



194 Washington Avenue, Suite 315
Albany, NY 12210
phone: 518-436-3749
fax: 518-436-0369
www.ippny.org

Gavin J. Donohue, *President &
Chief Executive Officer*

September 27, 2012

Via Electronic Filing

Hon. Jaclyn A. Brillling
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

RE: Case No. 12-E-0136, Petition of Dunkirk Power LLC and NRG Energy, Inc. For Waiver of Generator Retirement Requirements.

Dear Secretary Brillling:

On September 17, 2012, Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid") filed its proposed "Process and Schedule to Identify and Procure Reliability Support Services Resources" ("Process and Schedule") with the New York State Public Service Commission ("Commission") in compliance with the Commission's "Order Deciding Reliability Issues and Addressing Cost Allocation and Recovery" issued on August 16, 2012 ("August Order") in the above-referenced case. In its August Order, the Commission ordered National Grid to procure Reliability Support Services from Dunkirk Power LLC ("Dunkirk") and Dunkirk to provide Reliability Support Services to National Grid, in accordance with the term sheet agreement that National Grid and Dunkirk executed and which the Commission approved. In Ordering Clause 4 of the August Order, the Commission ordered National Grid to file, within 30 days of the August Order, "a schedule and process for soliciting alternative solutions to any remaining reliability needs that may exist after completing the facility improvements scheduled for completion by May 31, 2013." National Grid's proposed Process and Schedule is intended to comply with Ordering Clause 4.

While the Commission did not state in its August Order that it would entertain comments on National Grid's proposed Process and Schedule, Independent Power Producers of New York

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Inc. (“IPPNY”)¹ respectfully requests that the Commission consider the following limited comments and order National Grid to modify its proposal in one key respect as discussed below.²

The Process and Schedule violates the August Order because it proposes that “the RFP will be soliciting proposals from qualified bidders for Reliability Support Services commencing June 1, 2013 *and terminating May 31, 2015.*”³ National Grid proposed a May 31, 2015 termination date because that is the date by which it expects it will be able to complete additional system reinforcements that it claims would permanently resolve any reliability needs that may exist after its authorized system reinforcements are completed, which is expected by May 31, 2013. Apparently, National Grid believes, incorrectly, that the Commission’s August Order directed it to do additional transmission work and, therefore, alternative reliability solutions would not be necessary after May 31, 2015. National Grid, however, has misinterpreted the Commission’s August Order.

In its August Order, the Commission directed National Grid to “proceed expeditiously” with the system reinforcement work scheduled to be in service by May 31, 2013. The Commission did not authorize National Grid to perform any additional proposed system reinforcements in the August Order.⁴ Instead, the Commission ordered National Grid to hold an RFP to ascertain whether more cost-effective solutions exist that may be needed after completing the facility improvements scheduled for completion by May 31, 2013. The Commission did not direct National Grid to solicit proposals that would terminate on May 31, 2015. To the contrary, the Commission stated that “a solicitation of alternatives is comparable to the NYISO tariff means for addressing reliability backstop solutions.”⁵

Under the NYISO tariff, transmission projects developed by transmission owners are not automatically chosen as the reliability backstop solution when a system need is identified. Under Attachment Y of the NYISO’s Open Access Transmission Tariff, if the NYISO identifies a reliability need in its reliability needs assessment, the responsible transmission owner must provide the NYISO with a proposal for a regulated solution to serve as backstop to meet the reliability need. The NYISO also solicits market-based and alternative regulated solutions. The solutions that are submitted can be generation, transmission or demand response solutions all of which are treated on equal footing. If the reliability need cannot be met adequately or on a

¹ IPPNY is a not-for-profit trade association representing the independent power industry in New York State. Its members include more than 100 companies involved in the development, operation and ownership of electric generators and the marketing and sale of electric power in New York’s wholesale and retail markets.

² As National Grid proposes to issue a Request for Proposals (“RFP”) to solicit alternative solutions as soon as mid-October, IPPNY requests that the Commission issue an order at its October 18, 2012 session or issue a one-commissioner order before that date.

³ Process and Schedule, p. 2 (emphasis added).

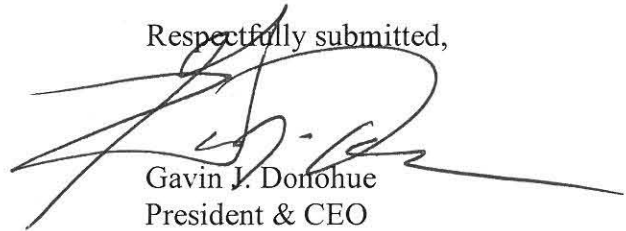
⁴ IPPNY is unaware of any other Commission order that authorized such construction. To the extent such an order exists, however, it should be revisited in this proceeding to ensure, based on the present-day facts and circumstances, the most efficient and cost effective solution is chosen.

⁵ August Order at 20.

timely enough basis by a market-based solution, a regulated solution will be chosen. Thus, it is clear that the Commission expected National Grid and Department of Public Service Staff to consider all alternatives to address any remaining reliability needs that continue as of May 31, 2013 when National Grid's current transmission system reinforcement work is completed, as the NYISO tariff requires for selecting regulated solutions.

For the foregoing reasons, the Commission should order National Grid to solicit proposed alternative solutions that would resolve the reliability need permanently, weigh the alternative solutions against National Grid's own proposed solution and modify the Process and Schedule accordingly.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "G. Donohue", is written over the typed name and title. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Gavin J. Donohue
President & CEO

cc: Active Parties