UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

New York State Reliability Council) Docket No. ER00-1671-000

Response of the New York State Reliability Council

Pursuant to the Commission's Rules of Practice and Procedure, the New York State Reliability Council L.L.C. ("NYSRC")[1] respectfully responds to the joint Motion to Intervene and Protest ("the Protest") filed by Consolidated Edison Company of New York, Inc., Orange and Rockland Utilities, Inc. and Central Hudson Gas & Electric Corporation (collectively referred to as "the Intervenors") in the above-captioned proceeding concerning the NYSRC's February 22, 2000 filing to reduce the statewide Installed Capacity Requirement ("ICR") for the New York Control Area ("NYCA") from 22 percent to 18 percent ("February 22 Filing").

The NYSRC submits that this response will assist the Commission in its analysis of this issue.[2] In support hereof, the NYSRC states as follows:

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[1] This filing is made on behalf of the New York State Reliability Council and not on behalf of any of the individual entities that may be represented on the NYSRC, several of whom have intervened separately in this proceeding.

[2] Rule 213 permits the filing of an answer to motions. The Protest requests substantive relief and constitutes a motion to which the NYSRC is entitled to answer. In any event, the NYSRC submits that good cause exists for the Commission to grant waiver of the proscription set forth in Rules 213(a)(2) regarding the filing of answers to protests. The Commission has consistently waived the requirements of Rule 213(a)(2) where, as here, a responsive pleading will assist the Commission's analysis, provide useful and relevant information, or otherwise facilitate a full and complete record upon which the Commission can base its decision. See, e.g., East Tennessee Natural Gas Co., 81 FERC ¶ 61,219 at n.4 (1997); Natural Gas Pipeline Co. of America, 81 FERC ¶ 21,216 at n.3 (1997); Pacific Interstate Transmission Co., 80 FERC ¶ 61,369 at n.2 (1997); Florida Gas Transmission Co., 79 FERC ¶ 61,147 at n.7 (1997); Williams Natural Gas Co., 70 FERC ¶ 61,306 at 61,932 n.6 (1995); Tennessee Gas Pipeline Co., 55 FERC ¶ 61,437 at 62,306 n.7 (1991); Michigan Consolidated Gas Co., 55 FERC ¶ 61,001 at 61,006 (1991).

I. BACKGROUND

Under Section 3.03 of the NYSRC Agreement and Section 5.10.1 of the New York Independent System Operator Market Administration and Control Area Services Tariff ("ISO Services Tariff"), the NYSRC is responsible for establishing a statewide annual Installed Capacity Requirement. Pursuant to its responsibilities, the NYSRC requested the staff of the New York Independent System Operator, Inc. ("NYISO") to conduct an engineering study to review the existing Installed Capacity Requirement. The study was prepared by the NYISO staff under the guidance of the NYSRC ("NYSRC Study"). A copy of the NYSRC Study was attached to the February 22 Filing as Appendix A. On the basis of the NYSRC Study, the NYSRC determined that a statewide Installed Reserve Requirement ("IRR") of 18 percent is adequate to meet reliability criteria in the New York Control Area during the Capability Year from May 1, 2000 through April 30, 2001. By a resolution dated January 31, 2000, the NYSRC voted to reduce the IRR for the NYCA from 22 percent to 18 percent to become effective for the Capability Year beginning on May 1, 2000.[3] On February 22, 2000, the NYSRC filed this determination. In the February 22, 2000 filing, the NYSRC requested expedited approval from the Commission so that NYISO would have adequate time to inform market participants of the newly established ICR.

On March 14, 2000, the Intervenors filed a motion to intervene and protest the February 22 Filing. The Intervenors maintain that the current Installed Capacity Requirement should be maintained and attempt to substantiate this argument by claiming that the NYSRC Study is flawed. Specifically, the Intervenors argue that the NYSRC Study did not consider last summer's record load; failed to include Emergency Operating Procedures of neighboring interconnected

[3] The Installed Capacity Requirement relates to the Installed Reserve Requirement through the following equation: ICR = (1 + IRR) x Forecasted NYCA Peak Load.

systems; did not represent operations of interconnected systems in the new market structure; assumed emergency transfer limits rather than normal transfer limits; and may contain incorrect assumptions and technical errors. Additionally, the Intervenors argue that implementation of a new ICR six months after the NYISO began operations would jeopardize reliability for the 2000 Summer Capability Period and would have resulted in insufficient capacity during the summer of 1999.

The concerns raised by the Intervenors are the result of their misinterpretation and misunderstanding of the NYSRC Study on which the NYSRC determination was based, including the study's assumptions, procedures and models. The NYSRC hereby responds to its criticisms for purposes of clarifying the record before the Commission and aiding in its deliberations.

II. ARGUMENTS

Each of the criticisms of the Intervenors is listed and addressed below.

A. The NYSRC Study Did Take into Consideration Last Summer's Record Load

The Intervenors claim that the NYSRC Study did not compare its analysis with the actual loads experienced last summer.[4] However, the NYSRC Study makes this comparison by including higher than normal load levels as discussed below. Applying an 18 percent IRR to the 1999 base forecast of 29,290 MW, results in a 14 percent reserve using the actual 30,311 MW load. Consequently, application of the 18 percent IRR during the summer of 1999 would not have resulted in insufficient installed capacity.

Dividing the actual 1999 peak of 30,311MW by the base forecast of 29,290 MW results in a ratio of 1.0349. Last summer's experience was recognized in the study's updated load uncertainty model, described on page 27 of the study. The model assumes a base forecast that represents a 50/50 probability of occurrence, in addition to a range of possible loads ranging from 93.5 percent to 107.7 percent of the base forecast, based on past weather/load relationships. Last summer's actual vs. forecast ratio of 1.0349 percent falls within this bandwidth.

