

ATTACHMENT

NEW YORK STATE RELIABILITY COUNCIL

POLICY NO. 6-0

RELATIONSHIP BETWEEN NYSRC RELIABILITY RULES AND THE NERC RELIABILITY STANDARDS DEVELOPMENT PROCESS

Purpose of Policy Statement

The New York State Reliability Council L.L.C. (“NYSRC”) is committed to the effective performance of its important responsibilities related to promoting and preserving electric system reliability in the New York Control Area, and to working effectively and in coordination with the Northeast Power Coordinating Council (“NPCC”) and the North American Electric Reliability Council (“NERC”). In order for that cooperative effort to function well, it is necessary that there be a clear understanding of the relationship between the Reliability Rules promulgated by the NYSRC and the reliability standards promulgated by NPCC and NERC. In furtherance of that objective, this policy statement sets forth the NYSRC’s understanding of the relationship between its Reliability Rules and the Reliability Standards Development Process currently underway at NERC.

Background

The NYSRC was approved by the Federal Energy Regulatory Commission (“FERC”) in 1999 as part of the comprehensive restructuring of the competitive wholesale electricity markets in New York State.¹ Under the restructuring, the New York Power Pool (“NYPP”) was replaced by the New York Independent System Operator (“NYISO”) as the entity with the primary responsibility for the reliable operation of the State’s bulk power system. The NYISO also assumed

¹ Central Hudson Gas & Electric Corp., et al., 83 FERC ¶ 61,352 (1998).

responsibility for administration of the newly established competitive wholesale electricity markets.

The NYSRC was established to promote and preserve the reliability of the New York State power system by developing, maintaining and, from time to time, updating the reliability standards (“Reliability Rules”) that govern the NYISO’s operation of the State’s bulk power system. The NYSRC develops Reliability Rules in accordance with standards, criteria and regulations of NERC, NPCC, FERC, the New York Public Service Commission and the Nuclear Regulatory Commission.² NERC establishes reliability standards for bulk power systems in North America. NPCC is a NERC Regional Reliability Council which establishes reliability criteria for bulk power systems in New England, New York and the eastern provinces of Canada . The NPCC reliability standards are based on NERC standards, but may be more specific or more stringent to address special reliability requirements of the NPCC region. The NYSRC Reliability Rules are based on NERC and NPCC reliability standards, but may be more specific or more stringent when necessary to meet the special reliability requirements of the New York Control Area. NYSRC Reliability Rules cannot be less stringent than NERC or NPCC standards.

The NYISO/NYSRC Agreement, which was approved by FERC, provides that the NYISO and all entities engaged in transactions on the New York State power system must comply with the Reliability Rules adopted by the NYSRC.³ Compliance with NYSRC Reliability Rules, which are incorporated into the NYISO’s procedures, are made binding on market participants through the NYISO Tariff.⁴ The NYISO/NYSRC Agreement also assigns to the NYSRC the responsibility to monitor the NYISO’s compliance with the Reliability Rules and requires the

² NYISO/NYSRC Agreement, Section 4.1.

³ NYISO/NYSRC Agreement, Sections 2.1, 3.1.

⁴ NYISO Services Tariff, Sections 5.1, 5.6.

NYISO to provide the NYSRC the data necessary for it to effectively perform its compliance monitoring responsibility.⁵

NYSRC Reliability Rules are developed in an open process including the posting of proposed new or modified Reliability Rules on the NYSRC website and the solicitation of comments and input from all interested parties. All comments are considered before final approval of a Reliability Rule by the NYSRC Executive Committee.

NERC Reliability Standards Development Process

NERC has undertaken a process for the development of consensus for approval, revision, reaffirmation and withdrawal of reliability standards for North America.⁶ The NYSRC is an active participant in the NERC Reliability Standards Development Process. As part of the NERC Reliability Development Standards Process, parties may propose that a “Regional Standard” or a “Regional Difference” be made part of a proposed NERC Reliability Standard. In participating in the NERC Reliability Standards Development Process, it has become necessary for the NYSRC to develop a clear understanding of the relationship between the NYSRC Reliability Rules and a “Regional Standard” and a “Regional Difference” under the NERC process.

NERC Regional Standards

The NERC Reliability Standards Process Manual (“NERC Manual”) describes a Regional Standard, as follows:

Regions may develop, through their own process, separate Regional Standards that go beyond, add detail to, or implement NERC Reliability Standards, or that

⁵ NYISO/NYSRC Agreement, Section 3.6.

