

DEWEY & LEBOEUF

Dewey & LeBoeuf LLP
99 Washington Avenue
Suite 2020
Albany, NY 12210-2820

tel (518) 626-9000
fax (518) 626-9010

December 19, 2009

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

Re: New York State Reliability Council,
Docket No. ER09-_____

Dear Secretary Bose:

Pursuant to Section 3.03 of the New York State Reliability Council Agreement (“NYSRC Agreement”), the New York State Reliability Council, L.L.C. (“NYSRC”) hereby submits this filing to advise the Federal Energy Regulatory Commission (“Commission”) that the NYSRC has revised the Installed Capacity Requirement (“ICR”) for the New York Control Area (“NYCA”) for the period beginning on May 1, 2009 and ending April 30, 2010 (“2009-2010 Capability Year”). The NYSRC respectfully requests that the Commission accept and approve the NYSRC’s filing effective no later than February 17, 2009, so that the revised ICR may be in place for the installed capacity auction to be conducted by the New York Independent System Operator, Inc. (“NYISO”) on March 30, 2009. The NYISO has informed the NYSRC that it needs the period between February 17 and March 30, 2009 to: (i) determine Minimum Locational Capacity Requirements for New York City (NYISO Zone J) and Long Island (NYISO Zone K) in conjunction with the NYISO Operating Committee; (ii) define capacity

import rights for the coming year; (iii) inform load serving entities (“LSEs”) of their minimum capacity requirements for capacity procurement in the NYISO’s auctions; and (iv) make other preparations for the March 30, 2009 capacity auction. The NYSRC also respectfully requests that the Commission grant any and all waivers of its regulations that it deems necessary to accept and approve the filing effective no later than February 17, 2009.

I. Summary

On December 5, 2008, the NYSRC Executive Committee adopted a required Installed Reserve Margin (“IRM”) of 16.5% for the NYCA for the 2009-2010 Capability Year. The Executive Committee’s decision was based on a technical study, the New York Control Area Installed Capacity Requirements for the Period May 2009 through April 2010, Technical Study Report (“2009 IRM Study” or “Study”) dated December 5, 2008, and other relevant factors. The 2009 IRM Study demonstrates that the required NYCA IRM for the 2009-2010 Capability Year is 16.2% under base case conditions. After considering the 2009 IRM Study, the sensitivity study results, and other relevant factors, the NYSRC Executive Committee determined that an IRM of 16.5% would provide adequate assurance that the NYCA would meet the applicable criteria from resource adequacy during the 2009-2010 Capability Year. A copy of the Study is attached hereto as Appendix A, and the resolution adopted by the Executive Committee with respect to its 2009 IRM determination is attached hereto as Appendix B, and may be found on the NYSRC website, www.nysrc.org, under Documents/Reports.

Since the 16.5% IRM for the 2009-2010 Capability Year adopted by the NYSRC represents a change from the 15.0% IRM approved for the 2008-2009 Capability Year,

Commission approval of the filing is required under Section 3.03 of the NYSRC Agreement. The NYSRC requests that the Commission accept and approve this filing effective no later than February 17, 2009 so that the revised IRM is in place for the installed capacity auction to be conducted by the NYISO on March 30, 2009.

II. Background

The NYSRC was approved by an order issued by the Commission in 1998,¹ and subsequent Commission orders,² as part of the restructuring of the electricity market in New York State and the formation of the NYISO. In its orders, the Commission approved the NYSRC Agreement among the members of the New York Power Pool (“NYPP”), which established the NYSRC and described its responsibilities, and the NYISO/NYSRC Agreement between the NYISO and the NYSRC, which established the relationship between the NYISO and the NYSRC and their respective responsibilities.

One of the responsibilities assigned to the NYSRC is the establishment of the annual statewide ICR for the NYCA.³ Section 3.03 of the NYSRC Agreement reads as follows:

The NYSRC shall establish the state-wide annual Installed Capacity requirements for New York State consistent with NERC and NPCC [Northeast Power Coordinating Council] standards. The NYSRC will initially adopt the Installed Capacity requirement as set forth in the current NYPP Agreement and currently filed with FERC. Any changes to this requirement will require an appropriate filing and FERC approval. In establishing the state-wide annual Installed Capacity requirements, consideration will be

¹ *Cent. Hudson Gas & Elec. Corp.*, 83 FERC ¶ 61,352 (1998), *order on reh'g*, 87 FERC ¶ 61,135 (1999).

