

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
New York on February 23, 2016

COMMISSIONERS PRESENT:

Audrey Zibelman, Chair  
Patricia L. Acampora  
Gregg C. Sayre  
Diane X. Burman

CASE 12-E-0503 - Proceeding on Motion of the Commission to  
Review Generation Retirement Contingency Plans.

ORDER ACCEPTING MODIFIED  
IPEC RELIABILITY CONTINGENCY PLANS

(Issued and Effective February 24, 2016)

BY THE COMMISSION:

INTRODUCTION

On November 4, 2013, the Commission accepted a portfolio of projects for inclusion in the Indian Point Energy Center (IPEC) Reliability Contingency Plan, which consisted, in part, of three transmission upgrades referred to as the Transmission Owner Transmission Solutions (TOTS).<sup>1</sup> In relevant part, the TOTS included a Staten Island Unbottling (Staten Island) project that would be developed by Consolidated Edison Company of New York, Inc. (Con Edison). The Staten Island project consisted of two phases, whereby Con Edison would first split its existing feeder between the Goethals and Linden Cogen

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<sup>1</sup> Case 12-E-0503, Generation Retirement Contingency Plans, Order Accepting IPEC Reliability Contingency Plans, Establishing Cost Allocation and Recovery, and Denying Requests for Rehearing (issued November 4, 2013) (IPEC Reliability Contingency Plan Order).

substations, and then install ten forced cooling refrigeration plants in order to increase transmission capacity over four 345 kV feeders between the Goethals, Gowanus, and Farragut substations.

On October 8, 2015, Con Edison filed a motion, pursuant to the Commission's Rules of Procedure, 16 NYCRR §3.6, seeking to confirm that, under the IPEC Reliability Contingency Plan Order, Con Edison is not obligated to undertake the forced cooling phase of the Staten Island project in the event it does not renew transmission services with PJM Interconnection, LLC (Motion). In this order, the Commission grants Con Edison's Motion and accordingly accepts a modified IPEC Reliability Contingency Plan.

#### NOTICE OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking was published in the State Register on November 4, 2015 [SAPA No. 12-E-0503SP6]. The time for submission of comments pursuant to the SAPA Notice expired on December 21, 2015. Moreover, interested parties were invited to submit comments on the Motion, by the deadline of December 21, 2015, pursuant to a Notice Establishing Comment Deadline issued on October 13, 2015 in this proceeding. No comments were received in response to the notices.

#### BACKGROUND

This proceeding was commenced through a November 2012 Order that directed the development of utility plans to address the reliability concerns that may arise from the retirement of

electric generating facilities.<sup>2</sup> In particular, the November 2012 Order recognized the significant reliability needs which could occur if the 2,040 MW of generating capacity at the Indian Point Energy Center (IPEC) were retired upon the expiration of IPEC's existing licenses.<sup>3</sup> Given the uncertainty regarding "whether Entergy will be able to obtain the necessary permits and approvals to keep [IPEC] operational over the long-term," the Commission sought a reliability contingency plan addressing those potential reliability needs.<sup>4</sup> The November 2012 Order directed Con Edison, as the transmission owner most directly affected by the closure of the IPEC, to develop such a plan in consultation with the New York Power Authority (NYPA), Department of Public Service Staff (DPS Staff), and other appropriate agencies.

In response to the November 2012 Order, Con Edison and NYPA jointly submitted a filing on February 1, 2013 (Con Edison/NYPA February Filing). The Con Edison/NYPA February Filing proposed an IPEC Reliability Contingency Plan whereby Con Edison, New York State Electric and Gas Corporation (NYSEG), and NYPA would pursue the initial development of three TOTS projects. Specifically, the TOTS included: 1) a Marcy South Series Compensation and Fraser to Coopers Corners Reconductoring

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<sup>2</sup> Case 12-E-0503, Generation Retirement Contingency Plans, Order Instituting Proceeding and Soliciting Indian Point Contingency Plan (issued November 30, 2012) (November 2012 Order).

