

Phase II: NYISO COMPREHENSIVE TRANSMISSION PLANNING PROCESS

RELIABILITY PLANNING PROCESS FRAMEWORK

REVISED

By

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ESPWG Meeting

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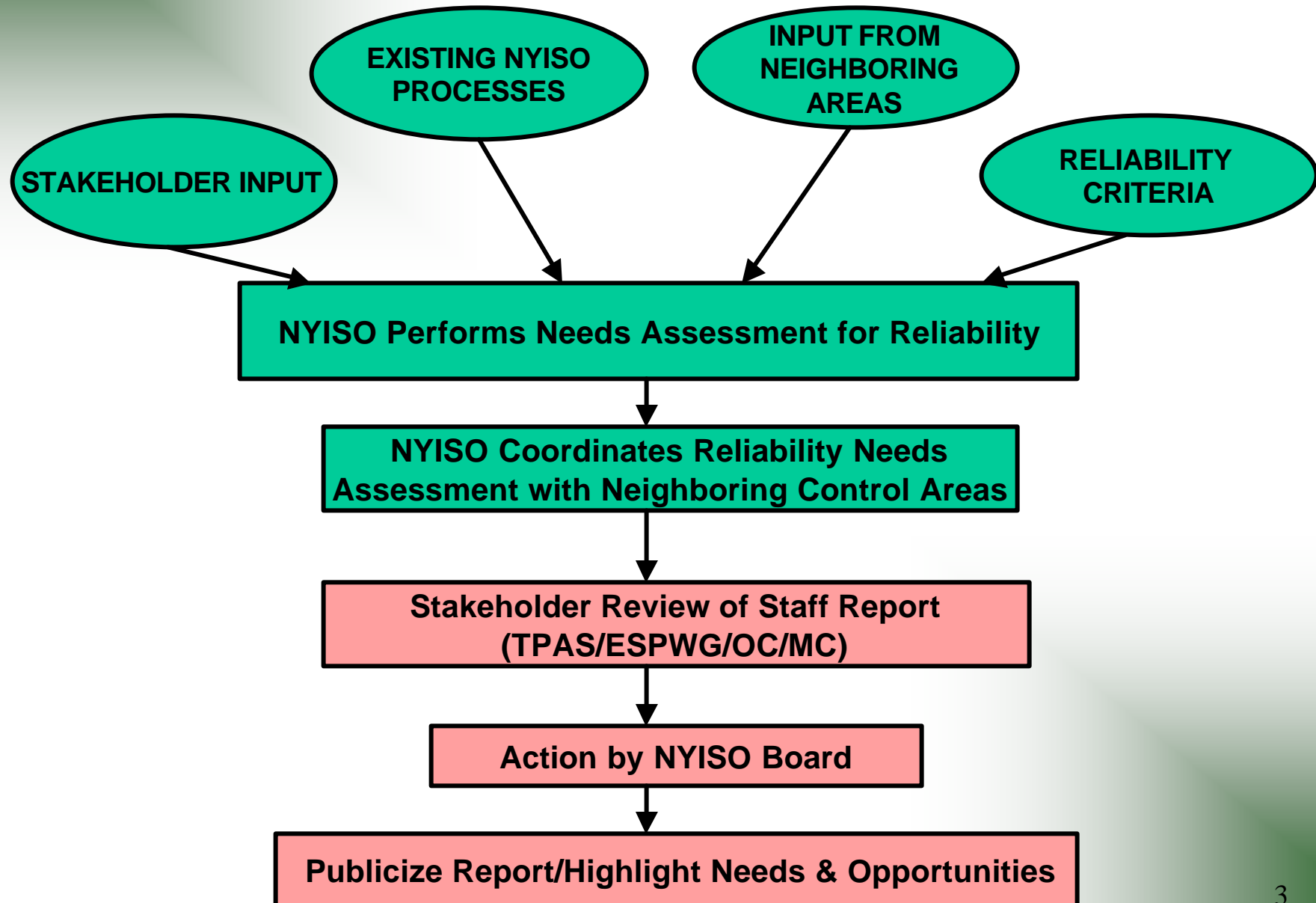
Albany

Reliability Process: Phase I

- **Initial Steps Remain the Same:**
 - *Initial stakeholder inputs*
 - *10 Year Planning Horizon*
 - *Development of Scenarios*
 - *Existing NYISO processes*
 - *Input from neighboring areas*
 - *Existing reliability criteria*
 - *Initial needs assessment performed by NYISO Staff*
 - *Need for coordination with neighboring Control Areas*