² *Cent. Hudson Gas & Elec. Corp.*, 86 FERC ¶ 61,062 (1999); *Cent. Hudson Gas & Elec. Corp.*, 87 FERC ¶ 61,135 (1999); *Cent. Hudson Gas & Elec. Corp.*, 88 FERC ¶ 61,138 (1999).

³ NYSRC Agreement, § 3.03; NYISO/NYSRC Agreement, § 4.5. The NYSRC Agreement and the NYISO/NYSRC Agreement are available on the NYSRC website, www.NYSRC.org, under Documents/Agreements.

given to the configuration of the system, generation outage rates, assistance from neighboring systems and Local Reliability Rules.

The ICR is described generally in terms of an installed reserve margin or IRM.⁴

The NYISO was assigned the responsibility to determine the installed capacity obligations of LSEs and to establish locational capacity requirements (“LCRs”) needed to ensure that the statewide ICR is met.⁵ The responsibilities assigned by the NYSRC Agreement and the NYISO/NYSRC Agreement are implemented in the NYSRC’s Reliability Rules, the NYSRC’s Policy No. 5-2, Procedure for Establishing New York Control Area Installed Capacity Requirements, and the NYISO’s Market Administration and Control Area Services Tariff (“Services Tariff”).

A. NYSRC Reliability Rules

The NYSRC Reliability Rules, Section A, Resource Adequacy, Introduction,⁶ provides that among the factors to be considered by the NYSRC in setting the annual statewide IRM are the characteristics of the loads, uncertainty in the load forecast, outages and deratings of generating units, the effects of interconnections to other control areas, and transfer capabilities within the NYCA.

Reliability Rule A-R1, NYCA Installed Reserve Margin Requirement, is consistent with the NPCC resource adequacy criterion. It provides that:

The NYSRC shall establish the IRM requirement for the NYCA such that the probability (or risk) of disconnecting

⁴ The annual statewide ICR is established by implementing NYSRC Reliability Rules for providing the corresponding statewide IRM requirements. The IRM requirements relates to ICR through the following equation: $ICR = (1 + \text{IRM Requirement}) \times \text{Forecasted NYCA Peak Load}$ (NYSRC Reliability Rules, A. Resource Adequacy, Introduction).

⁵ NYISO/NYSRC Agreement, § 3.4; NYISO Services Tariff, §§ 5.10 and 5.11.4.

⁶ The NYSRC Reliability Rules are available on the NYSRC website, www.NYSRC.org, under Documents/NYSRC Reliability Rules and Compliance.

any firm load due to resource deficiencies shall be, on average, not more than once in ten years. Compliance with this criterion shall be evaluated probabilistically, such that the loss of load expectation (LOLE) of disconnecting firm load due to resource deficiencies shall be, on average, no more than 0.1 day per year. This evaluation shall make due allowance for demand uncertainty, scheduled outages and deratings, forced outages and deratings, assistance over interconnections with neighboring control areas, NYS Transmission System emergency transfer capability, and capacity and/or load relief from available operating procedures. (italics omitted).

Reliability Rule A-R2, Load Serving Entity Installed Capacity, provides that:

LSEs shall be required to procure sufficient resource capacity for the entire NYISO defined obligation procurement period so as to meet the statewide IRM requirement determined from A-R1. Further, this LSE capacity obligation shall be distributed so as to meet locational ICAP requirements, considering the availability and capability of the NYS Transmission System to maintain A-R1 reliability requirements. (italics omitted).

B. NYSRC Policy No. 5-2, Procedure for Establishing New York Control Area Installed Capacity Requirements

The last paragraph of Section 1.0: Introduction, of NYSRC Policy No. 5-2⁷

provides that:

The final NYCA IRM requirement, as approved by the NYSRC Executive Committee, is the basis for various installed capacity analyses conducted by the NYISO. These NYISO analyses include the determination of the capacity obligation of each Load Serving Entity (LSE) on a Transmission District basis, as well as Locational Installed Capacity Requirements, for the following capability year. These NYISO analyses are conducted in accordance with NYSRC Reliability Rules and Procedures.

Section 2.2 of NYSRC Policy No. 5-2: Timeline provides a timeline for establishing the statewide IRM. This timeline is based on the NYSRC's providing the

⁷ NYSRC Policy 5-2 is available on the NYSRC website, www.NYSRC.org, under Documents/Policies.

NYISO with next year's NYCA IRM requirement by December 15, when the NYISO, under its installed capacity and procurement process, is required to begin its studies for determining the following summer's LSE capacity obligations.