⁶ NERC Reliability Standards Process Manual, p. 4.

cover matters not addressed in NERC Reliability Standards. Regional Standards may be developed and exist separately from NERC Reliability Standards, or may be proposed as NERC Reliability Standards. Regional Standards that exist separately from NERC Reliability Standards shall not be inconsistent with or less stringent than NERC Reliability Standards.⁷

The NERC Manual further provides that proposals to include Regional Standards that are intended to apply only to part of an Interconnection will be included in a NERC Reliability Standard only if the proponent demonstrates that the proposed Regional Standard satisfies the criteria set forth in the NERC Manual.⁸

The NYSRC considers its Reliability Rules to be Regional Standards under NERC Reliability Standards Process. The NERC Manual states that a Regional Standard may exist separately from a NERC Reliability Standard, provided that it is not inconsistent with or less stringent than the NERC standard. Since the Reliability Rules are based on NERC Reliability Standards and may be more stringent but not less stringent than NERC Standards, they meet the definition of Regional Standards. Consequently, the NYSRC Reliability Rules need not be submitted to the NERC Reliability Standards Process unless the NYSRC decides to propose that an NYSRC Reliability Rule be included in a NERC Reliability Standard.

NERC Regional Differences

The NERC Manual describes a Regional Difference, as follows:

⁷ NERC Manual, p. 21.

⁸ NERC Manual, p. 22. Since NPCC and the NYSRC are part of the Eastern Interconnection, it is assumed that their reliability standards are considered under the NERC process “to apply only to part of an Interconnection.”

A Regional Difference is an aspect of a NERC Reliability Standard that applies only within a given Region or Regions. A Regional Difference may be used, for example, to exempt a particular Region from all or a portion of a NERC Reliability Standard that does not apply in that Region. A Regional Difference may establish different measures or performance criteria as necessary to achieve reliability within that Region.⁹

Under the NERC Manual, a Regional Difference intended to apply only to part of an Interconnection will be included in a NERC Reliability Standard only if the proponent demonstrates that the proposed Regional Difference satisfies the criteria set forth in the NERC Manual.¹⁰

The NYSRC views the NERC Regional Differences process as primarily a mechanism for the approval of regional reliability standards that are inconsistent with or less stringent than a NERC Reliability Standard. The NYSRC has determined that, since the NYSRC Reliability Rules are based on NERC Reliability Standards and cannot be less stringent than NERC Reliability Standards, NYSRC Reliability Rules should not be proposed as Regional Differences under the NERC Reliability Rules Development Process. The NYSRC has further determined that if a NERC Reliability Standard should be adopted that is more stringent than a NYSRC Reliability Rule, the NYSRC will not propose that its existing Reliability Rule be accepted as a Regional

⁹ NERC Manual, p. 20.

¹⁰ NERC Manual, p. 22. Since NPCC and the NYSRC are part of the Eastern Interconnection, it is assumed that their reliability standards are considered under the NERC process ‘to apply only to part of an Interconnection.’”

Difference but will revise the Reliability Rule so that it is at least as stringent as the NERC Reliability Standard.

Conclusion

Based on the foregoing, the NYSRC adopts the following policies with respect to the NERC Reliability Standards Development Process:

1. The NYSRC has determined that its Reliability Rules are separate Regional Standards under the NERC Reliability Standards Development Process. The NYSRC Reliability Rules will not be submitted to the NERC Reliability Standards Development Process unless the NYSRC decides to propose that an NYSRC Reliability Rule be included in a NERC Reliability Standard. Given that the Reliability Rules are binding on the NYISO and all participants in the NYISO markets and enforceable under the NYISO/NYSRC Agreement and the NYISO tariff, the NYSRC has determined that, as a general policy, it will not propose that Reliability Rules be included in NERC Reliability Standards.
2. The NYSRC views the NERC Regional Differences procedure under the NERC Reliability Standards Development Process primarily as a mechanism for the approval of a regional reliability standard that is inconsistent with or less stringent than a NERC Reliability Standard. Since the NYSRC Reliability Rules are based on NERC Reliability Standards and cannot be less stringent than NERC Standards, the NYSRC has determined that its Reliability Rules should not be proposed as Regional Differences under the NERC Reliability Standards Development Process.

3. This policy statement will remain in effect until revised by the NYSRC Executive Committee.

Approved by the
NYSRC Executive Committee
July 9, 2004

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