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November 8, 2010

Submitted Electronically

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

**Re: New York Independent System Operator, Inc., Compliance Filing to Revise
Attachment C to the NYISO OATT, Docket Nos. ER11--___**

Dear Ms. Bose:

Pursuant to Paragraph 13 of Order No. 729-B¹ and Ordering Paragraph 325 of Order No. 890,² the New York Independent System Operator, Inc. (“NYISO”) respectfully submits proposed compliance revisions to Attachment C of its Open Access Transmission Tariff (“OATT”). The proposed revisions will update Attachment C to bring it into full compliance with the North American Electric Reliability Corporation’s (“NERC”) Reliability Standards MOD-004-1, and MOD-008-1, and MOD-029-1a.

I. Documents submitted

1. This filing letter;

¹ *Mandatory Reliability Standards for the Calculation of Available Transfer Capability, Capacity Benefit Margins, Transmission Reliability Margins, Total Transfer Capability, and Existing Transmission Commitments and Mandatory Reliability Standards for the Bulk-Power System*, Order No. 729, 129 FERC ¶ 61,155 (2009), *order on reh’g*, Order No. 729-A, 131 FERC ¶ 61,109 (2010); Order No. 729-B, 132 FERC ¶ 61,027 (2010).

² *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241 (2007), *order on reh’g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2008), *order on reh’g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh’g and clarification*, Order No. 890-C, 126 FERC ¶ 61,228 (2009); *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

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2. Clean Attachment C to the NYISO OATT incorporating the proposed compliance tariff revisions (“Attachment I”); and
3. Blacklined Attachment C to the NYISO OATT depicting the proposed compliance tariff revisions (“Attachment II”).

II. Communications

Copies of correspondence concerning this filing should be served on:

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III. Background

In Order Nos. 693 and 890, the Commission directed the industry to work with NERC to establish improved new methodologies for calculating Available Transfer Capability (“ATC”) and other values. In the interim, Commission-jurisdictional transmission providers were required to file revised versions of Attachment C to their OATTs to describe their existing ATC calculation methodologies more accurately and in greater detail.

In prior filings, the NYISO has explained that its “financial reservation” transmission model differs substantially from the “physical reservation” transmission model contemplated by the Order No. 890 *pro forma* OATT. Transmission service within the NYISO is scheduled “implicitly” when customers submit spot market energy schedules or arrange for bilateral transactions. There are no express reservations of physical transmission service within the NYISO control area, and customers may schedule transactions between any two points so long as doing so is not inconsistent with a security-constrained economic dispatch. All desired uses of the transmission system are scheduled to the extent that customers are willing to pay congestion charges (which can be hedged using financial rights.)

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The NYISO has also previously described how its customers' ability to schedule transactions is, with certain limited exceptions,³ not limited by a pre-defined amount of ATC as under the *pro forma* OATT. Instead, the entire capacity of the New York State Transmission System is made available for both firm and non-firm service prior to the start of each day-ahead market cycle. ATC is calculated and posted based on the transactions accepted in the day-ahead market. If a posted ATC value is zero, that value indicates that an interface is congested and that additional non-firm transmission capacity would not be available in the real-time market absent redispatch. It may still be possible, however, for the NYISO to accept additional firm transactions in this situation for customers that are willing to pay congestion charges.⁴

The information conveyed by NYISO ATC postings is also different from that conveyed by such postings physical reservation regimes. As the Commission has recognized, the NYISO's ATC postings are really advisory "projections."⁵ ATC within the NYISO represents the transmission capacity that is left over after all scheduled transactions have been accommodated. Stated differently, "ATC is used only as an instantaneous indication of the existence of uncongested transmission paths and not as a determinant as to whether additional requests for transmission service can be satisfied."⁶

The different nature of ATC in the NYISO's system is reflected in a number of waivers from the Commission's OASIS posting regulations,⁷ and from related North

