

STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE
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February 2, 2010

SENT VIA ELECTRONIC FILING
Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Room 1-A209
Washington, D.C. 20426

Re: Docket No. ER08-1281-000 - New York Independent
System Operator, Inc.

Dear Secretary Bose:

For filing, please find the Comments of the New York State Public Service Commission in the above-entitled proceeding. Should you have any questions, please feel free to contact me at (518) 473-8178.

Very truly yours,

A handwritten signature in black ink that reads 'David G. Drexler'. The signature is written in a cursive style with a large initial 'D'.

David G. Drexler
Assistant Counsel

Attachment

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

New York Independent System) Docket No. ER08-1281-000
Operator, Inc.)

COMMENTS OF THE NEW YORK STATE
PUBLIC SERVICE COMMISSION

BACKGROUND

On July 21, 2008, the New York Independent System Operator, Inc. (NYISO) filed tariff amendments prohibiting the scheduling of transactions over circuitous paths around Lake Erie that were being exploited to take advantage of differences in pricing and settlement rules (i.e., "seams") between the Independent System Operators (ISOs) and Regional Transmission Organizations (RTOs) surrounding Lake Erie (July 2008 Filing).¹ These transactions were adversely affecting the operation of NYISO-administered markets by exacerbating internal New York Control Area west-to-east transmission constraints and resulting in additional congestion related costs being incurred.

On August 21, 2008, the Commission accepted the NYISO's July 2008 Filing as a temporary measure, but indicated

¹ The NYPSC submitted a timely Notice of Intervention and Comments on August 1, 2008, in response to the July 2008 Filing.

that "long-term solutions to the loop-flow problem should be worked out through a collaborative process."² On July 16, 2009, the Commission directed the NYISO to "develop long-term comprehensive solutions to the loop flow problem" with its neighboring regional transmission organizations, and to file a report detailing such solutions.³ In compliance with the Commission's directives, on January 12, 2010, the NYISO submitted a "Report on Broader Regional Markets, Long-Term Solutions to Lake Erie Loop Flow" (January 2010 Filing or Report), which recommends the implementation of several market solutions.⁴

DISCUSSION

The NYPSC commends the NYISO, the Ontario Independent Electric System Operator, PJM Interconnection, LLC, the Midwest Independent Transmission System Operator, Inc. (collectively, the Participating ISOs/RTOs), and their market participants on

² Docket No. ER08-1281-000, NYISO, Order Accepting Tariff Sheets (issued August 21, 2008), ¶ 28.

³ Docket No. ER08-1281-000, NYISO, Order Authorizing Public Disclosure of Enforcement Staff Report and Directing the Filing of an Additional Report (issue July 16, 2009), ¶ 6.

⁴ The recommended market solutions include: a) a buy-through of congestion; b) congestion management/market-to-market coordination; c) interface pricing revisions; and, d) interregional transaction coordination.

their efforts to develop long-term solutions to the Lake Erie loop-flow problem. The January 2010 Report represents significant progress by the Participating ISOs/RTOs, and may provide some viable approaches to resolving this problem. The recommendations contained within the January 2010 Report should therefore be pursued further.

It is essential that a long-term solution be developed to address the Lake Erie loop-flow problem. Although the NYISO has prohibited circuitous transactions that contribute to the problem, loop-flow issues continue to exist. Currently, the NYISO estimates over 500 MW of loop-flow, which exacerbates congestion on New York's transmission system, and is resulting in additional congestion-related costs being incurred.

We look forward to addressing the Participating ISOs/RTOs' recommendations within the stakeholder process, which will "include the preparation of a cost/benefit analysis of each of the proposed solutions."⁵ These analyses should ensure the cost-effectiveness of each solution, and assist in obtaining the necessary approvals.

⁵ January 2010 Filing, p. 18.

CONCLUSION

The NYPSC supports the Participating ISOs/RTOs' efforts to develop long-term solutions to the Lake Erie loop-flow problem. The January 2010 Report presents several recommendations that should be pursued further to determine if a satisfactory resolution to this problem can be implemented.

Respectfully submitted,



Peter McGowan
General Counsel
Public Service Commission
of the State of New York

By: David G. Drexler
Assistant Counsel
3 Empire State Plaza
Albany, NY 12223-1305
(518) 473-8178

Dated: February 2, 2010
Albany, New York

CERTIFICATE OF SERVICE

I, David G. Drexler, do hereby certify that I will serve on February 2, 2010, the foregoing Comments of the New York State Public Service Commission upon each of the parties of record indicated on the official service list compiled by the Secretary in this proceeding.

Dated: February 2, 2010
Albany, New York


David G. Drexler