<sup>3</sup> The IPEC, which is located in Buchanan New York, consists of two base-load nuclear generating units that are currently owned by Entergy Nuclear Indian Point 2, LLC, and Entergy Nuclear Indian Point 3, LLC (collectively, Entergy). The Nuclear Regulatory Commission's licenses for IPEC Unit 2 and Unit 3 expired on September 28, 2013, and December 12, 2015, respectively; renewals are being sought.

<sup>4</sup> November 2012 Order, p. 3.

(Marcy/Fraser) project, to be developed by NYPA and NYSEG; 2) a second Ramapo to Rock Tavern transmission line (Ramapo/Rock Tavern), which would be undertaken by Con Edison; and, 3) the Staten Island project that would also be developed by Con Edison.<sup>5</sup> The Staten Island project was designed to make generation on Staten Island, which is currently bottled, available to the grid and deliverable to Con Edison's transmission substations.

The development of the TOTS were to meet an in-service date June 1, 2016, when peak summer conditions could be expected to arise, consistent with the analysis performed as part of the 2012 Reliability Needs Assessment (RNA) conducted by the New York Independent System Operator, Inc (NYISO). The TOTS were anticipated to contribute at least an additional 600 MW towards the potential reliability need for 1450 MW in June 2016. The IPEC Reliability Contingency Plan Order accepted a portfolio for inclusion in the IPEC Reliability Contingency Plan, consisting of the three TOTS projects and the 125 MW Revised EE/DR/CHP Program.

According to the Con Edison/NYPA February Filing, the TOTS projects would ultimately be transferred to and owned by an entity identified as the "New York Transmission Company" (NY

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<sup>5</sup> The three TOTS are discussed in detail in Exhibits B, C, and D of the Con Edison/NYPA February 1, 2013 filing, and the updates filed on May 20, 2013. The Con Edison/NYPA February Filing further described an Energy Efficiency (EE)/Demand Reduction (DR) program to obtain certain peak demand reductions. A revised plan for EE and DR programs was filed on June 20, 2013, by Con Edison and NYPA, in consultation with the New York State Energy Research and Development Authority (NYSERDA), to achieve 100 MW of EE and DR, which would be pursued by Con Edison and NYSERDA, and 25 MW of Combined Heat and Power (CHP) projects to be administered by NYSERDA (collectively, the 125 MW Revised EE/DR/CHP Program).

Transco). Con Edison, together with the other New York investor-owned transmission companies, and NYPA and the Long Island Power Authority (LIPA) (collectively the New York Transmission Owners or NYTOs), are active participants in the process of creating the NY Transco. The NY Transco's purpose and structure are intended to address and overcome planning and cost allocation issues which have, to date, impeded the development of economic transmission projects. The NY Transco would be a new entity formed for the express purpose of developing transmission projects in the State.

CON EDISON MOTION

According to Con Edison, both phases of the Staten Island project were designed to achieve a total of 440 MW of transmission capacity into New York City. Under the first phase, splitting the feeders would produce approximately 240 MW of additional capacity, while the second forced cooling phase would result in approximately 200 MW of further capacity.<sup>6</sup> Con Edison estimates that the current cost to split the feeders is \$51.3 million, and the forced cooling would cost \$223 million.

Con Edison's updated analysis has determined that the forced cooling phase may not be needed to achieve the targeted 440 MW of increased transmission capacity. Con Edison asserts that the goals of the IPEC Reliability Contingency Plan would be met with the first phase of the Staten Island project alone, provided that it does not renew its firm point-to-point

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<sup>6</sup> Splitting or separating these two electric feeders or transmission lines eliminates their loss as one of the two largest controlling contingencies that Con Edison needs to plan for in New York City. The next largest contingency loss is 240 MW less, reducing the need or deficiency by that amount.

transmission service for wheeling up to 1,000 MW from northern New Jersey, through PJM, and into New York City. Without the wheel, Con Edison advises that it would no longer schedule deliveries over certain transmission lines, and thereby eliminate the need to unbottle power flows through Staten Island.<sup>7</sup>

Based on currently available information, Con Edison does not believe that the wheeling arrangement through PJM is necessary for reliability or otherwise in its customers' interests. Considering current load forecasts and recent generation and transmission resource additions, Con Edison has concluded that the wheeling service, or any alternative, is not needed to comply with reliability requirements over its 10-year planning horizon. Further, Con Edison reports that it is currently contesting PJM's allocation to Con Edison of approximately \$680 million in capital costs that would materially increase the cost of the wheeling arrangement, and that there is a potential for future cost increases.

