

6/8/04 DRAFT
REVISED TO REFLECT PSC/STAKEHOLDER
DISCUSSIONS

~~REVISED DRAFT PSC/TO 5/3/04 Proposed Draft~~

(~~Revised for PSC/TO Stakeholder Comments~~)

NYISO
Comprehensive Planning Process
for Reliability Needs

NYISO Comprehensive Reliability Planning Process

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TO BE REVISED

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1. Introduction

The NYISO Initial Planning Process, approved by the Operating Committee on September 10, 2003, was the first phase in the development of a comprehensive planning process for the NYISO. This process is being developed by NYISO Staff with assistance of the Electric System Planning Working Group (“ESPWG”), an ad-hoc committee comprised of BIC and OC member companies. This proposal, “A Comprehensive Planning Process for Reliability Needs”, builds on the Initial Planning Process reliability-based analyses and retains the initial steps in that process. The Comprehensive Process, however, extends the scope of the Initial Planning Process beyond the simple identification of reliability needs. It provides a framework which includes consideration of both market-based and regulated solutions to identified needs and a procedure to ensure that reliability needs will be met in a timely manner. It also provides a cost allocation methodology and a cost recovery process for reliability upgrades. (See Attachment A for the Process Flow Diagram depicting the major elements of the Comprehensive Reliability Planning Process). .

The work already approved by the OC and underway at the NYISO regarding the collection and reporting of historic congestion costs will continue under this Proposal. **[NOTE: THE NYISO PROPOSES TO ADOPT THE STAKEHOLDER SUGGESTION TO PLACE THE REPORTING PROCESS FOR HISTORIC CONGESTION COSTS IN AN APPENDIX. THIS DRAFT DOES NOT YET REFLECT THIS REORGANIZATION.]**

This scope for the NYISO Comprehensive Reliability Planning Process will be introduced at the OC for discussion and action at the XXX meeting. Following OC approval, a tariff filing will be prepared for MC and Board approval and subsequent submission to the FERC.

It is anticipated that further development efforts on the Phase 2 “Comprehensive” Planning Process will continue immediately upon the OC/MC approval of the Reliability Process. These efforts will consider, [among other things](#), the various FERC planning requirements of Order 2000, the SMD NOPR, the Wholesale Market Design White Paper and the January 9, 2004 Pat Wood letter to the NYISO (together with the March 11, 2004 NYISO response) regarding the extension of the Comprehensive Planning Process to include economic issues. The scope for this Comprehensive Reliability Planning Process may need further modifications based upon the outcome of the Phase 2 process. It is anticipated that a future FERC filing will also be required.

2. Stakeholder Process

[NOTE: IN LIGHT OF THE DISCUSSION AT THE MARCH 29 ESPWG MEETING, THIS DRAFT ASSUMES THAT THE DUAL ESPWG/TPAS ROLE WILL CONTINUE IN THE IMPLEMENTATION PHASE OF THE COMPREHENSIVE RELIABILITY PLANNING PROCESS AND THAT THE CURRENT BIC/OC AGREEMENT ON VOTING AT THE OC WILL ALSO CONTINUE]

In light of the fact that the Comprehensive Reliability Planning Process contains both reliability and business issues, it has been agreed that both the Transmission Planning Advisory Subcommittee (“TPAS”) and the ESPWG will participate in the implementation process. This participation will consist of parallel input and review stages similar to the process for the Initial Planning Process as shown in **Attachment B**.

TPAS will have primary responsibility for the reliability analyses, while the ESPWG will have primary responsibility for providing commercial input and assumptions utilized in the development of reliability assessment scenarios and the reporting and analysis of historic congestion costs. Coordination will be established between these two groups and with NYISO Staff during each stage of the planning process.

The intention is to achieve consensus at both TPAS and the ESPWG. While no formal voting process is established at this level, which is typical for NYISO working groups, majority and minority views will be reported in the absence of a consensus.

