

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

<b>Niagara Mohawk Power Corporation,</b>	)	<b>Docket No. EL06-1-000</b>
<b>A National Grid Company</b>	)	
	)	
v.	)	
	)	
<b>New York State Reliability Council and</b>	)	
<b>New York Independent System Operator, Inc.</b>	)	

**Quarterly Informational Report**

**Actions Taken by the  
New York State Reliability Council and the  
New York Independent System Operator, Inc.  
Concerning the Issues Raised in the Complaint Filed by  
Niagara Mohawk Power Corporation, d/b/a National Grid**

**I. Joint NYSRC/NYISO Quarterly Report**

This quarterly informational report is submitted by the New York State Reliability Council (“NYSRC”) and the New York Independent System Operator, Inc. (“NYISO”) pursuant to the Commission's July 26, 2006 Order Accepting Informational Report and Requiring Further Reports, 116 FERC ¶ 61,084 (2006) (“July 26 Order”).

In a complaint filed on September 30, 2005 with the Federal Energy Regulatory Commission (the “Commission”) under Section 206 of the Federal Power Act, Niagara Mohawk Power Corporation, d/b/a National Grid (“National Grid”) alleged that current practices of the NYSRC and the NYISO pertaining to the setting of the statewide installed capacity reserve margin (“IRM”) and locational capacity requirements (“LCRs”) cause electricity consumers in

upstate New York to subsidize the costs of maintaining reliability in the downstate regions.<sup>1</sup> National Grid requested FERC to direct the NYSRC and the NYISO to implement a lower statewide installed capacity requirement to eliminate the claimed subsidy. The National Grid complaint also alleged that the current NYSRC and NYISO procedures for setting the IRM and LCRs are inconsistent with Commission orders and policy underlying locational markets and depress price signals for increasing capacity in the downstate zones.<sup>2</sup>

The Commission dismissed the National Grid complaint, without prejudice, and required that National Grid first exhaust its methods of resolving this dispute within the NYSRC and the NYISO before filing a complaint with the Commission. Although it dismissed the complaint, the Commission directed the NYSRC and the NYISO to file a report within ninety days of the date of the order describing the progress that they and National Grid have made in resolving National Grid's concerns.<sup>3</sup>

On April 28, 2006, NYSRC and the NYISO submitted a joint informational report ("First Joint Report") as required by the Commission's February Order. In its July 26 order, the Commission accepted the First Joint Report and directed the NYSRC and the NYISO to file quarterly reports, beginning September 29, 2006 describing the progress they, their task force and National Grid are making in resolving National Grid's concerns, with specification of the progress made since the previous quarterly report.<sup>4</sup> This report is submitted jointly by the NYSRC and the NYISO as directed in the Commission's July 26 Order.

---

<sup>1</sup> *Niagara Mohawk Power Corporation, a National Grid Company v. New York State Reliability Council and New York Independent System Operator, Inc.*, 114 FERC ¶ 61,098, at P 1 (2006) (hereinafter cited as "February 2 Order" with paragraph references).

<sup>2</sup> February 2 Order at P 10.

<sup>3</sup> February 2 Order at P 25.

<sup>4</sup> July 26 Order at P 4 & 5.

## **II. Communications**

All communications, pleadings, and orders with respect to this proceeding should be sent to the individuals listed below:

P. Donald Raymond  
Executive Secretary  
New York State Reliability Council, LLC  
14 Thornwood Lane  
Fayetteville, NY 13066  
Telephone: (315) 637-9002  
Email: Raymond40@aol.com

Bruce B. Ellsworth  
Chairman  
NYSRC Executive Committee  
46 Tamarack Road  
Hopkinton, NH 03229  
Telephone: (603) 746-3447  
Email: [ellsworth@conknet.com](mailto:ellsworth@conknet.com)

Robert E. Fernandez  
General Counsel and Secretary  
New York Independent System Operator,  
Inc.  
Mollie Lampi  
Assistant General Counsel  
10 Krey Boulevard  
Rensselaer, NY 12144  
Telephone: (518) 356-6000  
mlampi@nyiso.com

## **III. Background**

Under the NYISO/NYSRC Agreement, the NYSRC is assigned the responsibility for establishing the annual statewide IRM for the New York control area (“NYCA”),<sup>5</sup> and the NYISO is assigned the responsibility of establishing installed capacity requirements for load serving entities (“LSEs”) including LCRs, to ensure that the statewide IRM is achieved.<sup>6</sup> Currently, there are two areas in the state that are subject to LCRs: New York City and Long Island.