Con Edison notes that it must notify PJM by April 30, 2016, if it will renew the transmission service, which otherwise would end on April 30, 2017. The Motion seeks confirmation that Con Edison is not obligated to build the forced cooling facilities accepted as part of the IPEC Reliability Contingency Plan if it does not exercise its option to renew the wheeling service.

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<sup>7</sup> Generation that is "bottled" is physically interconnected, but cannot provide its full output to the transmission system due to transmission limitations. Without the firm wheeling agreement, part of which flows through Staten Island, the output of existing resources on Staten Island is no longer bottled or constrained.

DISCUSSION AND CONCLUSION

The IPEC Reliability Contingency Plan, which the Commission accepted for implementation, included both phases of the Staten Island project. Based on new information presented in the Motion, the portfolio of transmission projects included in the IPEC Reliability Contingency Plan should be revisited. As initially designed, the Staten Island project addressed Con Edison's in-city reliability needs by splitting certain transmission lines in order to eliminate a planning contingency, and then increasing the transfer capability into New York City by installing forced cooling facilities on four separate 345 kV feeders between the Goethals, Gowanus, and Farragut substations. As Con Edison notes, in the absence of the PJM wheeling service, those feeders will not be constrained and therefore can serve as the targeted transfer capability that would otherwise be achieved through forced cooling.

Although Con Edison has not made a final determination whether to renew the wheeling service, there does not appear to be a need for this service beyond April 30, 2017. As Con Edison's updated analysis has indicated, compliance with applicable reliability standards would be met without the service. Moreover, the significant allocation of PJM Regional Transmission Expansion Plan (RTEP) costs to Con Edison's ratepayers raises questions as to the prudence of continuing that service. The approximately \$680 million in RTEP costs allocated to Con Edison, which Con Edison is challenging as unjust and unreasonable before the Federal Energy Regulatory Commission (FERC), are being driven primarily for local upgrades in Public Service Electric and Gas Company's service territory.<sup>8</sup>

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<sup>8</sup> Docket No. EL15-18-000, Con Edison v. PJM, Order Granting Rehearing for Further Consideration (issued January 14, 2016).

These costs, which are recovered through Con Edison's Monthly Adjustment Clause, translate to an annual increase of approximately \$136 million to Con Edison's customers. The exposure of Con Edison ratepayers to these costs would be limited by allowing the service to expire in April 2017.

Given the likelihood that the PJM wheeling service will not be renewed, and because the absence of the service would allow Con Edison to achieve 440 MW of transmission capacity with only the first phase of the Staten Island project, it is appropriate to modify the IPEC Reliability Contingency Plan. Based on relevant considerations, the Commission finds that is reasonable to accept modifications to the Staten Island project, whereby forced cooling over certain feeders would not be included in the event the PJM wheeling service is not renewed.<sup>9</sup> This will provide the necessary flexibility to ensure the Commission's interests in adequate reliability contingency plans have been addressed, while balancing the costs to ratepayers, impacts on the environment, and other matters. Accordingly, the acceptance of the modified IPEC Reliability Contingency Plan discussed herein will support the continued provision of safe and adequate service, and is in the public interest.

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<sup>9</sup> As part of a supplemental filing submitted on February 3, 2016, Con Edison clarified the scope of work necessary to undertake the Staten Island project and confirmed that those activities qualify as a Type II action under the State Environmental Quality Review Act's (SEQRA) implementing regulations contained at 6 NYCRR §§617.5(a) and (c)(7). Accordingly, the Commission finds that no further review is necessary pursuant to SEQRA.



The Commission orders:

1. The motion, filed on October 8, 2015 by Consolidated Edison Company of New York, Inc., is granted to the extent discussed in the body of this order.

2. The modifications to the Indian Point Energy Center Reliability Contingency Plan, as described in the body of the order, are accepted.

3. This proceeding is continued.

By the Commission,

(SIGNED)

KATHLEEN H. BURGESS  
Secretary