



HUNTON & WILLIAMS LLP
RIVERFRONT PLAZA, EAST TOWER
951 EAST BYRD STREET
RICHMOND, VIRGINIA 23219-4074

TEL 804 • 788 • 8200
FAX 804 • 788 • 8218

KEVIN W. JONES
DIRECT DIAL: 804 • 788 • 8731
EMAIL: kjones@hunton.com

December 3, 2014

By Electronic Delivery

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street N.E.
Washington, D.C. 20426

**Re: *New York Independent System Operator, Inc., Proposed Tariff Revisions
Regarding Black Start and System Restoration Service;
Docket No. ER15-____-000***

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 the black start and system restoration service (“Restoration Services”) provisions in its Market Administration and Control Area Services Tariff (“Services Tariff”). The proposed revisions require that certain generators located within the service territory of the Consolidated Edison Company of New York, Inc. (“Consolidated Edison”) that have the capability to provide Restoration Services participate in Consolidated Edison’s local plan for Restoration Services (“Consolidated Edison Plan” or “Plan”). The proposed tariff revisions presented here were developed to comply with a reliability rule recently adopted by the New York State Reliability Council (“NYSRC”) (“Reliability Rule”) regarding the provision of Restoration Services.²

The NYISO must comply with Reliability Rules promulgated by the NYSRC. Specifically, Section 5.2 of the NYISO Services Tariff establishes that “[i]n acting as the Control Area operator, the ISO will be responsible for maintaining the safety and the short-term reliability of the NYCA and for the implementation of reliability standards promulgated by NERC and NPCC and for the Reliability Rules promulgated by the NYSRC.”³ The NYISO

¹ 16 U.S.C. § 824d.

² The NYSRC has the authority to create Reliability Rules that are consistent with, and may be more stringent than, those created by the North American Electric Reliability Corporation (“NERC”) and the Northeast Power Coordinating Council, Inc. (“NPCC”), as established in the Federal Power Act, Energy Policy Act of 2005 §215(i)(3) (“EPAAct 2005”).

³ NYISO Services Tariff Section 5.2; capitalized terms that are not otherwise defined herein shall have the meaning specified in Article 1 of the OATT and Article 2 of the Services Tariff.

must also comply with the Independent System Operator Agreement (“ISO Agreement”)⁴ and the Agreement Between the ISO and NYSRC (“ISO/NYSRC Agreement”),⁵ which are on file with and were approved by the Commission.

On April 10, 2014, the NYSRC approved Proposed Reliability Rule 116A (“PRR 116A”).⁶ PRR 116A directs the NYISO to “pursue the tariff revisions necessary to establish the authority needed to comply with this rule.”⁷ PRR 116A states that the NYISO must maintain a Restoration Services plan in which Consolidated Edison may designate a generating unit for participation in its Plan if the inclusion of the unit would provide a material benefit and (i) the unit has existing capability to provide Restoration Services but is not currently doing so or (ii) the unit is currently providing Restoration Services under the Consolidated Edison Plan but has provided notice of intent to withdraw.⁸ A generating unit meeting these criteria would be required to provide Restoration Services unless the generator shows good cause that it would be unduly burdensome or unreasonable to provide service under the Consolidated Edison Plan.

The NYISO has developed proposed revisions to Rate Schedule 5 of its Services Tariff in order to satisfy PRR 116A. After significant stakeholder review and input, the proposed revisions were approved by the NYISO Management Committee on August 27, 2014, with a vote of 63.14% in favor. The NYISO Board of Directors, in turn, approved filing these proposed revisions under FPA Section 205.

These proposed tariff revisions, which apply only to *existing* generating units with the capacity to provide Restoration Services, are consistent with provisions previously approved by the Federal Energy Regulatory Commission (“Commission”) on October 31, 2012, (“October 31 Order”) that apply to new or modified generating units.⁹ The provisions that the Commission previously approved require that a new or modified generating unit designated by Consolidated Edison provide Restoration Services if the inclusion of the unit would provide a material benefit to the Plan unless the developer demonstrates good cause that it would be unduly burdensome or

⁴ See ISO Agreement Section 6.02, “The ISO OATT and the ISO Services Tariff will require those entities having a Service Agreement with the ISO to comply with the Reliability Rules and ISO Procedures regarding the reliability of the NYS Power System and to furnish data to the ISO as required.”

⁵ See ISO/NYSRC Agreement Section 2.1 which establishes that “[p]ursuant to the NYSRC Agreement, the NYSRC shall develop Reliability Rules which shall be complied with by the ISO and all entities engaged in transactions on the NYS Power System.”; see also ISO/NYSRC Agreement Section 3.3 which establishes that the NYISO shall “implement and comply with all Reliability Rules established by the NYSRC.”