---

<sup>5</sup> NYISO/NYSRC Agreement at Section 4.5.

<sup>6</sup> NYISO/NYSRC Agreement at Section 3.4.

Over the past several years, the NYSRC and the NYISO have worked cooperatively to improve the procedures for determining the IRM and LCRs. A description of the procedures used to determine the IRM and LCRs, including the Unified Study Method and the Tan 45 anchoring method are included in the previous Quarterly Report submitted in this Docket by the NYSRC and the NYISO on September 29, 2006.

In its complaint, National Grid contended that the Tan 45 anchoring method results in a higher statewide IRM to meet reliability criteria which uncouples resource adequacy needs from market signals, and results in a subsidy of installed capacity payments that flows from upstate consumers to downstate consumers. National Grid and parties supporting its position urged that the Tan 45 anchoring method be replaced by an anchoring method described as the Free-Flowing Equivalent method. Parties opposing this position urged that the complaint be dismissed on the grounds that the current Tan 45 anchoring method is fair to all consumers in the State.

#### **IV. Status Report on Actions Taken by the NYSRC and the NYISO**

This report will describe the current status of the actions first identified in the First Joint Report and updated in the September 29, 2006 Quarterly Report that have been undertaken by the NYSRC and the NYISO to address National Grid's concerns, including the activity of the Resource Adequacy Issues Task Force ("RAITF"), a joint NYSRC/NYISO working group formed for the specific purpose of addressing National Grid's concerns.

##### **1. 2006-2007 IRM Study Lessons Learned Review**

###### **Reconsideration of the IRM Anchoring Method and the Free-Flowing Equivalent Method**

As described in the September 29, 2006 Quarterly report, the Tan 45 anchoring method will be used in the 2007-2008 IRM study.

The set of base case assumptions for use in developing the 2007-2008 IRM was approved by the Executive Committee at its October, 2006 meeting. The IRM basecase results were approved by the Executive Committee at its December 8, 2006 meeting. A special meeting of the Executive Committee is scheduled for January 5, 2007 for the purpose of approving a 2007-2008 IRM. Following that determination, the Operating Committee will determine the LCRs for the 2007-2008 capability year in early 2007.

Use of the Same GE-MARS IRM/LCR Curves and Base Case Assumptions for both the IRM and LCR Studies

As discussed in the September 29, 2006 Quarterly report, the same IRM/LCR curves and base case assumptions are being used in the 2007-2008 IRM and LCR determinations, resulting in a more accurate relationship between the IRM and LCRs.

Policy 5.0 and NYSRC Resource Adequacy Rules Update

The NYSRC's Policy 5.0 sets forth the procedures to be followed in determining the statewide IRM. At its November 2006 meeting, the NYSRC Executive Committee approved revisions to Policy 5.0 to describe the Unified Study Method and the anchoring method used to select the anchoring point on the IRM/LCR curve to be used in the IRM study. This includes the specific procedure for simulating capacity shifts using the GE MARS program and the mathematical analysis used for selecting Tangent 45 degree point on the curve.

**2. Upstate-Downstate Study**

General Electric ("GE") will be producing an Upstate-Downstate study ("U-D Study") to evaluate the reliability parameters and inter-zonal assistance between the two NYCA "Super Zones" identified as Upstate (Zones A through I) and Downstate (Zones J&K). The U-D Study

is intended to quantify emergency assistance benefits that the Upstate and Downstate Super Zones provide to each other. The study results will be considered in relation to contentions that current procedures for establishing the IRM and LCRs result in an unwarranted subsidy flowing from Upstate consumers to Downstate consumers. Some parties have proposed that factors in addition to the U-D Study must be considered in addressing the subsidy issue.