- **Subsequent steps will need to be revised when moving into the Comprehensive Planning Process Phase**

NYISO Initial Planning Process



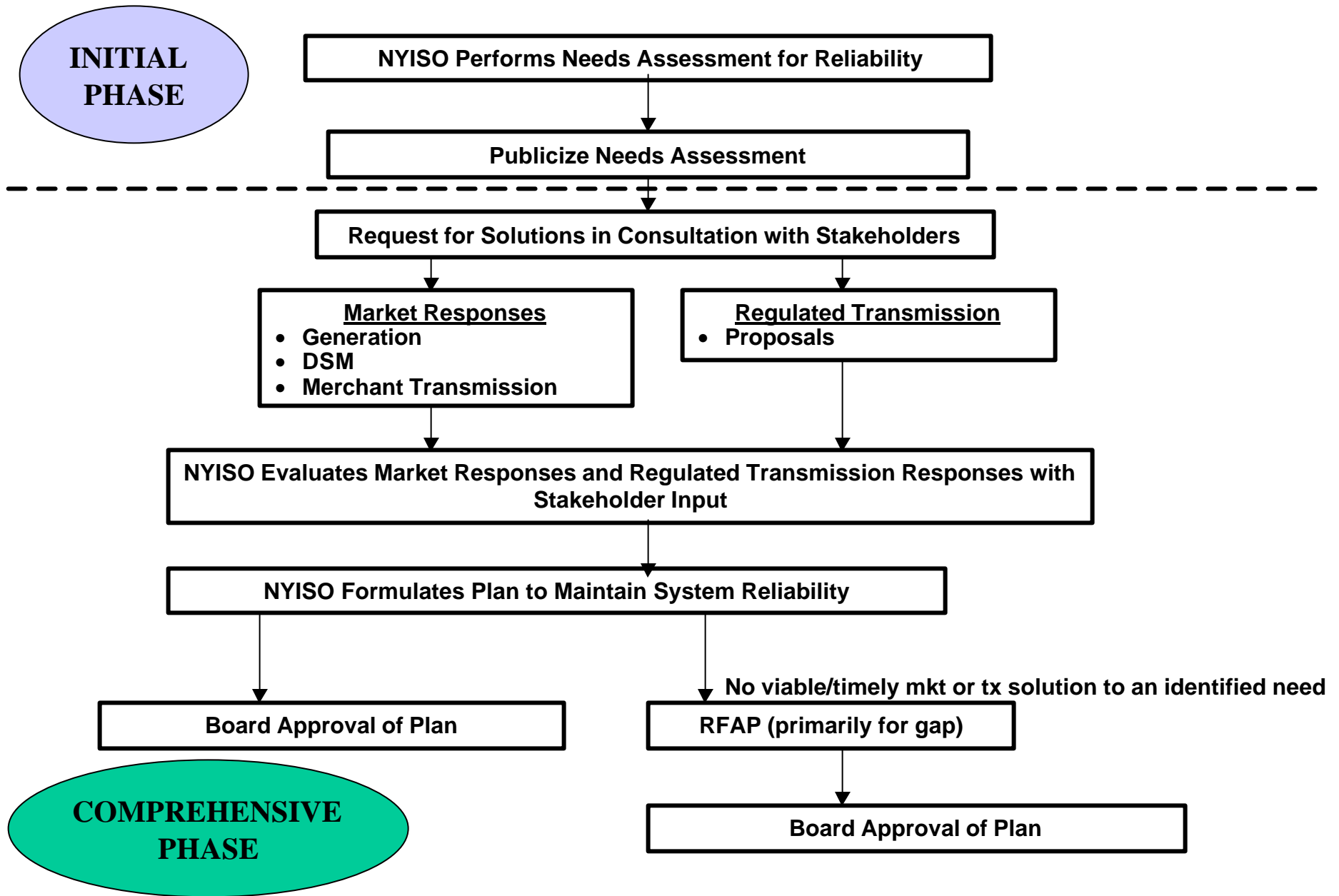
Reliability Process: Phase II

- This presentation outlines the framework for the Reliability Planning Process based upon ESPWG discussions & comments received to date
- This framework will NOT include economic needs
- This framework will NOT include cost allocation issues

Reliability Planning Process: Scope

- Builds upon Initial Planning Process
- Initial steps are the same
- Address process after the development of the initial Reliability-based needs assessment
- Address authorities & Obligations
 - *NYISO*
 - *PSC & FERC*
 - *Transmission Owners*
- Goal is to ensure that upgrades are built when needed to maintain reliability

