the existence of inter-Control Area agreements, grandfathered rights, or other contractual arrangements that might be complicated or disrupted by treating a particular transmission facility as a Scheduled Line; (f) the identity of the entity that possesses operational control over the transmission facility; (g) the desires of the entity or entities that own and/or operate the transmission facility; and (h) differences from, or inconsistencies between, the tariff and/or market rules applicable to the transmission facility that is a candidate for becoming a Scheduled Line and the NYISO's Tariff requirements and market rules.

Certain Tariff revisions supporting the HTP Scheduled Line are required because "physical" Advance Reservations, rather than economic bids, are expected to be used as the primary method of allocating the transmission capacity of the HTP Scheduled Line. The proposed Tariff revisions that are attached to this transmittal letter include provisions that are designed to enable the NYISO to accommodate the "physical" nature of reservations over the HTP Scheduled Line. The NYISO's proposed Tariff revisions are nearly identical to Tariff revisions addressing the Linden VFT, Cross-Sound and Neptune Scheduled Lines that the Commission has previously accepted.⁶ The NYISO's software design likewise accommodates the implementation of the HTP Scheduled Line, which allocates transmission capacity primarily via Advance Reservations rather than economic bids.

⁵ The interconnection's HVDC technology and back-to-back converter station allows for specific and constant power transfer levels to be specified in terms of magnitude and time by the HTP operator. The amount of power that is converted from alternating current to direct current, then back to alternating current on the other side of the transmission line, can be controlled with great precision. HTP is expected to deliver actual flow that is nearly identical to the power flow scheduled over the direct current line.

⁶ See, *New York Independent System Operator, Inc.*, Letter Order, Docket No. ER09-981-000 (May 27, 2009) (accepting Tariff sheet modifications for the Linden VFT Scheduled Line); *New York Independent System Operator, Inc.*, 111 FERC ¶ 61,238 (2005) (accepting the Tariff sheet modifications for the Cross-Sound Scheduled Line); and *New York Independent System Operator, Inc.*, Letter Order, Docket No. ER07-570-000 (April 17, 2007) (accepting Tariff sheet modifications, subject to a further compliance filing, for the Neptune Scheduled Line).

B. The HTP Scheduled Line

Hudson Transmission Partners (“HTP”) is proposing a controllable tie line with a 660MW normal operating range that will connect PSE&G Bergen Substation located in Ridgefield, New Jersey with Con Ed’s West 49th Street Substation in NYC.

The HTP Scheduled Line is owned by HTP and will be operated and scheduled by PJM pursuant to the terms and conditions of the PJM Open Access Transmission Tariff (including Section 38 - Service on Merchant Transmission Facilities and a separate service schedule that will pertain specifically to HTP), the PJM Amended and Restated Operating Agreement, and the PJM Consolidated Transmission Owners Agreement. Transmission capacity on the HTP Scheduled Line will be allocated pursuant to an open season process approved by the Commission. Initially, the HTP Scheduled Line will only support External Transactions from PJM to New York. Given sufficient notice, the NYISO expects that it will be able to support bi-directional External Transactions over the HTP Scheduled Line using its existing software and the Tariff authority that is requested in this filing.⁷

As explained above, a regime of “physical” Advance Reservations will apply to the HTP Scheduled Line. In order to accommodate implementation of the HTP Scheduled Line several Tariff revisions and changes to the NYISO’s market rules and operating practices must be made.

First, both the NYISO’s Day-Ahead Market (“DAM”) and Real-Time Market (“RTM”) will close ten minutes early for bids submitted for External Transactions over the HTP Scheduled Line. Market Participants desiring to submit bids to schedule External Transactions over the HTP Scheduled Line in the New York DAM will be required to have: (a) an Advance Reservation on the HTP Scheduled Line node of the PJM OASIS; (b) a valid NERC E-Tag that specifically identifies the Advance Reservation that is supporting the proposed External Transaction; and (c) a bid submitted to the NYISO’s Market Information System (“MIS”) by 4:50 a.m. (instead of 5:00 a.m.) of the day prior to the Dispatch Day in question. Similar requirements will apply to bids seeking to schedule Real-Time External Transactions, which must be submitted at least eighty five minutes prior (instead of seventy five minutes prior) to the relevant dispatch hour. The NYISO will support hourly and variable scheduling frequencies for the HTP Scheduled Line when it enters service in the NYISO markets.

