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PUBLIC SERVICE COMMISSION

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Secretary

July 24, 2002

Honorable Magalie R. Salas,
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Room 1-A209
Washington, D.C. 20426

Re: Docket No. RM99-2-000 - Regional Transmission
Organizations

Dear Secretary Salas:

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

Very truly yours,

David G. Drexler
Assistant Counsel

Attachments

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

Regional Transmission Organizations) Docket No. RM99-2-000

**NEW YORK STATE PUBLIC SERVICE COMMISSION'S COMMENTS
IN SUPPORT OF TRANSMISSION OWNERS**

INTRODUCTION AND SUMMARY

On July 2, 2002, the major Transmission Owners, which own virtually all of the bulk power transmission system in the New York control area and a significant portion of the bulk power system in the New England control area,¹ jointly submitted Supplemental Comments in the above-referenced docket "with respect to certain basic objectives that should be achieved in the wholesale electric marketplace in the Northeast."² This filing proposes a major step toward a single wholesale electricity market for the Northeast. Consequently, we urge the

¹ These Transmission Owners include Central Hudson Gas & Electric Corp., Central Maine Power Co., Consolidated Edison Company of New York, Inc., Long Island Power Authority, National Grid USA, New York Power Authority, New York State Electric & Gas Corp., Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corp. and NSTAR Electric & Gas Corp., on behalf of its operating affiliates Boston Edison Co., Commonwealth Electric Co. and Cambridge Electric Light Co. (collectively "Transmission Owners" or "TOs").

² Regional Transmission Organizations, Docket No. RM99-2-000, Supplemental Comments of Transmission Owners (July 2, 2002), at p. 1 (hereinafter "TOs Supplement Comments").

Federal Energy Regulatory Commission (FERC or Commission) to adopt the approach presented by the Transmission Owners.

FERC should direct the three Northeast ISOs (i.e., NYISO, PJM and ISO-NE) to develop and implement a single day-ahead energy market, and a single, or closely coordinated, dispatch with a common or compatible technology platform.³ This market design should incorporate the best practices from each region, while maintaining regional reliability rules. While we continue to support a New York, New England and PJM Regional Transmission Organization as the most efficient means to establish a regional market, the TOs' proposal regarding a coordinated action plan among the Northeast ISOs represents a reasonable, near-term approach for implementing a single energy market in the Northeast.⁴ Moreover, as the TOs propose, the elimination of

³ As indicated by the TOs, there should be a prompt resolution of seams issues because they impede reliability, competition, efficiency and liquidity. This goal should be advanced by the Commission's decision requiring the Northeast ISOs to develop a timeline for completion of seams issues.

⁴ We are not prepared to evaluate the merits of the proposals for the formation of Independent Transmission Companies and oversight by an independent market monitor without more information.

With regard to market monitoring, State Commissions, such as New York, which wish to play an active role in assisting FERC's oversight of the markets, should have the tools necessary to do so. As such, State Commissions should be given full access to market data.

pancaked rates could happen immediately and we recommend that the Commission resolve this issue.

DISCUSSION

I. The Three ISOs Should Be Required to Coordinate The Implementation of Standard Market Design

Although the Commission's efforts to establish a SMD for the entire country are a vital endeavor in furthering the goal of compatible markets, we share the TOs' concern that SMD may not be sufficient in and of itself to ensure a seamless electricity market throughout the Northeast region. Thus, we support the TOs' proposal that the Northeast ISOs coordinate their efforts to develop a common or compatible technology platform, implementation procedures and market rules. As the TOs suggest, without a highly coordinated effort among the three ISOs, there is a substantial risk that impediments to trading will continue. Moreover, the common market design should incorporate the best practices from each region, unless doing so would adversely affect reliability. As proposed, local reliability rules that address local reliability needs should be maintained.

II. FERC Should Require A Single Market For The Northeast Region With A Compatible Technology Platform

The TOs recognize the importance of the development of common or compatible software as an important step toward a single commitment and single or closely coordinated dispatch in

the Northeast. We agree that without such technology coordination, duplicative investments and unnecessary delay will occur. We also agree with the TOs' proposal and Judge Young's recommendation in his mediation Report that an up-front independent technology assessment be done to determine what each of the ISOs must do to implement a common market. Our ultimate goal is the timely establishment of a single market for the entire Northeast, which can only occur if the three ISOs work together from a common technology base.

III. The Northeast ISOs Should Undertake a Single Market Action Plan

The TOs have proposed a reasonable approach for dealing with the leadership issues that have hampered the development of a 3-ISO RTO.⁵ Their action plan includes "the creation of a Northeast CEO Committee, comprised of the CEOs of the three Northeast ISOs, and a Northeast Stakeholder Working Group, comprised of stakeholders in the three ISOs and representatives of state regulatory agencies," who together would develop a detailed implementation plan with specific milestones and timeframes to develop a single market for the Northeast region.⁶ If the proposed process breaks down, FERC sponsored mediation or alternative dispute resolution should be available. Although

⁵ TOs Supplemental Comments at p. 10.

⁶ Id.

this approach will surely be less efficient than a three-region RTO, it does require the three ISOs and stakeholders to resolve issues and provides for a backstop process in the event agreement cannot be reached. We concur with the TOs that this process will help expedite "development of a Single Market in the Northeast."⁷

CONCLUSION

The TOs' proposal includes essential ingredients for an efficient regional market. In the absence of a merger of the three ISOs, FERC should order the parties to adopt the TOs' blueprint for establishing a single Northeast market. As we have stated previously, the Commission's guidance and oversight are an integral part of achieving such objectives.⁸

Respectfully submitted,

Lawrence G. Malone
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Dated: July 24, 2002
Albany, New York

⁷ Id. at p. 11.

⁸ See, NYPSC Comments in Docket No. RT01-99-000 (July 3, 2002).

CERTIFICATE OF SERVICE

I, Naomi Tague, do hereby certify that I will serve on July 24, 2002, the foregoing Notice of Intervention and Comments of the Public Service Commission of the State of New York by depositing a copy thereof, first class postage prepaid, in the United States mail, properly addressed to each of the parties of record, indicated on the official service list compiled by the Secretary in this proceeding.

Date: July 24, 2002
Albany, New York

Naomi Tague