Reliability Planning Process



Annual Needs Assessment

- NYISO Staff will perform a needs assessment over a 10-year planning horizon based upon existing reliability criteria
- Scenario analysis will be employed to test the robustness of the base case assumptions
- Phase II Needs Assessment will not identify specific facilities to meet the identified needs
- **Provision for MP input & review of Needs Assessment**
- When completed and approved, the Needs Assessment will be widely distributed to all Market Participants

Annual Needs Assessment (Cont'd)

➤ Types of analyses to be performed

- *Thermal – load flows*
- *Voltage*
- *Short circuit*
- *Stability*
- *Resource Adequacy*

➤ Typical findings

- *Facility A has a thermal overload, under normal conditions*
- *Voltage collapse will occur at bus E under contingency Y*
- *Breaker B will exceed its short circuit rating by 2007*
- *Generators C & D experience instability under contingency X*
- *Resource adequacy requirements will not be met in location Z in 2008*

Needs Assessment: **Open Issues**

- Identification of facilities to be included under the NYISO planning process
 - *“Regional” vs “local”*
 - *Bright line/flexibility*
 - *Role of TOs*
- Establishment of criteria to determine whether there is a need for immediate action
 - *E.g. – the lead-time for a regulated solution*
 - ***NOT NEEDED FOR FIRST ROUND (SEE SLIDE #11)***
- Role of scenarios in the determination of need
 - *Consistency with reliability council requirements*
 - ***Concern about identification of specific units for scenarios***
- Approvals process for Needs Assessment
 - ***Process for PSC concurrence with NYISO’s Needs Assessment***

Request for Solutions

Market-Based Responses

(Assuming that sufficient time is available)

- Following issuance of Needs Assessment, the NYISO will provide an appropriate time period for the development of market-based responses
- Process would be open to all resources
 - *Generation*
 - *Merchant Transmission*
 - *Demand Response*
- **Would NOT be a formal “RFP” process**

Request for Solutions: **Open Issues**

Market-Based Responses

- Development of an appropriate time period for market responses
 - *E.g. – lead-time for a regulated solution*
 - ***“FIRST ROUND” REGULATED RESPONSES WILL SERVE AS THE BENCHMARK FOR THIS TIME PERIOD FOR FUTURE PLANS***
 - *NYISO to determine the appropriate time period*
- Qualifications/criteria for a valid response
 - *May need to vary by type of resource*

Request for Solutions (Cont'd)

Regulated Responses

- TOs would assume the obligation to prepare a regulated proposal to meet identified reliability needs
 - *Such proposal would not be limited to transmission*
 - *Within the same time period allowed for market-based responses*
- It is intended that TO regulated options would be submitted to the appropriate regulatory agencies for review/approval as required

Request for Solutions: **Open Issues**

Regulated Responses

- Qualifications/criteria for a valid response
- Designation of the responsible TO by the NYISO
- TO responsibility in case of inter-area needs
- PSC role at this stage of the planning process
 - *Process for PSC review/approval of regulated proposals*
 - *Article VII; other process?*
 - *Provision for public input?*

NYISO Evaluation Process

- NYISO to perform an analysis of proposals to determine if they will meet the identified needs
- If Market-based proposals are judged sufficient to meet the identified needs in a timely manner, the plan will so state
 - *NYISO will not select from among the market-based responses*
 - *NYISO will monitor status of market projects to ensure needs will be met as part of its annual update process*

NYISO Evaluation Process (Cont'd)

- If Market proposals are judged insufficient, NYISO will turn to regulated proposals, which, if sufficient and timely, will be included in the plan
 - *TOs will assume the backstop obligation to provide a regulated solution, **consisting of all feasible alternatives**, subject to the opportunity to fully recover their costs*
 - *TOs will submit their regulated proposal to the appropriate regulatory agencies to begin the approvals process*
 - *TOs to receive cost recovery for projects cancelled due to a subsequent market-based response*
- If market-based proposals are not forthcoming, the NYISO will investigate whether that is due to market failure, and if so, will examine appropriate modifications to its market rules with MPs.