Second, the NYISO must limit each NERC E-Tag that supports an External Transaction at the Proxy Generator Bus that is associated with the HTP Scheduled Line, to referencing no more than one HTP Scheduled Line Advance Reservation ID from the PJM OASIS. This requirement is necessary to permit the NYISO to programmatically search the PJM OASIS for an Advance Reservation and tie the Advance Reservation back to a New York MIS bid.

⁷ See, *New York Independent System Operator, Inc.*, Letter Order, Docket No. ER07-570-000 (April 17, 2007) (accepting similar conditions upon initial implementation of the Neptune Scheduled Line).

Third, HTP and PJM will implement an Advance Reservation regime that limits reservations (and resulting schedules) over the HTP Scheduled Line in each hour. The operation of the Advance Reservation process is explained in greater detail in the attached Affidavit of Dr. David B. Patton (“Affidavit”). The NYISO will only evaluate bids submitted by the holders of Advance Reservations, which can limit competition. The NYISO is thus proposing to apply the “Special Pricing Rules”⁸ to the HTP Scheduled Line. The HTP Scheduled Line should be subject to the Special Pricing Rules because, at times when a constraint on Imports or Exports over the HTP Scheduled Line is binding (*i.e.*, the interface is congested), prices could diverge significantly from competitive price levels. As the Affidavit explains, the competitive concern arises because the Advance Reservation requirements can limit the competition among participants to provide real-time counterflow transactions or to cancel DAM schedules to resolve congestion on the Scheduled Line. In some circumstances, there may be only one Market Participant that can provide the necessary relief to resolve the congestion. Application of the Special Pricing Rules to the HTP Scheduled Line will help prevent gaming or the exercise of market power by Market Participants.

Fourth, because the HTP Scheduled Line is under the operational control of PJM, the NYISO has determined that it will not derate the HTP Scheduled Line based on system conditions in the PJM Control Area. The NYISO will leave these operating decisions to PJM. The NYISO will have authority to reduce transactions scheduled over the HTP Scheduled Line to preserve the reliability of the New York system, such as when derating the HTP Scheduled Line is necessary to prevent the imminent loss of a generation or transmission facility, or to prevent the loss of service to New York loads. Additional procedures governing responses to specific pre-contingency and contingency conditions and the exchange of information among the NYISO, PJM, HTP, PSE&G and Con Edison that address the special circumstances of the HTP Scheduled Line will be set forth in a Common Operating Instruction for the HTP Scheduled Line interconnection.

Fifth, to the extent possible, in-hour curtailments by the NYISO of External Transactions at the Proxy Generator Bus that is associated with the HTP Scheduled Line will be based on the NERC transmission priority of the associated HTP Scheduled Line Advance Reservation on the PJM OASIS. Firm or non-firm transactions that share the same NERC priority will be curtailed *pro rata*. Similar to its determination regarding the derating of the HTP Scheduled Line for scheduling purposes, the NYISO will not curtail transactions over the HTP Scheduled Line based on system conditions in PJM, or on the HTP Scheduled Line itself, but may curtail transactions over the HTP Scheduled Line when system conditions in New York require in-hour curtailment.

Sixth, where HTP Scheduled Line transactions are reduced or eliminated because the HTP Scheduled Line facilities are not available, parties that scheduled Imports to the NYCA at the Proxy Generator Bus that is associated with the HTP Scheduled Line will not be eligible for compensation pursuant to Section 4.5.3.2 of the Services Tariff, which provides compensation to Import transactions that are “Curtailed at the request of the [NYISO].” Because the NYISO does not operate or secure the HTP Scheduled Line facilities, its actions

⁸ The Special Pricing Rules are set forth in Market Services Tariff Section 17.1.6.4.

will be consistent with Section 4.5.3.2 and therefore no Tariff revision is needed to ensure this result.