⁶ The NYSRC’s adoption of PRR 116A amended the NYSRC Local Reliability Rule I-R6 (“Rule I-R6”). For convenience, references in this filing letter are to PRR 116A.

⁷ NYSRC Proposed Reliability Rule 116A, Item No. 11, Implementation Plan.

⁸ Material Benefit is defined by NYSRC in PRR 116A as “the benefit to system restoration when the addition of a black start resource would improve the speed, adequacy or flexibility of restoring electric service in a safe, orderly and prompt manner following a major system disturbance.” NYSRC Proposed Reliability Rule 116A which is consistent with the definition of material benefit in existing NYISO OATT Attachment X, Section 30.2.5.

⁹ The provisions regarding the requirement to provide Restoration Services were not protested by any party.

unreasonable for that unit to do so.¹⁰ In its October 31 Order, the Commission noted that the revised provisions “appear to be a reasonable step in meeting concerns over adequacy of black start service....”¹¹ Similarly, PRR 116A and the implementing provisions proposed here will improve the Consolidated Edison Plan by ensuring the availability of important Restoration Services resources.

The NYISO requests that the current proposed tariff revisions become effective on February 1, 2015, 60 days after the date of this filing.

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 Services Tariff (Attachment I); and
3. A blacklined version of the proposed revisions to the Services Tariff (Attachment II).

II. Copies of Correspondence

Communications regarding this pleading should be addressed to:

Robert E. Fernandez, General Counsel
Raymond Stalter, Director of Regulatory Affairs
*Christopher R. Sharp, Compliance Attorney
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144
Tel: (518) 356-6000
Fax: (518) 356-4702
rfernandez@nyiso.com
rstalter@nyiso.com
csharp@nyiso.com

*Ted J. Murphy
Hunton & Williams LLP
2200 Pennsylvania Avenue, NW
Washington, D.C. 20037
Tel: (202) 955-1500
Fax: (202) 778-2201
tmurphy@hunton.com

*Kevin W. Jones¹²
Hunton & Williams LLP
951 E. Byrd Street
Richmond, VA 23219

¹⁰ *New York Independent System Operator, Inc.*, 141 FERC ¶ 61,081 (2012). (“October 31 Order”).

¹¹ *Id.* at 13 (quoting Commission Determination regarding the *New York Independent System Operator, Inc.’s Proposed Tariff Revisions Regarding Black Start and System Restoration Service*, submitted in Docket No. ER12-2568-000 on August 31, 2012.)

¹² The NYISO respectfully requests waiver of 18 C.F.R. § 385.203(b)(3) (2013) to permit service on counsel for the NYISO in both Washington, D.C. and Richmond, VA.

Tel: (804) 788-8200
Fax: (804) 344-7999
kjones@hunton.com

* -- Persons designated for service.

III. Background

A. New York State Reliability Council

The NYSRC is the local reliability organization charged with promoting and preserving the reliability of the New York State Power System (“NYS Power System”), consistent with Reliability Rules established by NERC and the regional regulatory body, NPCC.¹³ Section 2.02 of the NYSRC Agreement establishes that, “[t]he mission of the NYSRC is to promote and preserve the reliability of electric service...by developing, maintaining, and, from time to time, updating the Reliability Rules which shall be complied with by the ISO and all entities engaging in electric transmission, ancillary services, energy and power transactions on the NYS Power System.” Furthermore, the ISO/NYSRC Agreement establishes that the NYSRC “shall be responsible for developing Reliability Rules pursuant to which the ISO shall maintain the safety and short-term reliability of the NYS Power System.”¹⁴

The NYSRC may establish Reliability Rules that are more stringent than those established by NERC and NPCC. The Energy Policy Act of 2005 (“EPAct 2005”) provides that the State of New York “may establish rules that result in greater reliability within that State, as long as such action does not result in lesser reliability outside the State than that provided by the reliability standards.”¹⁵

B. The New York Restoration Plan

The NYISO is responsible for maintaining a plan for restoring electric service to New York State in a safe, orderly, and prompt manner following a major system disturbance (“New

¹³ On June 30, 1998, FERC entered an Order conditionally approving the formation of the NYSRC and conditionally accepting the NYSRC Agreement and the ISO/NYSRC Agreement. 83 FERC 61,362. On April 30, 1999, FERC entered a subsequent Order requesting further revisions regarding the governance of the NYSRC and the relationship of the NYISO and NYSRC. 87 FERC 61, 135. On July 29, 1999, following a compliance filing that addressed FERC’s request for further revisions, FERC entered an Order approving the formation of the NYSRC and accepting the NYSRC Agreement and ISO/NYSRC Agreement. 88 FERC 61,138.

