

CASE 09-E-0428 – PJM OATT PETITION
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY / DOCUMENT REQUEST

Request No.: DPS-2
Requested By: Marco Padula and Johanna Miller
Date of Request: August 2, 2012
Reply Date: August 24, 2012
Subject: PJM OATT

12. The Company states on page 9 of its filing that the PJM OATT service is providing significant economic benefit to Con Edison customers. Provide all analysis and supporting work papers that demonstrate and quantify the significant economic benefit and the specific beneficiaries of those benefits. If those beneficiaries include customers taking service under the company's PASNY delivery rates, explain how recovery of the PJM OATT costs through the MAC provides a fair and reasonable cost allocation.

RESPONSE

As noted in the Company's filing (p. 5), the PJM OATT service provides 1000 MW of transmission capacity at all times for importing energy into Con Edison's service area and is used by the NYISO to schedule energy deliveries to customers in the Con Edison service area. Thus, the availability of the 1000 MW transmission service not only increases reliability, but will, during many hours, reduce energy prices, thereby further benefitting consumers. In fact, in approving the new OATT service, FERC found that the service would result "in substantially lower prices to customers in New York in 88 percent of the hours" and that price differentials during the remaining hours are less significant and are offset by competitive considerations. *PJM Interconnection, L.L.C.*, 135 FERC ¶61,018, P 35 (2011); 132 FERC ¶ 61,221, P 71 (2010). While quantification of the extent to which market prices are lower is difficult, if at all possible with a degree of certainty, because it would require an analysis of what market prices and dispatch would have been absent the 1000 MW wheel, market prices are clearly lower with the availability of the 1000 MW wheel because of the additional energy supplies made available in the downstate area and the economic principle of supply and demand.

However, the fact that customers taking service under the Company's NYPA delivery rates might benefit from the reduced market prices does not compel an allocation of some portion of the PJM OATT charges to NYPA. As explained in the Company's filing (p. 7), the Company's current rate structure does not employ a generally-applicable allocation methodology for transmission-related charges and credits. In fact, the Company's filing notes several examples where the MAC is currently used as the vehicle to reconcile variations between actual and estimated revenues even though the NYPA delivery rates established by the 2010 Electric Rate Order reflect an allocation of a portion of these revenues. Nor does the allocation of the PSE&G wheeling costs between Con Edison and NYPA customers in developing base delivery rates compel a similar allocation of the PJM OATT charges. The determination to allocate to NYPA a portion of the PSE&G costs was made prior to the inception of the NYISO, under facts and circumstances materially different than those that exist in today's open access, market-oriented industry structure. Accordingly, cost recovery through MAC item (14) fairly and reasonably spreads these costs among all Con Edison full service and retail access customers.

The Company acknowledges that an argument could be reasonably made that some portion of these costs should be recoverable from NYPA because NYPA customers benefit from this service. However, the Company does not believe that such a result is currently required in light of the disparate allocations of other similar costs and absent a consideration of these costs in the context of all similar transmission-related costs and services, including NYPA transmission-related costs and services to the Company's service territory. Moreover, should the Commission determine that some allocation of these costs to NYPA is appropriate, recovery of the portion of costs allocable to the Company's customers through the MAC remains both appropriate and consistent with the current tariff. As the Commission has concluded in proceedings like the Company's demand response case the appropriate result of such a determination would be the implementation of a prospective surcharge to NYPA with a commensurate reduction of the amount recoverable from Con Edison customers through the MAC. See Case 09-E-0115 -- *Proceeding on Motion of the Commission to Consider Demand Response Initiatives*, January 20, 2011, p.18.