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[4] Protest at 9.

The Intervenors' filing mentions that other regions simultaneously experienced very high loads in 1999, also resulting in low reserves, suggesting that the NYSRC Study did not consider this condition. This suggestion is not correct. The load uncertainty model assumes that all systems experience the same weather conditions together. For example, when New York is at its 1-in-20-year load level, all regions are assumed at their 1-in-20-year loads at the same hour simultaneously.

B. The NYSRC Study Did Not Include Emergency Operating Procedures of the Neighboring Interconnected Systems.

The NYSRC Study did not represent the Emergency Operating Procedures ("EOPs") in neighboring systems (NEPOOL, PJM, Ontario Hydro, and Hydro-Quebec). However, contrary to what the Intervenors suggest, this modeling assumption actually reduces the emergency assistance available from these systems; it does not increase assistance. Modeling EOPs in these systems to assist New York, in accordance with current joint operating agreements, would have increased the capacity available to New York, and resulted in an IRR lower than 15.5 percent indicated by the study.

Also, the Intervenors ignore the assumption in the NYSRC Study that the other systems had lower installed reserves than those systems are projecting for 2000. This assumption, along with not representing EOPs in the other regions, further minimized the emergency assistance available to New York in the study, which results in an increased IRR.

C. The Study Did Not Represent the Operation of Interconnected Systems in the New Market Structure.

The start up time of generators was not modeled. However, when events such as heat waves are imminent, the NYISO will adjust its load forecast and has the authority to require ICAP suppliers to start up well before the peak.

D. The NYSRC Study Assumed Transmission Transfer Limits to Be Emergency Transfer Limits, Whereas Normal Transfer Limits May Be More Appropriate.

The Intervenors have misunderstood the NYSRC Study. The NYSRC Study clearly provides that the underground cable systems represented in the study did use normal limits. (NYSRC Study at p. 30). The interfaces with overhead transmission lines used emergency limits, which has been the practice for many years. The study shows that the overhead interfaces do not constrain reserve sharing within New York. On the other hand, the cable systems in southeast New York, which use normal limits, do constrain sharing of reserves from upstate to downstate. This is why New York City and Long Island are load pockets that require a minimum capacity (e.g., 80 percent of load in New York City) to meet reliability criteria.

A sensitivity analysis was conducted reducing overhead interface capacities and interconnection capacities by 10%; this is more than the difference between normal and emergency limits (See NYSRC Study, Table B2, case 8). This analysis showed only a very small increase in IRR.

E. Reducing the Reserve Requirement Would Jeopardize Reliability in New York in the 2000 Summer Capability Period.

The Intervenors argue that it would be imprudent to reduce the IRR for the 2000 Summer Capability Period because the NYISO commenced operations in December of 1999.[5]

The NYSRC is fully aware that the NYISO has recently commenced operations under a new competitive market structure. However, the NYSRC took these considerations fully into account when it adopted conservative assumptions that would tend to increase reserve requirements. Further, when the NYSRC acted upon the results of the completed study, as a further precaution it added 2.5 percentage points to the 15.5 percent IRR that resulted from the study.

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[5] Protest at 2.

F. If the Proposed Installed Capacity Requirement Had Been in Place During the Summer of 1999, and the NYSO Had Been Operational, There Likely Would Have Been Insufficient Capacity to Have Reliably Met the State's Electricity Demands.

This assertion is incorrect. If there had been an 18 percent IRR for NYCA last summer, there would have been a 34,562 MW capacity requirement (29,290 MW X 1.18). This would have resulted in a reserve of 14 percent over the metered peak load. This should have been adequate as indicated by one of the sensitivity cases done in the study. Table B-2, case 9 which has no load uncertainty modeled (i.e. the load of 30,311 MW is known), results in an IRR of 11.8%.

In addition, the Intervenors failed to state that the record load of last summer was the result of unusually warm conditions, conditions that occur only about once in twenty years, as described earlier in section IIA. Last summer's experience was recognized in the study's updated load uncertainty model, an action which resulted in a higher calculated Loss of Load Expectancy ("LOLE") than using the earlier load uncertainty model. Therefore, the study did in fact include the possibility of repeating last year's record peak. The model assumes a base forecast that represents a 50/50 probability, in addition to a range of possible loads ranging from 93.5 percent to 107.7 percent of the base forecast, based on past weather/load relationships. Last summer's actual load falls within this band. (30,311 MW ÷ 29,290 = 1.0349.) The NYSRC Study, at p. 27, explains the NYSRC load uncertainty model in detail.

A footnote in the Protest states that most of the load levels covered by the study's load uncertainty model were below the actual 1999 load.[6] This is not surprising since the 1999 peak was a once-in-twenty year occurrence.

The Intervenors mention that various load relief measures, including voltage reductions, were taken last summer, suggesting this was a sub-standard operating condition.[7] These measures were part of the New York Power Pool ("NYPP") operating procedures to protect operating

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[6] Protest at 8, n.6.

[7] Protest at 8.

reserve and avoid load shedding. Such procedures are common in the industry and are now part of the NYISO procedures, to which the Intervenors have not objected. For over twenty years, NYPP, of which the Intervenors were members, accepted two to three voltage reductions per year in conjunction with the one-day-in-ten-years LOLE criterion.

III. CONCLUSION

WHEREFORE, in view of the foregoing, the NYSRC respectfully requests that the Commission accept its Response to the Protest filed by the Intervenors. In addition, the NYSRC respectfully requests that the Commission act in an expedited manner in approving the NYSRC's February 22 Filing.

Respectfully submitted,

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