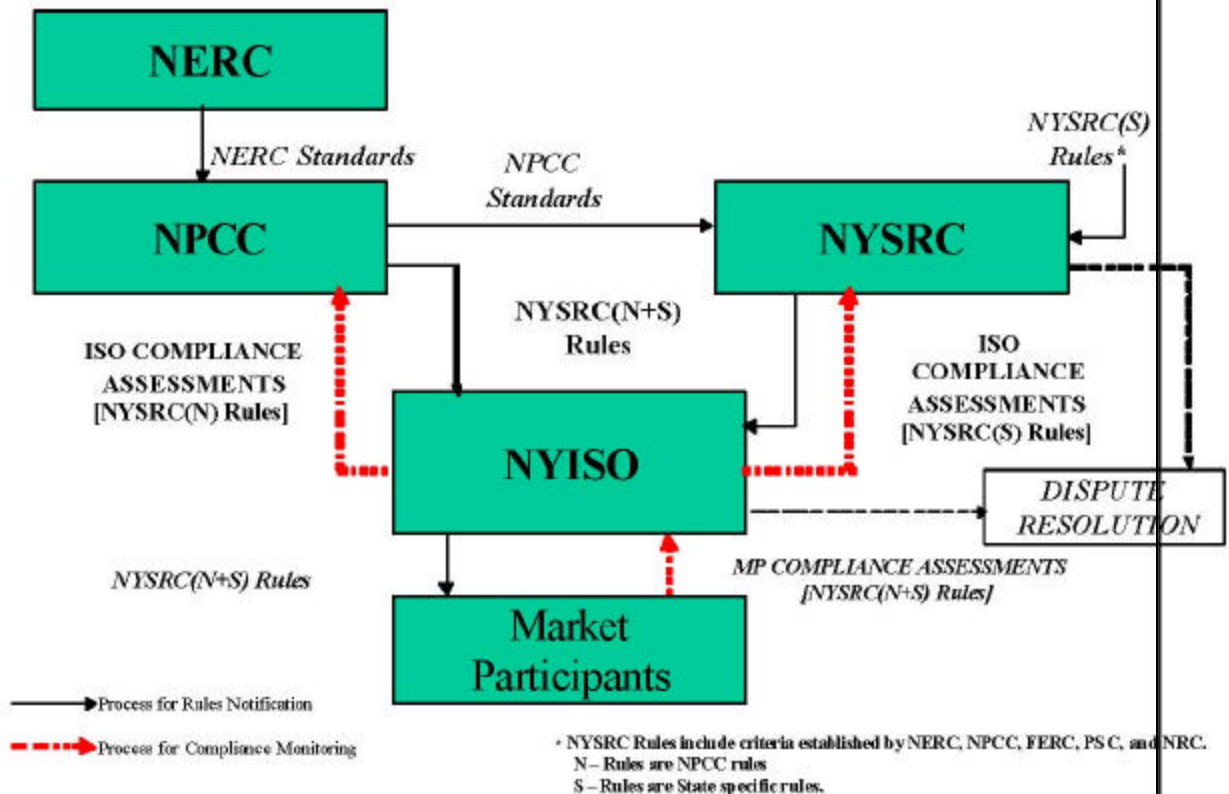
Following TPAS and ESPWG review, the Draft Report will be forwarded to the Operating Committee (“OC”) for discussion and action and subsequently to the Management Committee for discussion and action prior to submission to the NYISO Board for review and approval. See Section 4.4.1 for a further description of the Stakeholder Review Process.

3. Planning Criteria and Objectives

The New York Control Area (“NYCA”) power system is planned and operated to the planning and operating policies, standards, criteria, guidelines, procedures and rules promulgated by the North American Electric Reliability Council (“NERC”), Northeast Power Coordinating Council (“NPCC”), and the New York State Reliability Council (“NYSRC”). NERC establishes operating policies and planning standards for North America which includes the United States of America and the Provinces of Canada. NPCC criteria, guideline and procedures which apply to the five areas comprising NPCC (New York State, the New England States, and the Canadian Provinces of Quebec, Ontario and the Maritimes) may be more specific or more stringent than NERC standards

and policies by recognizing regional characteristics or reliability needs – e.g., “the one day in ten years” loss of load expectation criteria. The NYSRC rules that apply to NYCA may be more specific or stringent than NERC and NPCC by recognizing NYCA characteristics and reliability needs – e.g., statewide installed capacity requirements. The NYISO is the primary interface between market participants and the reliability councils. The chart below presents an overview of those interfaces.

Overview of the NYISO Reliability Interfaces



The objective of the NYISO’s Comprehensive Reliability Planning Process is to: 1) provide a comprehensive evaluation of the reliability needs of the NY system; 2) demonstrate that the NYCA power system expansion plans are consistent with the reliability rules and will ensure the continued reliability (i.e., adequacy and security) of the power system consistent with good utility practice; 3) to identify reliability needs that may exist under the assumed baseline system conditions; 4) to provide a process whereby solutions to identified needs are proposed, evaluated and implemented ~~constructed~~ in a timely manner to ensure the reliability of the system; 5) to identify, through development of various scenarios, factors and issues that might adversely impact the reliability of the power system; and ~~6) to provide, through the analysis of historical system LBMP~~

~~congestion costs, information to market participants about historical congestion including the causes for that congestion so that market participants can make appropriately informed decisions; and 7.6~~ to coordinate the reliability assessment with Neighboring Control Areas.

