

September 23, 2014

ELECTRONICALLY SUBMITTED

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 Eighth Informational Report on Efforts to Develop Rules Addressing Compensation to Generators that Are Determined to be Needed for Reliability; Docket No. ER10-2220-000.

Dear Secretary Bose:

In accordance with paragraph 54 and ordering paragraph “(C)” of the Federal Energy Regulatory Commission’s (“Commission’s”) October 12, 2010, Order On Proposed Mitigation Measures in Docket No. ER10-2220-000 (“Order”),¹ the New York Independent System Operator, Inc. (“NYISO”), hereby submits this *Eighth Informational Report on Efforts to Develop Rules Addressing Compensation to Generators that Are Determined to be Needed for Reliability* (“September 2014 Informational Report”). The NYISO submitted its *Seventh Informational Report on Efforts to Develop Rules Addressing Compensation to Generators that Are Determined to be Needed for Reliability* on March 27, 2014, (“March 2014 Informational Report”). **In footnote 44 of its Order the Commission stated that it does not intend to issue public notices, accept comments, or issue orders on this Informational Report.**

Paragraph 54 of the Order stated, in part, as follows:

Because fixed cost recovery issues do not go to whether NYISO’s mitigation proposal is in itself just and reasonable, this proceeding is not the appropriate forum in which to raise such issues. Further, commenters do not present factual evidence that demonstrates that market participants generally will be unable to

¹*New York Independent System Operator, Inc.*, 133 FERC ¶ 61,030. Since issuance of this Order in October 2010, the Commission has accepted tariff revisions to establish a New Capacity Zone comprised of Load Zones G, H, I and J, and a corresponding revision to the definition of “Rest of State.” See *New York Independent System Operator, Inc.*, 144 FERC ¶ 61,126, (Docket No. ER13-1380-000, accepting Services Tariff Sections 2.7, 2.18). Effective January 27, 2014, Rest of State is defined as Load Zones A through F.

recover their costs due to application of the proposed mitigation provisions. We note, however, that the NYISO Board of Directors, in its July 29, 2010 decision on the appeal of the NYISO Management Committee's adoption of the instant mitigation proposal, directed NYISO management to work with stakeholders to examine the generation owners' claims that existing cost recovery mechanisms are inadequate and to review the process that evaluates permanent solutions to reliability problems. Accordingly, we believe the better course is to await the outcome of the stakeholder process as directed by the NYISO Board of Directors. In this regard, we direct NYISO to file status reports every 180 days beginning 180 days from the date of this order for informational purposes only.⁴⁴

⁴⁴ The Commission does not intend to issue public notices, accept comments, or issue orders on such informational filings.

In compliance with the cited sections of the Order, the NYISO submits this Informational Report.

I. Documents Submitted

1. This Informational Report;
2. An August 28, 2014 presentation titled *Annual Capacity Market* by Randy Wyatt, of NYISO, to a meeting of the NYISO's ICAP Working Group ("Attachment A"); and
3. An August 28, 2014 presentation titled *NYISO Capacity Market Assessment* by Analysis Group, to a meeting of the NYISO's ICAP Working Group ("Attachment B").

II. Informational Report

A. Summary of the March 2014 Informational Report

The NYISO did not present new or updated proposals to its stakeholders in the period between the September 2013 Informational Report and the March 2014 Informational Report. In addition, the NYISO did not receive new or updated proposals from its stakeholders or New York Department of Public Service staff between submission of its sixth and seventh informational reports. During this time, the NYISO continued assessing whether additional rules addressing compensation to generators needed for reliability are necessary to improve the NYISO administered markets.

B. September 2014 Informational Report

In relation to “review[ing] the process that evaluates permanent solutions to reliability problems,”² the NYISO has continued to explore with stakeholders potential modifications to its Capacity market that could result in more advanced notice of a generating unit’s intent to mothball or retire. More advanced notice could provide additional time to identify reliability needs and implement permanent solutions. Two presentations were made at the NYISO’s ICAP Working Group (“ICAPWG”) meeting on August 28, 2014 that could advance the notice period. The first presentation, given by NYISO staff, analyzed the concept of an annual capacity market. The second presentation, given by the Analysis Group regarding the evaluation of potential capacity market enhancements it is performing at the request of the NYISO, includes the element of advancing the retirement notification from generating units. Stakeholders provided input on both presentations and the NYISO is continuing its review.

C. Additional Market Activity Update

The March 2014 Informational Report also discussed a matter pending before the New York State Public Service Commission (“NYPSC”) regarding the compensation of generating units seeking to retire. In August 2012, the NYPSC issued an order that approved a proposal for the transmission owner (Niagara Mohawk Power Corp. d/b/a/ “National Grid”) to compensate the generator owner (Dunkirk Power LLC, “Dunkirk”) for “reliability support services” (“RSS”) provided by two of the four generating units at the Dunkirk facility.³ National Grid then filed proposed tariff revisions with the Federal Energy Regulatory Commission to certain National Grid-specific components of the Wholesale Transmission Service Charge formula under Attachment H of the NYISO Open Access Transmission Tariff.⁴ The Commission initially rejected National Grid’s filing, prior to accepting National Grid’s filing of additional tariff revisions amending its formula rate to incorporate costs incurred for RSS.⁵ National Grid’s December 6, 2013 Federal Power Act Section 205 filing was accepted and suspended subject to further order of the Commission after additional consideration of the matter.

Since the March 2014 Informational Report, the NYPSC approved National Grid’s Term Sheet with the Dunkirk for refueling the Dunkirk facility.⁶ The Term Sheet provides for

² Order at 54.

³ NYPSC Case No. 12-E-0136, *Order Deciding Reliability Issues and Addressing Cost Allocation and Recovery* (issued August 16, 2012). Order may be retrieved from <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={34D25567-D7B7-41EA-822F-6585B344BC0E}>.

⁴ See Federal Energy Regulatory Commission Docket No. ER13-1182-000.

⁵ *New York Independent System Operator, Inc., Niagara Mohawk Power Corporation*, 146 FERC ¶ 61,065 (2014).

⁶ NYPSC Case No. 12-E-0577, *Order Addressing Repowering Issues and Cost Allocation and Recovery* (issued June 13, 2014). Order may be retrieved from <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={6E52D9CF-DA63-4B09-9956-DC22142D879F}>.

payments to Dunkirk of \$20.41 million per year for ten years and Dunkirk will add approximately 435 MW of gas-fired capability.⁷

D. Next Steps

The NYISO will continue to assess whether enhancements to the prior proposals or additional alternate approaches are necessary to address compensation to generators needed for reliability and to improve the NYISO administered markets. The NYISO does not have any presentations scheduled at this time. The NYISO will continue to discuss this topic with its stakeholders.

III. Service

The NYISO will send an electronic link to this Informational Report to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, to all parties listed on the Commission's official service list in this Docket 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.

IV. Conclusion

The NYISO respectfully submits this Informational Report in compliance with the Commission's Order. For the reasons explained above, the NYISO is continuing to monitor and assess whether additional rules addressing compensation to generators needed for reliability are necessary to improve the NYISO administered markets. The NYISO's next informational report is due on March 23, 2015.

Respectfully submitted,

/s/ James H. Sweeney

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⁷ *Id.* at p 7.