Section 4.4 of NYSRC Policy No. 5-2, NYSRC Executive Committee, sets forth the process for approval of the annual statewide IRM by the NYSRC Executive Committee as follows:

The NYSRC Executive Committee has the responsibility of approving the final IRM requirements for the next capability year.

- Review and approve data and modeling assumptions for use in IRM Study.
- Review and approve final IRM Study prepared by ICS [Installed Capacity Subcommittee].
- Establish and approve NYCA IRM requirement for the next capability year. (See Section 5).
- To the extent practicable, ensure that the schedule for the above approvals allow that the timeline requirements in Section 2.2 are met.
- Notify the NYISO of the NYCA IRM requirements and meet with NYISO management as required to review IRM Study results.
- Make IRM requirement study results available to state and federal regulatory agencies and to the general public.

III. Communications

The names, titles, mailing addresses, and telephone numbers of those persons to whom correspondence and communications concerning this filing should be addressed are as follows:

P. Donald Raymond
Executive Secretary
New York State Reliability Council, LLC
7 Wheeler Avenue
Fayetteville, NY 13066
Telephone: (315) 637-9002
Email: p.raymond40@gmail.com

George C. Loehr
Chairman
New York State Reliability Council, LLC
4101 Killington Road NW
Albuquerque, NM 87114
Telephone: (505) 792-0643
Email: gloehr@elucem.com

Paul L. Gioia
Counsel to the New York State Reliability
Counsel, LLC
Dewey & LeBoeuf LLP
99 Washington Avenue, Suite 2020
Albany, NY 12210
Telephone: (518) 626-9000
Email: pgioia@dl.com

IV. Adoption of IRM For 2009-2010 Capability Year

A. 2009 IRM Study

The 2009 IRM Study was conducted by the NYSRC to determine the statewide IRM necessary to meet NYSRC and Northeast Power Coordinating Council (“NPCC”) reliability criteria within the NYCA during the period from May 1, 2009 through April 30, 2010. The reliability calculation process for determining the NYCA IRM requirement utilizes a probabilistic approach. This technique calculates the probabilities of outages of generating units, in conjunction with load and transmission models, to determine the number of days per year of expected capacity shortages. The General Electric Multi-Area Reliability Simulation (“GE-MARS”) is the primary computer program used for this probabilistic analysis. The result of the calculation for loss of load expectation (“LOLE”) provides a consistent measure of electric power system reliability.

Computer runs for the 2009 IRM Study were performed by NYISO staff at the request and under the guidance of the NYSRC. The GE-MARS model includes a detailed load and generation representation of the eleven NYCA zones as well as the four external control areas (“Outside World Areas”) interconnected to the NYCA. The GE-MARS program also uses a transportation model representing transmission that reflects the ability of the system to transfer energy between zones under probabilistic generation and load scenarios. This technique is commonly used in the electric power industry for determining installed reserve requirements.

The 2009 IRM Study continues to implement two study methodologies that were utilized for the first time in the 2006 IRM Study, the Unified and the IRM Anchoring Methodologies. These methodologies are discussed in the 2009 IRM Study (at 5) under the heading IRM Study Procedures. In addition to calculating NYCA IRM requirement, these methodologies identify corresponding Minimum Locational Capacity Requirements (“MLCRs”). In its role of setting the appropriate LCRs, the NYISO considers the MLCRs determined in the Study.

The 2009 IRM Study also evaluates IRM requirement impacts caused by the updating of key study assumptions and various sensitivity cases.⁸ These results are depicted in Tables 1 and 2 (at 15 and 16) and in Table B-2 (at 59) of the 2009 IRM Study. The base case results, the sensitivity cases and other relevant factors provide the basis for the NYSRC Executive Committee determination to adopt a 16.5% NYCA IRM requirement for the 2009-2010 Capability Year.

⁸ At its meeting on August 8, 2008, the NYSRC Executive Committee voted to approve the Assumptions Matrix for the 2009 IRM Study base case. The sensitivity cases for the 2009 IRM Study were approved at the NYSRC Executive Committee meeting on October 14, 2008. The Assumptions Matrix is available on the NYSRC website at www.NYSRC.org, under Documents/Reports.

Definitions of certain terms in the 2009 IRM Study can be found in the NYSRC Glossary in the NYSRC Reliability Rules.

B. 2009 Study Base Case Results

The base case for the 2009 IRM Study calculated the NYCA IRM requirement for the period May 1, 2009 through April 30, 2010 to be 16.2%⁹ For the base case, the Study also determined MLCRs of 79% and 97% for New York City and Long Island, respectively.