³ The NYISO previously accommodated "Pre-Scheduled Transaction Requests" across External Interfaces which could be submitted in the Day-Ahead Market up to 18 months in advance of the Dispatch Day. If a customer arranged for a Pre-Scheduled Transaction, it would obtain a special priority reservation in the Day-Ahead Market that would necessitate a reduction in the ATC posted for the relevant External Interface. The NYISO's Pre-Scheduled Transaction Request procedure, however, went essentially unused for many years and the Commission recently accepted the NYISO's proposal to eliminate it. *See Tariff Amendments to Eliminate Pre-Scheduled Transaction Capability*, Letter Order, Docket No. ER10-2517-000 (November 2, 2010). The NYISO also supports "Advance Reservations" on specific designated controllable "Scheduled Lines" between the NYISO and certain neighboring entities. Scheduled Lines allow for Advanced Reservations on a basis that would be limited by a pre-defined amount of ATC. With one exception, however, other RTOs/ISOs are responsible for calculating ATC for each of the existing Scheduled Lines.

⁴ *See, e.g., Request for Limited OASIS Waivers*, Docket EL99-77-000 at 5-6 (July 9, 1999).

⁵ *See Central Hudson Gas & Electric Corp., et al.*, 88 FERC ¶ 61,253 at 61,803 (1999).

⁶ *Request for Limited OASIS Waivers*, Docket EL99-77-000 at 5-6 (July 9, 1999).

⁷ *See, e.g., Central Hudson Gas & Electric Corp.*, 88 FERC ¶ 61,253 (1999) ("1999 Waiver Order"); *New York Independent System Operator, Inc.*, 94 FERC ¶ 61,215 at 61,794 (2001) ("2001 Waiver Order").

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American Energy Standards Board (“NAESB”) standards,⁸ that the NYISO has obtained since its inception in 1999.

These differences were also reflected in the NYISO’s Order No. 890 compliance filings, which revised the NYISO OATT’s Attachment C to more accurately describe the NYISO’s existing methodology for calculating ATC. As those filings explained, the actual usage of the NYISO’s transmission system is determined through the continuous security-constrained economic dispatching performed by the NYISO’s market software. The output of these market software systems is represented in the NYISO’s ATC calculations through a “Transmission Flow Utilization” variable. The NYISO’s Attachment C revisions, including the provisions specifically providing for the use of Transmission Flow Utilization,” were accepted by the Commission in 2008.⁹

Most recently, the Commission issued the September 16 Order,¹⁰ which accepted a NERC interpretation of MOD-029 that the NYISO had sought in order to clarify that its financial reservation model was compatible with MOD-029’s requirements. The September 16 Order confirmed that the NYISO’s incorporation of Transmission Flow Utilization into its ATC calculations was consistent with the approved MOD-029 calculation methodology. The September 16 Order also recognized that the NYISO’s internal transmission interfaces were not “ATC Paths” within the meaning of the MOD Reliability Standards. Finally, the September 16 Order encouraged the NYISO to work through its stakeholder process to update

⁸ See *New York Independent System Operator, Inc.*, 127 FERC ¶ 61,005 at P 7 (2009) (granting the NYISO’s request for waiver of certain OASIS-related [North American Energy Standards Board \(“NAESB”\) Wholesale Electric Quadrant \(“WEQ”\)](#) standards adopted in Order No. 676-C governing resales and transfers of traditional Point-to-Point transmission reservations); *New York Independent System Operator, Inc.*, 125 FERC ¶ 61,275 at P 15 (2008) (granting NYISO’s request for waiver of various WEQ OASIS standards that had been modified by Order No. 676-C, and from which the NYISO had previously been granted waiver); *New York Independent System Operator, Inc.*, 117 FERC ¶ 61,197 at PP 15-17 (2006) (granting the NYISO’s request for waiver of certain WEQ OASIS standards). In addition, the NYISO recently sought extensive waivers of the latest version of NAESB’s WEQ standards, which include a number of posting requirements that correspond to the calculation requirements of the NERC MOD Reliability Standards. See *Request of the New York Independent System Operator, Inc. for Waivers of North American Energy Standards Board Wholesale Electric Quadrant Standards*, Docket No. ER11-1920 (October 27, 2010) (“October 27 Filing”).