¹⁴ ISO/NYSRC Agreement Section 4.1.

¹⁵ Federal Power Act, Energy Policy Act of 2005 §215(i)(3) states that “[n]othing in this section shall be construed to preempt any authority of any State to take action to ensure the safety, adequacy, and reliability of electric service within that State, as long as such action is not inconsistent with any reliability standard, except that the State of New York may establish rules that result in greater reliability within that State, as long as such action does not result in lesser reliability outside the State than that provided by the reliability standards.”

York Restoration Plan”).¹⁶ The New York Restoration Plan must provide for system restoration at two, integrated levels: (i) the NYISO is responsible for restoring electric service through the New York State transmission backbone, and (ii) New York transmission owners are responsible for restoring electric service to their local areas.¹⁷

Consolidated Edison maintains and administers the local Consolidated Edison Plan to provide for the prompt restoration of electric service to New York City following a major system disturbance by means of black start capable generating units located there. The Consolidated Edison Plan enables Consolidated Edison to begin restoration efforts immediately following the occurrence of a major system disturbance, rather than waiting for the state’s transmission backbone to be energized. This significantly accelerates the speed at which electric service can be fully restored to New York City in conjunction with statewide restoration efforts under the NYISO’s New York Restoration Plan. In 2011, the New York State Public Service Commission (“NYPSC”) reiterated the importance of the Consolidated Edison Plan:

Blackstart Service . . . is vital to ensuring system reliability for the Consolidated Edison service territory, inasmuch as the availability and location of Blackstart Service determines the time required to restore the electric system grid and resume electric service to customers after a blackout.¹⁸

It is essential that electric service be restored to New York City in a prompt manner following a major system disturbance given, among other things, the city’s dense population, its role as a financial center, the dependence of its mass transit system on electricity, and its many high rise buildings that depend on functioning elevators. A prolonged outage in New York City could result in serious health and welfare issues and the loss of billions of dollars. Given these concerns, the NYPSC has for many years mandated procedures for New York City that minimize system restoration time.¹⁹

¹⁶ NYSRC Reliability Rules G-R1, Measurement G-M1. The term “New York Restoration Plan” as used in this filing is the same as “NYCA System Restoration Plan” in the NYSRC Reliability Rules.

¹⁷ *Id.* (Requirement that NYISO maintain a plan that shall include restoration at two integrated levels).

¹⁸ N.Y.P.S.C., Case No. 11-E-0423, Petition of Consolidated Edison Company of New York, Inc. for a Declaratory Ruling Concerning the Discontinuance of Black Start Service, *Declaratory Ruling Regarding Black Start Service* p. 3 (September 28, 2011) (“NYPSC Black Start Order”).

¹⁹ See NYPSC Case No. 27302, Proceeding on motion of the Commission concerning the reliability of the power supply in the service territory of Consolidated Edison Company of New York, Inc., *Order Instituting Proceeding and Requiring the Filing of Comments* (February 22, 1978) (initiating proceeding addressing system reliability in New York City following 1977 blackout); *id.*, *Order* (September 13, 1979), at 5 (requiring Consolidated Edison to submit a system restoration plan for NYPSC review); *id.*, *Order Adopting Recommendations of the Staff Analysis of the Utilities’ Criteria Status Report Filed as a Requirement of the Order Adopting Recommendations of the Bulk Power System Reliability Study* (September 28, 1983), at 18-19 (establishing criteria for system restoration plans, including minimizing restoration time); *id.*, *Order Amending Reliability Criteria for Bulk Power Supply Systems* (October 24, 1984), at 4 (adopting revised criteria for minimization of time required for re-energization and resynchronization of the power system).

Recent events such as the 2003 Northeast blackout underscored the need for reliable electricity and the importance of prompt restoration of New York City. Following the August 2003 Northeast blackout, the NYPSC emphasized its concerns regarding the prompt system restoration:

Because of the national prominence of New York City, its many energy-sensitive customers, and the potential consequences of an extended blackout, Con Edison has the greatest need for generators that are able to black start in the event the transmission system is unavailable. These black start units would then be able to energize the transmission grid in New York City in advance of the reconnection of the New York City transmission grid with the New York or New Jersey transmission grids.²⁰

The adequacy of the Consolidated Edison Plan depends foremost on the availability of resources that are capable of providing Restoration Services. The requirements under PRR 116A and those proposed in this filing facilitate Consolidated Edison's ability to procure the resources it needs to provide prompt system restoration to New York City.