The 2009 base case result is 1.2 percentage points higher than the 15.0% base case IRM requirement determined by the 2008 IRM Study. The principle reasons for the increase in the required IRM are:

- (1) An increase in the NYCA average generating unit forced outage rate in 2007. This increase was particularly significant for units located in NYC;
- (2) An updated load forecast load uncertainty model; and
- (3) The addition of 825 MW of new wind-powered generation.

Table 1 of the Study, set forth below (at 15), compares the estimated IRM impacts of changing certain key Study assumptions from the 2008 Study.

⁹ There is a 99.7% probability that the base case result is within a range of 15.8% to 16.6% based on a standard error of 0.05. See Appendix A of the Study, A-2.1 Error Analysis, page 24.

Table 1: Parametric IRM Impact Comparison with 2008 Study

Parameter	Estimated IRM Change (%)	IRM (%)
2008-09 Study – Base Case IRM		15.0
Updated Parameters Causing a Higher IRM:		
Updated Generating Unit EFORs	+ 1.5	
Updated Load Forecast Uncertainty Model	+ 0.9	
New Wind Capacity (825 MW)	+ 0.8	
New Non-Wind Units, Retirements & Reratings	+ 0.4	
Updated Existing Unit Capacities	+ 0.3	
Updated EOPs	+ 0.2	
Updated EDRPs	+ 0.1	
Total IRM Increase	+ 4.2	
Updated Parameters Causing a Lower IRM:		
Updated Outside World Model	- 1.4	
Updated SCRs	- 0.9	
Updated NYCA Load Forecast	- 0.3	
Updated Cable Outage Rates	- 0.2	
Updated Planned Outages	- 0.1	
Updated Reserve Sharing Model	- 0.1	
	-	
Total IRM Decrease	- 3.0	
Updated Parameters Having No IRM Impacts:		
Updated Transmission Topology	--	
Updated External Capacity Purchases	--	
Net Change From 2008-09 Study		+ 1.2
2009-10 Study – Base Case IRM		16.2

After considering the 2009 IRM Study results, the modeling and assumption changes made to simulate actual operating conditions and system performance, the numerous sensitivity studies evaluated, and based on its experience and expertise, on

December 5, 2008 the NYSRC Executive Committee adopted a 16.5% IRM for the 2009-2010 Capability Year.

V. Effective Date

The NYSRC respectfully requests that the Commission accept and approve this filing effective no later than February 17, 2009, so that the revised statewide ICR may be in place in time for the NYISO installed capacity auction for the summer capability period from May 1, 2009 through October 31, 2009. The auction is scheduled to take place on March 30, 2009. The NYISO has advised the NYSRC that in order for the new ICR to be reflected in the summer capability period auction, both the NYISO and its market participants should be informed of the newly established IRM by no later than February 17, 2009. In order to provide adequate notice to the NYISO, the NYSRC respectfully requests that the Commission act in an expedited manner to accept and approve this filing effective no later than February 17, 2009. The NYSRC also respectfully requests the Commission grant any and all waivers of its regulations that it deems necessary to allow the Commission's acceptance and approval of the filing to be effective no later than that date.

VI. Contents of the Filing

The following documents are being submitted for filing:

- This transmittal letter;
- A copy of the NYSRC 2009 IRM Study (Appendix A);
- A copy of the NYSRC resolution adopting the revised IRM for the 2009-2010 Capability Year (Appendix B).

VII. Conclusion

WHEREFORE, in view of the foregoing, the NYSRC respectfully requests that the Commission accept and approve the NYSRC's filing effective no later than February 17, 2009, and grant any and all waivers of its regulations that it deems necessary to accept and approve the filing effective no later than February 17, 2009.

Respectfully submitted,

/s/ Paul L. Gioia

Paul L. Gioia

*Counsel to the New York State Reliability
Council*

APPENDIX A

NYSRC 2009 IRM Study

APPENDIX B

NYSRC RESOLUTION

CERTIFICATE OF SERVICE

I hereby certify that, I have this day caused to be served by First Class Mail or electronic mail the foregoing documents upon the parties to the official service list compiled by the Secretary for this proceeding.

Dated at Washington, DC this 19th day of December 2008.

/s/ Claire Brennan _____
Claire M. Brennan
Paralegal Manager
Dewey & LeBoeuf LLP
1101 New York Avenue, N.W.
Washington, D.C. 20005
202-986-8000