

Comments on NYISO Straw Proposal for Economic Planning

We agree that the NYISO's intervention into economic matters should be minimized and therefore agree with the basic premise of the strawman that providing a historical analysis of congestion, taking another look at market based initiatives and providing future estimates of congestion, with appropriate caveats, is a reasonable role for the NYISO.

Historical analysis: Most of the items under historical analysis are in the process now, except for reporting other economic parameters such as ICAP prices and ancillaries. But there are questions remaining on how we report the effects of congestion on these other parameters. Do we have a model that removes transmission constraints and re-figures costs of capacity and ancillaries statewide? Will PROBE (or son-of-PROBE) accomplish this? Or do we merely assume that, with congestion removed, the rest-of-state prices will apply in Southeast NY? This may be applicable for capacity given the parameters of the demand curve, but perhaps not for ancillaries. It appears that we should investigate how we can remove constraints and estimate the value of these other market products.

Future Estimates of Congestion: We believe that the model used for reliability should be the same model used for future estimates of congestion. The base-case assumptions for the model should be the same, and the future scenarios should be similar, to the degree that congestion may or may not be affected. Regarding the what-if analysis, there should be some limits as to how many what-if cases are run. This should be left up to the discretion of the NYISO, perhaps with a starting point of no more than 5 or 10. This would be relatively consistent with the "top 95%" list that we are reporting for historical congestion.

PSC Role: We are not sure why the PSC would determine cost/benefits. We view the PSC's role as one of receiving regulated responses and putting them through the appropriate regulatory process, much as they do now for major projects. For regulated projects, it seems as though the developer should determine the costs and benefits and submit them to the PSC for review in the siting process. Similarly, we don't see the PSC with a determining role in cost allocation for regulated projects. The proposer of a regulated project will generally be the entity to which the costs are allocated. If there are other parties that will benefit from a project, then we would expect that proposed cost allocation percentages would be worked out ahead of time between the parties. We view the PSC's role as one of reviewing and approving proposed cost allocations rather than determining them.

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