

STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE
THREE EMPIRE STATE PLAZA, ALBANY, NY 12223-1350
www.dps.ny.gov

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Commissioners



KIMBERLY A. HARRIMAN
General Counsel

KATHLEEN H. BURGESS
Secretary

April 24, 2014

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. ER13-1380-000 - New York Independent
System Operator, Inc.

Docket No. ER14-500-000 - 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 proceedings. The parties have also been provided with a copy of this filing, as indicated in the attached Certificate of Service. Should you have any questions, please feel free to contact me at (518) 473-8178.

Very truly yours,

A handwritten signature in black ink, appearing to read 'David G. Drexler', is written over a faint, larger version of the same signature.

David G. Drexler
Assistant Counsel

Attachment
cc: Service Lists

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April 24, 2014

Acting Chair Cheryl A. LaFleur
Federal Energy Regulatory Commission
888 First Street, NW
Washington, DC 20426

Re: Docket Nos. ER13-1380-000 - New York Independent System Operator, Inc. and ER14-500-000 - New York Independent System Operator, Inc.

Dear Acting Chair LaFleur,

I am writing as Chair of the New York State Public Service Commission (NYPSC) to urge expedited action by the Federal Energy Regulatory Commission (FERC) in Dockets ER13-1380-000 and ER14-500-000. The NYPSC filed requests for rehearing in these proceedings on September 12, 2013, and February 27, 2014, respectively. However, the NYPSC's requests for rehearing, which seek to avoid the imposition of unjust and unreasonable rate increases on electric consumers within a newly-established capacity zone (NCZ) in New York's lower Hudson Valley, are still pending. Immediate action by FERC is needed to ameliorate this significant and unwarranted price increase.

As the NYPSC maintains in Docket ER13-1380-000, New York's efforts to address congestion and deliverability constraints are expected to address the underlying need for establishing the NCZ. Accordingly, the NYPSC requests that FERC reject the need to implement the NCZ in order to prevent improper and meaningless price signals to incumbent resources and prospective developers, without any concomitant ratepayer benefits. Alternatively, the NYPSC seeks a stay in implementing the NCZ until next summer in order to allow additional supply resources to come on-line. At a minimum, the NYPSC urges the Commission to phase-in the NCZ price signals to ameliorate the significant consumer price increases while preventing a windfall upon incumbent generators. The NYPSC takes the same position in

docket ER14-500-000, where the NYISO seeks to implement Installed Capacity Demand Curves within the NCZ for the three upcoming Capability Years (i.e., 2014/2015, 2015/2016, and 2016/2017).

FERC should recognize several new facts supporting the NYPSC's request to delay or phase-in the NCZ. First, the NYISO recently released a default reference price of \$12.26 per kilowatt (kW) month for the new zone. This price is an unexpected increase of approximately \$2/kW month from the Strip and Monthly auction results held just earlier this month. Updated projections of the ratepayer impact and potential windfall to incumbent generators are now even higher than anticipated at the time of our request for rehearing on the NCZ Demand Curves, and are estimated to be \$280 million annually.

Second, this increase in costs to lower Hudson Valley consumers within the NCZ comes on the heels of extremely high energy bills associated with the extreme weather and natural gas shortages experienced in the northeast this past winter, which led to extremely high electric energy prices. For December, January, and February, electric prices in the New York Control Area increased 49%, 130%, and 44%, respectively. These increases lead to an estimated increase of over \$2 billion in statewide energy costs on an unhedged basis.

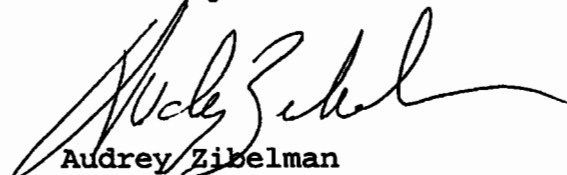
Third, compounding the impacts to lower Hudson Valley consumers is the expectation that summer electric energy prices will be higher than normal, given weather forecasts that suggest the northeast is likely to have a hotter than normal summer. This anticipated higher price is reflected in the NYMEX futures market for electricity for NYISO Zone G, which is priced at \$53.05 per MWh for June-September for this year, as compared to \$42.85 and \$40.45 per MWh for the same period in 2013 and 2012, respectively. This potential increase of over 20% in energy prices could lead to over \$70 million in increased electric energy costs for the Lower Hudson Valley for these four months alone.

When taken in total, the consumers in the lower Hudson Valley will come out of a winter period of high energy prices straight into a summer period of high energy prices with no relief in sight. The NYPSC's initiatives to address congestion and deliverability constraints within the lower Hudson Valley justify rejecting the creation of the NCZ. Alternatively, a stay in implementing the NCZ until next summer would avoid a near-term windfall for incumbent generators but still allow some generating units in the lower Hudson Valley to come back on-line

and provide relief from increasing electric capacity costs. Similarly, a phase-in would lessen the windfall for incumbent generators, while providing much needed relief to beleaguered lower Hudson Valley electric consumers. Adopting a phase-in of the NCZ is highly unlikely to impact the economic decision for current and future owners of electric generating resources located in the zone.

Given the importance of this matter to residents of the lower Hudson Valley, we ask that the Commission act promptly on our petitions for rehearing.

Sincerely,



Audrey Zibelman
Chair

cc: Commissioner Philip D. Moeller
Commissioner John R. Norris
Commissioner Tony Clark
Michael C. McLaughlin, Director, Office of Energy Market
Regulation
Jignasa P. Gadani, Director, Division of Electric Power
Regulation-East
Service Lists

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service lists compiled by the Secretary in these proceedings.

Dated: Albany, New York
April 24, 2014



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