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To: Roger Clayton, Chairman, Reliability Rules Subcommittee (RRS)

From: David B. Johnson

Date: April 29, 2016

Re: PRR 131 Dual Fuel Generating Testing (PRR 131)

The generator sector, represented by Independent Power Producers of New York, Inc. ("IPPNY"), has a number of questions and concerns regarding PRR 131. According to the proposed rule, the testing requirement is intended to address a perceived failure by dual fuel generators to successfully switch fuels from natural gas to liquid fuel, "which could jeopardize the reliability of the NYS Bulk Power System that could result in the loss of electric load." The proposed rule would apply to all generating units with dual fuel capability operating in the New York Control Area ("NYCA").

The rule is unnecessary and unduly burdensome, especially for generating units that have no obligation to install dual fuel capability and receive no compensation from the NYISO for installing such capability or testing fuel burning or switching capability. As dual fuel is not a reimbursable reliability product, it is inappropriate for the NYISO or transmission owners to dictate generator maintenance practices or impose penalties.

Generators that voluntarily install dual fuel capability do so to take advantage of high energy prices when natural gas is unavailable or more expensive than fuel oil. This provides them significant incentive to be able to make the switch between fuels. Also, those generators that take interruptible gas service from their local distribution corporations are already incented to successfully switch to oil because they face penalties for burning gas when they receive operational flow orders.

All dual fuel generators are subject to stringent limitations on burning oil under the Environmental Protection Agency's Mercury and Air Toxics Standards for Power Plants ("MATS"). MATS limits a unit's oil burning to an average 10% or more of total fuel consumption over a three-year period or 15% or more of total fuel consumption in any one year. A unit with a low capacity factor could be required to burn gas uneconomically to meet this permit condition. Imposing an oil burning testing requirement every capability period could be very costly to a generator.

Imposition of burdensome and expensive testing requirements that penalize generating units and expose them to environmental permit risk could discourage the installation of dual fuel capability and result in some owners deciding to remove the dual fuel capability from their units. This is especially the case when the NYISO market does not provide any compensation to generators for their ability to switch fuels.

Further, there is no evidence that the vast majority of dual fuel generating units in the NYCA are having difficulty switching fuels. While certain combined cycle gas turbine generating units in New York City may have tripped offline during a switching event, that is no justification to impose a testing requirement on all units.

IPPNY has the following additional concerns and questions:

1. The rule applies broadly to units "with dual fuel capabilities." Some generating units co-fire coal, gas and oil. Is the rule intended to apply to such units?

2. Does the testing requirement apply to all units with a rating of greater than or equal to 75 MVA or to multiple units with a rating of less than 75 MVA, but in the aggregate greater than or equal to 75 MVA, that are located at the same site? Specifically, what is the definition of "site"? Is it location on the same parcel? Is it injection at the same point of interconnection? For example, the Gowanus Generating Station is comprised of 32 GE Frame 5 units, each with a gross nameplate rating of ~ 25 MVA. The site total obviously exceeds 75 MVA. Is the rule applicable to this site?

3. Dual fuel is not a compensable service under the NYISO tariff. The tariff only provides for the recovery of certain costs in the context of the "minimum oil burn rule." Does the RRS/NYSRC support the NYISO providing compensation to generators that provide this reliability service?

4. Consumption of oil as compared to natural gas produces notably higher air emissions. This testing requirement will increase air emissions and the costs to generation owners to comply with air regulations. Has the RRS considered this ramification?

5. The proposed language appears to require an on-line transfer. Many air permits do not contain a provision to allow for excess emissions during fuel transfers. Swapping fuels on-line causes excess emissions beyond permit limits. If a unit with such a restrictive permit is required to perform a fuel switch on-line, it will be in violation of its permit. The switch can be performed as part of a shutdown sequence but this means that a generator owner will be forced to take their unit off-line when market conditions may not be favorable. Many generator owners maintain their liquid fuel system in a ready to start but not primed condition. This eliminates the coking in fuel lines adjacent to the engine, which is the primary reason for unsuccessful transfers. In this situation the generator owner would switch by coming off-line (in the face of no fuel gas), prime the liquid fuel lines and then restart. This process has a much better potential for success than an on-line transfer with coked lines. If the goal is reliability on liquid fuel, the rule should allow for this alternate process.

6. Auto-swapping to liquid fuel poses a unit trip risk to combined cycle gas turbine units. If a unit trips during a test, how would the owners be compensated for the financial and operational implications (*e.g.*, not meeting a DAM schedule, increased EFORd, *etc*.)?

7. How will the costs of a test be addressed? How will the costs of "remedial actions" necessary after a failed test be addressed?

8. In R2, what constitutes a "successful test"? This is very important to generators because the ability to switch fuels and associated testing procedures will vary depending on technology. Not all tests have the same risk. A testing requirement that obligated a High Load/Full Load would be inappropriate because it adds significant risk to the entire plant as well as potential down time. What are the implications of the addition of the words "complete a successfully (sic) test" in R2, as applied to Steam Electric units?

9. In M3, what constitutes keeping the NYISO informed of progress of remedial actions? The GADS reporting system treats all generators greater than 50 MW equally regardless of fuel type. The existing procedures for NYISO notification should suffice. For instance, if a unit tests on ultra-low-sulfur diesel and trips, an out-of-merit notice will be issued and a derate logged while the unit is unavailable due to the liquid fuel trip. That would constitute immediate notice of fuel swap failure. A simple email to genplan@nyiso would cover notification of whatever repairs are needed as well as an estimated timeline to restore liquid fuel system to available status and retest.

10. Does the RRS intend that the rule apply to units that previously installed oil burning capability but have temporarily disabled that capability and removed oil from storage tanks?

11. For units that have such oil burning capability but have not been economically dispatched in years on such fuel, who will compensate such generator for the costs of performing a stack test if having to perform this new test would, in itself, also trigger the need to perform a stack test?

12. "Immediately" should be removed from R4.1. As the generator is not being reimbursed for testing and maintaining dual fuel capability, the generator should be allowed to address remedial actions at the next planned shutdown.