IV. NYSRC Adoption of PRR 116A

The Commission's October 31 Order approved proposed tariff provisions that require new or modified generating units to provide Restoration Services under certain circumstances. Following the NYISO's adoption of the revised provisions, the NYSRC examined the Consolidated Edison Plan to determine whether there was a need to extend the same required service provision to *existing* generating units. Following a lengthy development, review, and comment process, the NYSRC developed PRR 116A which extends the obligation to provide Restoration Services under certain circumstances to existing generating units. The NYSRC approved PRR 116A on April 10, 2014.

PRR 116A provides that Consolidated Edison shall perform and document studies to identify and designate for participation in its Plan, generating units that have existing capacity to provide Restoration Services and would provide a material benefit if included in the Plan, but which are not currently doing so or have given notice of intent to withdraw from participation in the program. Consolidated Edison shall provide notice of its findings as well as supporting documentation to the NYISO and the designated generating unit owner. If a designated generator does not wish to provide Restoration Services, it may seek an exemption on the basis that there is good cause that the unit should not be required to provide the service. The generator seeking an exemption must submit a study or other documentation supporting its contention that there is good cause for an exemption. The NYISO evaluates the materials submitted by

²⁰ New York State Department of Public Service Second Report on the August 14, 2003 Blackout, p. 8 (October 2005) ("DPS Second Blackout Report").

Consolidated Edison, the generator, and any additional materials generated by the NYISO to make a determination regarding the generator's participation in the Consolidated Edison Plan.

The NYISO is proposing tariff revisions that extend to existing generating units service requirements similar to those previously approved for new or modified generating units in the Commission's October 31 Order. Pursuant to the requirements set forth in PRR 116A, these proposed revisions establish a procedure in which Consolidated Edison may designate an existing generating unit for its Plan. The NYISO has developed these revisions in order to comply with PRR 116A and submits these proposed revisions to its Services Tariff, as described in the following section.

V. Description of Proposed Tariff Revisions

Under the proposed provisions, if Consolidated Edison determines that additional Restoration Services are needed, it may designate for inclusion in its Plan, an *existing generating unit* that, if included, would provide a material benefit to the Plan and, (i) is capable of providing Restoration Services, but is not currently doing so, or (ii) is currently providing Restoration Services under the Consolidated Edison Plan but has provided notice of intent to withdraw. Under the proposed provisions, a generating unit participating in the Consolidated Edison Plan may provide a material benefit if the inclusion of that unit would, among other things, *materially* improve the speed, adequacy, or flexibility of the Plan.²¹ Consolidated Edison will perform studies and develop other documentation to explain and support its finding that the designated unit provides a material benefit to System Restoration. Consolidated Edison will provide these materials to the NYISO and to the designated generator.

These proposed tariff revisions were developed in accordance with PRR 116A, and also establish a systematic process for Consolidated Edison's designation of a unit, as well as the requirements for documentation to support Consolidated Edison's designation. The process, which requires action on the part of Consolidated Edison, the designated generator, and the NYISO, is described below.

A. Requirements for Consolidated Edison's Designation of a Generating Unit

Under the proposed revisions, Consolidated Edison must perform a study and generate other documentation to identify and designate a generating unit for participation in its Consolidated Edison Plan. Consolidated Edison must provide materials that support its conclusion that the designated generating unit would materially improve the speed, adequacy, or flexibility of the Plan. Consolidated Edison's supporting materials must contain three specific areas of explanation, which are described below.

²¹ The NYISO's definition of material benefit as described here is consistent with the definition in PRR 116A and in NYISO OATT Attachment X, Section 30.2.5, but is amended under the proposed tariff provisions to include the term "materially." This amendment was made during the review process of the tariff revisions to address stakeholder concern and to clarify expectations regarding a generator's benefit to system restoration.

First, Consolidated Edison must include in its documentation an assessment of the adequacy of the resources that are currently included in the Plan, as well as an explanation of the need for additional resources. Second, Consolidated Edison must describe the manner in which the designated unit would provide a material benefit. Specifically, Consolidated Edison must describe the aspect of speed, adequacy, flexibility or other factor in the current Plan that would be improved by the inclusion of the designated unit. Third, Consolidated Edison must summarize alternative solutions, if applicable, and indicate whether other units would provide the particular material benefit identified for an improvement to the Plan.