⁹ See *New York Independent System Operator, Inc.* 123 FERC ¶ 61,134 (2008); *New York Independent System Operator, Inc.*, Letter Order, Docket No. OA08-13-003 (November 12, 2008)

¹⁰ *North American Electric Reliability Corp.*, 132 FERC ¶ 61,239 (2010).

its OATT's definition of "ATC" to more accurately reflect the different nature and function of ATC under a financial reservation model.¹¹

IV. Description of Proposed Tariff Revisions

The NYISO's proposed tariff revisions amend existing Attachment C provisions describing the calculation of ATC to track the requirements of MOD-029-1a. The NYISO proposes only two minor variations from NERC's standard language. First, the NYISO has included language clarifying that "Transmission Flow Utilization" will be accounted for under the standard MOD-029-1a algorithm for computing Existing Transmission Commitments ("ETC") as part of the "Other Services" ("OS") variable. The substance of the language regarding the calculation of Transmission Flow Utilization is unchanged from the language that the Commission accepted as compliant with Order No. 890. Second, the NYISO is proposing to replace references to "ATC Paths" in the MOD-29-1a language with references to "Interfaces." The NYISO's proposed terminology is more inclusive because it encompasses all of the Internal Interfaces (which are not "ATC Paths") and the External Interfaces (which appear to be "ATC Paths") for which the NYISO will calculate ATC. These minor variations reflect the NYISO's use of a financial reservation model, and are consistent with the September 16 Order.

As the NYISO has previously informed the Commission, a number of the variables used in the standard MOD-29-1a algorithms, and referenced in the NYISO's proposed tariff revisions, will normally have zero values when the NYISO conducts its ATC calculations. In general, those variables are related to *pro forma* OATT services or concepts that do not exist, are not utilized, or have no applicability within the NYISO's financial reservation model. For example, given that the NYISO OATT does not include *pro forma* OATT roll-over rights, the NYISO does not set aside firm capacity for roll-over rights under the "RORF" variable in the ETC algorithm.¹² Consistent with MOD-029-1a, the NYISO will provide additional information about each variable's role in its calculation in its ATC Implementation Document.

The NYISO has also included new language in Attachment C affirming that it will comply with the requirements of MOD-004-1 and MOD-008-1, including maintaining CBM

¹¹ In response to the Commission's recommendation, the NYISO is working on a tariff amendment that would update and clarify the NYISO OATT's definition of "ATC" for its stakeholders' consideration in upcoming meetings in November and December 2010.

¹² [The NYISO sought waivers of the NAESB posting requirements related to a number of these variables, including roll-over rights, and of various other NAESB requirements, in the October 27 Filing.](#)

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and TRM Implementation Documents (“CBMID” and “TRMID”). As the NYISO’s CBMID will explain, the NYISO will maintain a CBMID even though its practice is not to set aside transmission capacity as CBM.

Finally, the NYISO has included proposed corrections to certain ministerial errors and omissions that were inadvertently included in its original Attachment C compliance filing. The most notable of these involve: (i) adding language to Section 9.1 clarifying that ATC for Scheduled Lines may be calculated by other ISOs/RTOs that control those lines, and not just by the NYISO itself (as has always been the practice); and (ii) clarifying and correcting portions of previously accepted tariff language in Section 9.6 regarding the NYISO’s calculation of TRM.

V. Requested Effective Date

Consistent with Order No. 729-B, the NYISO respectfully requests that its proposed compliance tariff revisions become effective on April 1, 2011, the effective date of the new MOD Reliability Standards.

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 Public Service Commission, and to the electric utility regulatory agency of New Jersey. In addition, the complete filing will be posted on the NYISO’s website at www.nyiso.com.

VII. Conclusion

Wherefore, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept this filing to be effective as specified above.

Respectfully submitted,

/s/Ted J. Murphy

Ted J. Murphy

Counsel to

The New York Independent System Operator, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list 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, NY this 8th day of November, 2010

/s/ *Mohsana Akter*

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