The ICS determined that the data base for the U-D Study should be identical to that used in the IRM Study. The Executive Committee approved the set of base case assumptions for development of the 2007-2008 IRM at its December 8, 2006 meeting and the U-D Study base case was provided to GE to initiate study work. Preliminary study results are expected to be reviewed by ICS and the RAITF in March 2007. The final study results will be considered by RAITF and the ICS and will then be forwarded, with any comments and recommendations, to the Executive Committee and the Operating Committee in the first or second quarter of 2007.

### **3. Resource Adequacy Issues Task Force**

The RAITF is a joint task force chaired by the chairs of the ICS and the NYISO's Installed Capacity Working Group. The RAITF was formed for the express purpose of addressing the issues raised in the National Grid complaint. The RAITF held one meeting since the September 29, 2006 Quarterly Report was filed.

At its November 3, 2006 meeting the RAITF heard a presentation from ISO-NE personnel on a Tie Benefits Study that they had produced.<sup>7</sup> The objective of this study is to improve the representation of emergency assistance between New York and New England.

---

<sup>7</sup> [http://www.nyiso.com/public/webdocs/committees/bic\\_icapwg\\_raif/meeting\\_materials/2006-11-03/RAITF\\_Tie\\_Benefits\\_NYSRC\\_110306.pdf](http://www.nyiso.com/public/webdocs/committees/bic_icapwg_raif/meeting_materials/2006-11-03/RAITF_Tie_Benefits_NYSRC_110306.pdf)

The RAITF will meet again in early 2007 to evaluate the findings of the U-D Study. Also of note was a Workshop open to all interested Market Participants that was held on October 5, 2006 where GE reviewed the MARS database used for the NYSRC IRM and NYISO LCR studies. This included a detailed review of the MARS input data tables, use of GE screening tools to identify data anomalies and a review of the overall reasonableness of MARS input data used to perform resource adequacy studies.

**V. Summary**

The NYSRC and the NYISO, through their relevant committees, have continued to consider the issues raised in the National Grid complaint, including the relative merits of the Tan 45 and Free-Flowing Equivalent anchoring methods. The U-D Study is intended to provide information that would be included in analyzing the reliability benefits provided by the Upstate and Downstate regions to each other and to the NYCA as a whole, and whether the use of the Tan 45 method results in a subsidy flowing from Upstate consumers to Downstate consumers. The current expectation is that the U-D Study will be completed by the end of the first quarter 2007, and that its results will be considered by the ICS and the RAITF, and then the Executive Committee and Operating Committee, in the first or second quarter of 2007. Upon completion of the U-D Study, the RAITF and the Executive Committee should be in a position to establish a firm schedule and continue the process of addressing the issues raised in the National Grid complaint.

**Conclusion**

WHEREFORE, the New York State Reliability Council and the New York Independent System Operator, Inc. request that the Commission accept this quarterly report in compliance with the July 26 Order in this proceeding.

Respectfully submitted,

For the NYSRC:

/s/ Bruce B. Ellsworth

P. Donald Raymond  
Executive Secretary  
New York State Reliability Council, LLC  
14 Thornwood Lane  
Fayetteville, NY 13066  
Telephone: (315) 637-9002  
Email: Raymond40@aol.com

Bruce B. Ellsworth  
Chairman  
NYSRC Executive Committee  
46 Tamarack Road  
Hopkinton, NH 03229  
Telephone: (603) 746-3447  
Email: ellsworth@conknet.com

For the NYISO:

/s/ Mollie Lampi

Robert E. Fernandez  
General Counsel and Secretary  
Mollie Lampi  
Assistant General Counsel  
New York Independent System Operator, Inc.  
10 Krey Boulevard  
Rensselaer, NY 12144  
Telephone: (518) 356-6220  
Email: rfernandez@nyiso.com  
mlampi@nyiso.com



## **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list in this proceeding in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure.

Dated at Washington, D.C. this 29th day of December 2006.

/s/ Arnold H. Quint \_\_\_\_\_

Arnold H. Quint  
Hunton & Williams LLP  
1900 K Street, NW, Suite 1200  
Washington, D.C. 20006  
202-955-1500