PRR 116A and these proposed tariff provisions apply only to existing generating units with the capability to provide Restoration Services. Consistent with PRR 116A and these proposed revisions, a generating unit would not be required to retrofit or install black start capability in order to provide Restoration Services.

B. A Generator's Request for Exemption

Under the proposed tariff provisions, a generating unit designated by Consolidated Edison may request from the NYISO an exemption from participation in the Consolidated Edison Plan and the generator must show good cause that it would be unduly burdensome or unreasonable for the generating unit to provide Restoration Services under the Plan. To support its request for exemption, the generator shall provide to the NYISO and to Consolidated Edison a study and other documentation that demonstrates the engineering, technical, financial, environmental, and/or other reasons showing that the inclusion of the generating unit in the Consolidated Edison Plan would be unduly burdensome or unreasonable to the generator. The NYISO will evaluate the materials submitted by the generator and those provided by Consolidated Edison and will make a determination regarding the generator's participation in the Plan.

C. The NYISO's Determination Regarding Generator Participation

Under the proposed tariff revisions, a generator designated by Consolidated Edison has the option to elect participation once it has received notice from Consolidated Edison. Should the designated generator elect participation, the NYISO will assign the generator to a commitment group and the generator will be expected to provide service pursuant to Rate Schedule 5 of the Services Tariff.

Alternatively, if a generator designated by Consolidated Edison does not elect to participate in the Consolidated Edison Plan, the NYISO will require the generator to participate, unless the NYISO determines that (i) the generating unit would not provide a material benefit to the Plan or (ii) the generator demonstrates good cause for an exemption from the Plan. In order to make its determination, the NYISO shall: (i) review studies and other documentation provided by Consolidated Edison which indicate that the inclusion of the designated unit would provide a material benefit to System Restoration; (ii) review studies and other documentation provided by the generator which support its position that good cause exists for its exemption from the

Consolidated Edison Plan; and (iii) review any other documentation developed by the NYISO to facilitate its determination.

If the NYISO determines that the generator has demonstrated good cause for an exemption, the NYISO will grant the exemption and the generator will not be required to participate in the Consolidated Edison Plan. However, if the NYISO determines that the generator has not demonstrated good cause for an exemption, the NYISO will assign the generator to a commitment group and the generator will be required to provide service pursuant to Rate Schedule 5 of the Services Tariff. A generator participating in the Consolidated Edison Plan shall be paid for providing Restoration Services pursuant to existing tariff provisions and may seek to recover additional costs that exceed the annual payment amount through unit-specific compensation that is provided for under the program rules.

The revisions proposed in this filing do not alter the existing tariff provisions for generator commitment periods, testing standards, or compensation which are set forth in Rate Schedule 5 and were previously revised and approved in the Commission's October 31 Order.

D. Additional Revisions

In addition to the revisions described above, the NYISO proposes the elimination of the provisions in existing Services Tariff Section 15.5.4 and Appendix I to Rate Schedule 5. The existing Section 15.5.4 and Appendix I describe a previously established commitment and cost recovery program in which no generator chose to participate, and for which no generator is currently qualified. Accordingly, the applicable language will be removed in Section 15.5.4 and additional, necessary revisions will be made to the titles of existing Appendices II and III to accommodate for the elimination of existing Section 15.5.4 and Appendix I.

Also, throughout Rate Schedule 5, the NYISO proposes some ministerial and grammatical corrections, and some re-numbering of sections and cross-references to coincide with the proposed revisions.

V. Proposed Effective Date

The NYISO respectfully requests that the Commission accept the proposed tariff revisions for filing with an effective date of February 1, 2015, which is 60 days after the date of this filing.

VI. Requisite Stakeholder Approval

The tariff revisions proposed in this filing were discussed with stakeholders in numerous working group meetings, in the August 13, 2014, Business Issues Committee meeting and the August 27, 2014, Management Committee meeting. The tariff revisions were approved by the Management Committee with a 63.14% vote in favor, with abstentions. On October 21, 2014, the NYISO Board of Directors approved the proposed tariff revisions for filing with the Commission, pursuant to Section 205 of the Federal Power Act.

VII. Service List

This filing will be posted on the NYISO's website at www.nyiso.com. In addition, the NYISO will e-mail an electronic link to this filing to 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.

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 this filing.

Respectfully submitted,

/s/ Kevin W. Jones

Kevin W. Jones
Counsel for the
New York Independent System Operator, Inc.

cc: Michael Bardee
Gregory Berson
Anna Cochrane
Jignasa Gadani
Morris Margolis
Michael McLaughlin
David Morenoff
Daniel Nowak
Jamie Simler