IV. PROPOSED TARIFF REVISIONS

All of the NYISO's proposed Tariff revisions are consistent with similar Tariff revisions that were accepted for filing by the Commission to implement the Linden VFT, Cross-Sound and Neptune Scheduled Lines.⁹ Specifically, the proposed Tariff revisions consist of the following modifications to the OATT and Services Tariff:

A. Definitions

The NYISO is proposing to revise Article 2 of the Services Tariff, and Article 1 of the OATT, to include new, or modify existing, defined terms related to the implementation of the HTP Scheduled Line. The new or modified terms are: (i) "Advance Reservation" (OATT § 1.1, Services Tariff § 2.1); (ii) "HTP Scheduled Line" (OATT § 1.8, Services Tariff § 2.8); and (iii) "Real-Time Scheduling Window" (OATT § 1.18, Services Tariff § 2.18).

The NYISO proposes to expand the term "Advance Reservation" to include reservations of transmission service over the HTP Scheduled Line that must be obtained from the PJM OASIS in accordance with all applicable PJM tariff requirements. HTP joins Linden VFT, Cross-Sound, Neptune, Dennison, and Northport Norwalk on the list of "Scheduled Lines." The definition of a Real-Time Scheduling Window notes that bids seeking to schedule External Transactions at the Proxy Generator Bus that is associated with the HTP Scheduled Line must be submitted no later than eighty-five minutes prior to the operating hour (same as the Linden VFT, Cross-Sound and Neptune Scheduled Lines).

B. Body of the OATT

In addition to the definitions identified above, proposed revisions to the body of the OATT are as follows:

a. A reference in the Preamble to Section 3 stating that the requirements of Attachment N to the Services Tariff shall apply to External Transactions at the Proxy Generator Bus that is associated with the HTP Scheduled Line; and

b. A statement in Section 3.1.6 indicating that Curtailment of External Transactions at the Proxy Generator Bus that is associated with the HTP Scheduled Line shall be based on the transmission priority of the appropriate associated Advance Reservation.

⁹ See, *New York Independent System Operator, Inc.*, Letter Order, Docket No. ER09-981-000 (May 27, 2009) (accepting Tariff sheet modifications for the Linden VFT Scheduled Line); *New York Independent System Operator, Inc.*, 111 FERC ¶ 61,238 (2005) (accepting the Tariff sheet modifications for the Cross-Sound Scheduled Line); and *New York Independent System Operator, Inc.*, Letter Order, Docket No. ER07-570-000 (April 17, 2007) (accepting Tariff sheet modifications, subject to a further compliance filing, for the Neptune Scheduled Line).

Where possible, the NERC transmission priority of the associated Advance Reservation will be used to determine the order of curtailments. Firm or non-firm transactions that share the same NERC priority will be curtailed *pro rata*. The proposed language conforms to the language that is already in place for the Linden VFT, Cross-Sound and Neptune Scheduled Lines.

c. A statement in Section 3.2.6.1 indicating that schedules for the Transmission Customer's Non-Firm Point-to-Point Transmission Service in the Day-Ahead must be submitted to the NYISO no later than 4:50 a.m. for Transmission Service over the HTP Scheduled Line. The proposed language conforms to the language that is already in place for the Linden VFT, Cross-Sound and Neptune Scheduled Lines.

C. Body of the Services Tariff

In addition to the definitions identified above, proposed revisions to the body of the Services Tariff are as follows:

a. Modification of Section 4.2.1.1 to provide that Eligible Customers seeking to schedule External Transactions in the DAM at the Proxy Generator Bus that is associated with the HTP Scheduled Line must submit their transactions by 4:50 a.m.; and

b. Modification of Section 4.4.4 to note pricing and scheduling rules that apply to transactions over the HTP Scheduled Line. The chart in this section provides that hourly and variable scheduling frequencies will be available for the HTP Scheduled Line upon entering service in the NYISO markets.

