

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

Remedying Undue Discrimination)
Through Open Access Transmission Service) Docket No. RM01-12-000
And Standard Electricity Market Design)

**COMMENTS OF THE
NEW YORK STATE RELIABILITY COUNCIL, LLC**

Pursuant to Rules 212 and 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212 and 385.214 (2002), the New York State Reliability Council, LLC ("NYSRC") respectfully submits the following comments in the above-captioned proceeding.¹

The NYSRC is a limited liability company ("LLC") established to promote and preserve reliability in the New York Control Area ("NYCA")² for the benefit of the public and all market participants and is responsible for developing reliability standards ("Reliability Rules") that are implemented by the New York Independent System Operator, Inc. ("NYISO").³

The NYSRC appreciates the opportunity to comment on the Commission's SMD NOPR and urges the Commission to carefully consider the comments provided herein prior to taking further action in this proceeding. In support hereof, the NYSRC states as follows:

¹ Remedying Undue Discrimination Through Open Access Transmission Service and Standard Electricity Market Design, 67 Fed. Reg. 55,451 (Aug. 29, 2002), 67 Fed. Reg. 58,751 (Sept. 18, 2002), FERC Stats. & Regs., Regs. Preambles ¶ 32,563 (2002) ("SMD NOPR").

² The New York Control Area generally encompasses the State of New York.

³ The Reliability Rules adopted by the NYSRC are based on the reliability standards established or imposed by Northeast Power Coordinating Council ("NPCC"), North American Electric Reliability Council ("NERC"), Federal Energy Regulatory Commission ("FERC"), New York State Department of Public Service ("New York PSC"), and the Nuclear Regulatory Commission ("NRC") and any other government agency with jurisdiction over the reliability of the New York State power system. While the Reliability Rules must be consistent with NERC and NPCC standards, they include more stringent and more detailed criteria and local reliability rules in order to address the special reliability needs of the New York Control Area, particularly the special needs of New York City and Long Island. The Reliability Rules initially adopted by the NYSRC were the existing rules of the New York Power Pool ("NYPP"). (See NYSRC Agreement § 3.01).

I. EXECUTIVE SUMMARY

The NYSRC supports the Commission's efforts to standardize transmission service and to establish competitive electric markets; provided, however, that the Commission ensures that the existing high level of reliable electric service our nation enjoys is not diminished or is enhanced as a result of the restructured electricity markets. Toward this end, the Commission should ensure that both the transmission provider, including an Independent Transmission Provider ("ITP"), and all market participants are subject to all appropriate reliability standards. Moreover, the ITP should have the responsibility for complying with all applicable reliability standards, ensuring compliance with reliability standards by market participants, and maintaining short-term system reliability. Finally, it is the strong recommendation of the NYSRC that the Commission ensure that the final SMD rule has the flexibility to accommodate the promulgation of all appropriate reliability standards, including sub-regional and local reliability standards, necessary to ensure the reliability of a particular sub-region, including the NYCA.

II. COMMENTS

1. The Final Rule Must Ensure that the Reliability of Our Nation's Electric System Is Preserved or Enhanced as a Result of the Implementation of SMD.

The NYSRC supports the Commission's overall objective enunciated in this rulemaking proceeding "to remedy remaining undue discrimination and establish a standardized transmission service and wholesale electric market design that will provide a level playing field for all entities that seek to participate in wholesale electric markets." See P 3. However, the NYSRC believes that it is essential that the SMD accommodate the promulgation of, and adherence to, all appropriate reliability standards. With the advent of the restructured markets, there may be economic pressures to weaken or degrade reliability standards, or avoid their enforcement, in

order to benefit commercial interests. It is imperative, therefore, for the Commission to make it clear that the preservation or enhancement of reliability is a fundamental objective of SMD. The Commission has recognized this, in part, in its statement that the "fundamental goal of the Standard Market Design requirements, in conjunction with the standardized transmission service, . . . is to create 'seamless' wholesale power markets . . . that allow customers to receive . . . more reliable electric supply" (See P 9 (emphasis added)). The NYSRC urges the Commission to reiterate as a basic theme and objective of its final rule, the preservation or enhancement of system reliability.

2. The Independent Transmission Provider and All Market Participants Should Be Subject to All Appropriate Reliability Standards.

The NYSRC believes that the Commission should ensure that its final SMD rule requires compliance by both the ITP and all market participants with all appropriate reliability standards. In the Commission-approved market structure in the New York Control Area, the NYSRC was established to ensure that the special reliability standards in the NYCA were maintained.⁴ The NYISO is bound by Commission-approved agreements to comply with the Reliability Rules adopted by the NYSRC. The Reliability Rules are based on NERC and NPCC standards but also include more stringent or more specific standards needed to address the special reliability requirements in the NYCA, and the imperative to maintain reliability in the New York City Metropolitan Area. The NYISO has the responsibility to implement the Reliability Rules and to apply them to all market participants through the NYISO tariffs. The NYSRC also has the responsibility to establish an annual state-wide resource adequacy requirement for the NYCA, which is implemented by the NYISO.

⁴ Central Hudson Gas & Electric Corp., et al., 83 FERC ¶ 61,352 (1998) ("June 30 Order"); Central Hudson & Electric Corp., et al., 86 FERC ¶ 61,062 (1999) ("January 27 Order"); Central Hudson & Electric Corp., et al., 88 FERC ¶ 61,138 (1999) ("July 29 Order").

For the last three years, the NYISO and the NYSRC have worked cooperatively to ensure that safe and reliable electric service in the NYCA (New York State) is maintained.

3. The Final SMD Rule Should Accommodate All Appropriate Reliability Standards, Including Sub-Regional and Local Reliability Standards.

The NYSRC submits that the final SMD rule must accommodate all necessary reliability standards, including reliability standards applicable to a sub-region and local reliability rules. Due to the special reliability needs in the NYCA, particularly the reliability requirements for New York City and Long Island, special reliability standards were developed over many years under the NYPP structure pursuant to the direction or approval of the New York PSC. Currently, the NYSRC is responsible for oversight of these special reliability standards and local reliability rules and for ensuring that revisions to these special reliability standards are appropriate and will not result in a degradation in reliability. Other regions have their own special reliability requirements that may be addressed in different ways. The NYSRC strongly recommends that the Commission ensure that the final SMD rule will accommodate the continued promulgation of special reliability standards and local reliability rules needed to maintain reliability in a sub-region, including the NYCA.

CONCLUSION

WHEREFORE, in view of the foregoing, the NYSRC respectfully requests that the Commission issue a final SMD order that is consistent with the comments provided herein.

Respectfully submitted,

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Chairman
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Dated: November 15, 2002

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 15th day of November, 2002.

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