



**Independent
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Via Electronic Mail to PublicPolicyPlanningMailbox@nyiso.com, zsmith@nyiso.com

To: New York Independent System Operator, Inc.

From: Matthew Schwall, Director, Market Policy & Regulatory Affairs

Date: 7/25/17

Re: NYISO Draft Western New York Public Policy Transmission Planning Report

Independent Power Producers of New York, Inc. (“IPPNY”) hereby responds to the New York Independent System Operator’s (“NYISO”) request at the July 20th, 2017 joint meeting of the Electric System Planning Working Group and Transmission Planning Advisory Subcommittee (the “July 20th meeting”) for Market Participants to provide feedback on the NYISO’s Draft Western New York Public Policy Transmission Planning Report. IPPNY’s comments are limited in scope to notable issues that were raised during the July 20th meeting.

Most notable of the issues raised during the July 20th meeting was a request voiced by a representative of the New York Power Authority (“NYPA”) that the independent consultant (Substation Engineering Company or “SECO”) retained by the NYISO to conduct the cost estimate evaluation of those transmission projects being proposed to meet the Western New York Public Policy Transmission Need should take into account NYPA’s status as exempt from New York State and municipal sales and property taxes when conducting its cost estimate for NYPA’s and New York State Electric and Gas Corporation’s (“NYSEG”) jointly proposed transmission project (T013). While it was not made clear at the meeting whether SECO reflected these tax exemptions in its cost evaluation of the NYPA and NYSEG transmission project, IPPNY supports reflecting in SECO’s cost estimates State and municipal sales and property taxes in a manner that is consistent for all proposed transmission projects to ensure all projects are evaluated on a level playing field.

NYPA’s exemption from sales and property taxes is a State subsidy that only State entities, like NYPA, are likely to receive under New York State law with respect to the construction, ownership and operation of transmission projects in New York.¹ If the NYISO granted NYPA’s

¹ See N.Y. Pub. Authorities Law § 1012 (McKinney’s 2017) (exempting NYPA from taxes or assessments upon any of the property acquired by it for authorized projects or upon its activities in the operation and maintenance thereof); N.Y. Tax Law § 1116(a)(1) (McKinney’s 2017) (exempting the state of New York, any of its agencies, instrumentalities, and public corporations from sales and compensating use taxes).

request to exclude these taxes from the cost estimate for NYPA's and NYSEG's jointly proposed transmission project, it would give them an unfair competitive advantage because private owners proposing transmission projects are not eligible for such subsidy. It would establish a harmful precedent that transmission projects proposed by the State will be provided an unfair advantage over non-State proposed projects in future competitive solicitations under the NYISO's tariffs. Granting NYPA's request will likely result in higher costs to the State's consumers because it will have a chilling effect on private developers proposing projects in future NYISO solicitations for projects. Private developers won't spend resources responding to solicitations if they know NYPA will always be able to undercut their bids due to these significant subsidies.

The NYISO's evaluation process must be perceived as fair and non-discriminatory to ensure maximum participation by private developers. Thus, the NYISO should reject NYPA's blatantly discriminatory request to give NYPA's and NYSEG's proposed project an advantage by excluding sales and property taxes from their cost estimate.