D. OATT Attachment J

OATT Attachment J has been revised to designate the Proxy Generator Bus that is associated with the HTP Scheduled Line as being subject to the Special Pricing Rule. As was discussed in Section III.B of this transmittal letter, the Affidavit explains the need to apply the Special Pricing Rules to the HTP Scheduled Line.

OATT Attachment J, Section 16.3.3.7, has been modified to state that the requirements of Attachment N to the Services Tariff will apply to External Transactions at the Proxy Generator Bus that is associated with the HTP Scheduled Line. Additionally, OATT Attachment J, Section 16.3.4, has been modified to repeat the language contained in Section 3.1.6 of the body of the OATT addressing the curtailment of schedules over the HTP Scheduled Line.

E. OATT Attachment CC

NYISO and PJM jointly submit revisions to OATT Attachment CC, Sections 35.23(5.2) and 35.23(5.5), to include the HTP Scheduled Line in the list of Scheduled Lines and scheduling points between the NYISO and PJM. PJM's Certificate of Concurrence, attached hereto, concurs with these proposed tariff revisions only.

F. Attachment N to the Services Tariff

A set of rules addressing the scheduling of transactions at the Proxy Generator Buses associated with the Linden VFT, Cross-Sound and Neptune Scheduled Lines are set forth in Attachment N to the NYISO's Services Tariff. The NYISO proposes to modify these provisions of Attachment N so that they apply to the HTP Scheduled Line as well as the Linden VFT, Cross-Sound and Neptune Scheduled Lines.

G. Ministerial Modifications

The NYISO is also proposing a ministerial modification to strike an extraneous word from the definition of "Scheduled Line" (Services Tariff § 2.19).

V. EFFECTIVE DATE

The NYISO respectfully requests that the Commission permit its proposed Tariff revisions to become effective on April 15, 2013, more than sixty days after the date of this filing. The NYISO anticipates that all necessary arrangements will be in place for it to implement the HTP Scheduled Line at some point after April 15, 2013.

From the date that the proposed Tariff revisions become effective to the date that the NYISO implements the HTP Scheduled Line, the NYISO will ordinarily post TTC and ATC of zero for the facility, indicating that it is not available.¹⁰ The NYISO commits to provide at least two weeks notice to the Commission, to PJM, and to all Market Participants before it fully implements the HTP Scheduled Line in its markets.

VI. STAKEHOLDER APPROVAL

The NYISO's Management Committee unanimously approved these tariff amendments on September 28, 2012, with abstentions. The NYISO Board of Directors approved these tariff amendments on October 15, 2012.

VII. SERVICE LIST

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 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.

¹⁰ The NYISO may post an ATC or TTC greater than zero following the effective date of the proposed Tariff revisions attached hereto, but prior to full market implementation of the facilities in order to test the new Scheduled Lines and associated Proxy Generator Bus. During scheduled tests the NYISO will post a notice on its website that, while prices are being posted for the Proxy Generator Bus that is associated with the HTP Scheduled Line, it is not available for the submission of market transactions. Transactions that are not part of the approved test schedule will be rejected or cut.

PJM has served a copy of this filing on all PJM Members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission's regulations,¹¹ PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: <http://www.pjm.com/documents/ferc-manuals/ferc-filings.aspx> with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region¹² alerting them this filing has been made and is available by following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within twenty-four hours of the filing. Additionally, a copy of this filing will be available on the Commission's eLibrary website located at the following link: <http://www.ferc.gov/docs-filing/elibrary.asp> in accordance with the Commission's regulations and Order No. 714.

VIII. CONCLUSION

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept the proposed tariff changes identified in the Attachments hereto, with an effective date of April 15, 2013.

Respectfully submitted,

/s/ James H. Sweeney

James H. Sweeney, Attorney
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¹¹ See 18C.F.R §§ 35.2(e) and 385.2010(f)(3).

¹² PJM already maintains, updates, and regularly uses e-mail lists for all PJM Members and affected state commissions.