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August 4, 2005

TO: NYSRC Executive Committee

FROM: Paul L. Gioia

RE: Authority of NYISO to React to Occurrences Outside the NYCA

Question Presented

At the meeting between the NYSRC and NYISO to discuss defensive strategies, Mike Calimano raised the question of whether the NYISO could take actions to protect the reliability of the New York State power system in response to events that were occurring outside the New York Control Area (NYCA). The Executive Committee asked me to look into this question.

NYISO Services Tariff

It appears that Sections 5.4 and 5.5 of the NYISO's Services Tariff do not limit the NYISO's ability to protect the reliability of the New York State power system to events that occur within the NYCA. The first paragraph and the first sentence of the second paragraph of Section 5.4 read as follows:

5.4 Operation Under Adverse Conditions

The ISO shall operate the NYS Power System during Adverse Conditions, including, but not limited to, thunder storms, hurricanes, tornadoes, solar magnetic flares and threat of terrorist activities, in accordance with the Reliability Rules, inclusive of Local Reliability Rules and related PSC orders. Consistent with such Reliability Rules, the ISO shall maintain reliability of the NYS Power System by directing the adjustment of the Generator

output levels and controllable transmission devices in certain areas of the system to reduce power flows across transmission lines vulnerable to outages due to these Adverse Conditions, thereby reducing the likelihood of major power system disturbances.

The ISO shall have the sole authority to declare that Adverse Conditions are imminent or present and invoke the appropriate operating procedure(s) affecting the NYS Power System in response to those conditions.

The term Adverse Conditions is defined in Section 2.2 of the tariff as follows:

2.2 Adverse Conditions

Those conditions of the natural or man-made environment that threaten the adequate reliability of the NYS Power System, including, but not limited to, thunderstorms, hurricanes, tornadoes, solar magnetic flares and terrorist activities.

Section 5.5 of the Services Tariff reads as follows:

5.5 Major Emergency State

In the event of, or in order to prevent, a Major Emergency State, Customers shall comply with all ISO Procedures and Reliability Rules applicable to a Major Emergency State.

Preliminary Assessment

These provisions indicate that the NYISO does not have to wait until the reliability of the New York State power system is actually affected, but may act when conditions “threaten the adequate reliability of the NYS Power System” (Services Tariff, Sections 2.2; 5.4) and may take action “in order to prevent” a Major Emergency (Services Tariff, Section 5.5). Furthermore, nothing in these tariff provisions limits their application to events that originate or are occurring within the NYCA.

It should be noted, however, that the actions that the NYISO can take in response to Adverse Conditions are defined in the Reliability Rules and the NYISO’s tariffs and procedures. If the NYISO and/or the NYSRC decide to authorize or require the NYISO to take defensive actions not currently included in those documents, appropriate revisions would have to be made.

I discussed the foregoing preliminary assessment with Mike Calimano and asked if there is any specific document that caused him to raise the question. Mike said that his concern was a general concern and not based on any specific provision in a NYISO tariff or Reliability Rule. Mike indicated that he does not disagree with this preliminary assessment, and agrees that if the NYISO is to undertake new defensive actions, the need to revise the appropriate documents would have to be considered.

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