Evaluation Process: **Open Issues**

- Establish criteria to determine that a market-based response will continue its viability to meet the need
 - *Develop specific milestones that a market-based project must meet*
- Determine the “Cutoff date” for authorizing a TO to proceed with a backstop regulated solution
- Establish criteria for halting a regulated project that is already underway (i.e. – has filed for permits, in licensing process, begun construction...)
 - *Establish the cost recovery process for such a project*
 - *Establish a cut-off criteria beyond which such project will not be halted*
- **PSC role vis-à-vis regulated proposals**

Review and Approval Process

- NYISO staff issues draft plan including recommended transmission upgrades, or other regulatory solution, if needed for reliability
- NYISO Staff draft plan circulated for stakeholder review and comment
- NYISO staff makes revisions as appropriate
- Final draft plan sent to the appropriate committee for review and vote
- NYISO makes revisions as appropriate
- Final draft plan sent to Board for approval
 - *NYISO Board to have final approval of plan*

Review and Approval Process:

Open Issues

- Establishment of a Planning Committee
- Determination of the responsible committee/ subcommittees for review/vote
- Provisions for addressing minority opinions
- Provisions for appeals/dispute resolution

“Gap” Solutions for Reliability Needs

- If neither market proposals nor regulated proposals can satisfy the need in a timely manner, the NYISO will have the discretion to seek a “Gap” solution
- TO would **assume the obligation** to immediately propose a “gap solution” for consideration by the NYISO and PSC
 - *GAP proposal would include all feasible alternatives*
- To the extent possible, the gap solution should be temporary and provide assurances that market based solutions will not be economically harmed
- Permanent regulated solution, if appropriate, will proceed in parallel with gap measures

“Gap” Solutions: Open Issues

- How can assurances be provided to market-based projects that gap measures will be “temporary”
- PSC role in review/approval of “gap projects”

**END OF DISCUSSION AT NOVEMBER 18TH
ESPWG MEETING**

Relative Roles & Responsibilities

- Role of the NYISO
- Role of the TOs
- Role of the PSC

Role of the NYISO

- Annual determination of the reliability needs
- Evaluation of proposed solutions (market-based and regulated) to determine whether they are adequate to meet the identified needs
- Issued an approved “Plan” indicating the facilities (if any) needed to meet reliability criteria for the upcoming 5-10 year planning horizon
- The NYISO will NOT conduct a “least cost” analysis of the proposed solutions—whether market-based or regulated
- The NYISO will not select from among market-based proposals

Role of Transmission Owners

- TOs would assume the obligation provide a regulated solution to a reliability need that is included in the final NYISO Plan
 - *Regulated solution to include all feasible alternatives*
- TOs would assume the responsibility for gap solutions
- TO will work with PSC and other regulatory agencies to achieve agreement on regulated solution
- TO obligation to build is subject to the ability to recover its costs
 - *Requires FERC and PSC concurrence*
- TO has the responsibility to file for cost recovery
- TO obligation is subject to obtaining all required siting approvals, local permits, etc.

Role of PSC

- To review with the TO whether a regulated solution is the “least cost”
- To provide siting authorization as appropriate (e.g. – Article 7, “Article 10”)
- To provide for cost recovery of the regulated investment
- PSC will give deference to the NYISO’s determination of a reliability need and assessment of regulated solutions (specific process to be defined further)

Other Open Issues

- PSC process for evaluation/approval of regulated solutions
- Need for SEQRA review
- Role/obligations of LIPA and NYPA for reliability solutions
- Respective roles of FERC and PSC

Other Open Issues (Cont'd)

➤ Cost Recovery

- *Whether the NYISO Tariff should be the vehicle for TO's cost recovery for future regulated reliability upgrades*
- *Whether the NYISO Tariff should also include recovery for non-transmission solutions to reliability needs*
- *NYISO or TOs (or both) to file for recovery under NYISO OATT*
- *Whether cost recovery should be divided between NYISO Tariff and TO's retail tariffs and, if so, how*
- *PSC vs FERC roles in providing cost recovery*
- *Whether incentives should be provided for construction of regulated reliability upgrades*
 - ▶ Determine the nature of such incentives

Other Open Issues (Cont'd)

➤ Cost Allocation

- *Determination of "beneficiaries" of reliability upgrades*
- *Benefits to be based upon reliability criteria*
- *"Regional" vs "local"*
 - ▶ Voltage level cut-off for regional vs local benefits
- *"Bright Line" criteria vs "Case-by-Case" determination*
 - ▶ Voltage level cut-off for regional benefits
 - ▶ Establish guidelines for case-by-case analysis
- *Consider ISO-NE cost allocation proposal*

Other Open Issues (Cont'd)

➤ Role of Merchant Transmission

- *Planning process should accommodate both regulated & merchant transmission*
- ***Issues for Discussion:***
 - ▶ What is the role of regulated vs merchant transmission?
 - ▶ Should merchant transmission be eligible for regulated recovery?

OTHER ISSUES

??QUESTIONS??