In addition, the NYISO will provide, through the analysis of historical system LBMP congestion costs, information to market participants about historical congestion including the causes for that congestion so that market participants can make appropriately informed decisions. (See Appendix X)

3.1. Reliability Criteria

- 3.1.1. NERC: Establishes standards and policies for North America which includes the United States of America and the Provinces of Canada. The NERC Operating Policies and Planning Standards can be found on the NERC web site at <http://www.nerc.com/standards/>.
- 3.1.2. NPCC: Establishes criteria, guideline and procedures which apply to the five areas comprising NPCC (New York State, the New England States, and the Canadian Provinces of Quebec, Ontario and the Maritimes) may be more specific or more stringent than NERC standards and policies by recognizing regional characteristics or reliability needs. The NPCC criteria, guides, and procedures can be found on the NPCC web site at <http://www.npcc.org/CriteriaGuidesProcedures.htm>.⁽¹⁾
- 3.1.3. NYSRC: Establishes rules that apply to NYCA that may be more specific or stringent than NERC and NPCC by recognizing NYCA characteristics and reliability needs. NYSRC rules can be found on the NYSRC web site at <http://www.nysrc.org/documents.html>. See Reliability Rules Revision No. 2, Version 7 (adopted May 9, 2003).⁽²⁾

3.2. Objectives

3.2.1. Reliability Needs Assessment

The baseline system for the first five-year period will be the system as defined for the Annual Transmission Reliability Assessment (ATRA)⁽³⁾. The base line system will be assessed to determine if it meets all the reliability criteria for both resource and transmission adequacy. Transmission analyses will include thermal, voltage, short circuit and stability studies. The ATRA focuses on the first five years of the planning horizon. The baseline for the second five years will be developed from input received in accordance with Section 4.2. Reliability needs will be defined in terms of total deficiencies relative to reliability standards and

not necessarily in terms of specific facilities. (For instance, the MW quantity of additional transfer capability or MW quantity of additional resources would be specified.)

Upon the completion and issuance of the Reliability Needs Assessment Report, [if a reliability-based need is identified](#), the NYISO will solicit proposed solutions from the marketplace and provide an opportunity for market-based as well as regulated solutions to be proposed. The NYISO will evaluate the proposed solutions to determine their ability to meet the identified [reliability-based](#) needs. The Comprehensive Reliability Plan will include potential market-based solutions, and/or specify the [appropriate selected](#) regulated solution when appropriate, in order to ensure that the reliability of the system will be maintained.

In addition, the baseline system will be evaluated for robustness against factors and issues identified through reliability scenario analysis that might adversely impact the reliability of the power system for years one through ten. The NYISO, in consultation with ESPWG and TPAS, shall determine the relevant scenarios to be analyzed. This evaluation of the baseline system for robustness will only identify conditions under which the reliability criteria may not be met. It will not identify or propose additional needs. In addition, appropriate sensitivity studies will be performed to determine whether reliability needs previously identified can be mitigated through alternate system configurations and/or operational modes.

[NOTE: THE FOLLOWING SECTION WILL BE MOVED TO AN APPENDIX]

3.2.2. Historic Congestion

The NYISO will prepare summaries and detailed analysis of historic congestion across the New York system. This will include analysis to identify the significant causes of historic congestion in an effort to help market participants distinguish between persistent and addressable congestion from congestion that results from one time events or operational procedures that may or may not reoccur.

These reports will be based upon the definitions of congestion [and related measurements](#) developed by the ESPWG and approved by the Operating Committee on November 6, 2003.

4. Process for Development of the Reliability Needs Assessment Report

4.1. Overview

It has been stated that the planning process is as important as the plan itself, if not more important. This is certainly true for the NYISO's planning process. The purpose of the Comprehensive Reliability Planning Process is to facilitate the exchange of information between the NYISO, Market Participants and interested stakeholders regarding the future reliability of the NYCA power system and the historical economic performance of the transmission system. In addition, a framework is established which provides for the consideration of both market-based and regulated solutions to ensure that reliability needs will be met in a timely manner. This framework will also include a process for assessing the viability of proposed solutions. The ATRA will provide the baseline for the study for the first five years. The expansion plans used in these reliability assessments for the second five years will be those proposed by market participants based upon criteria to be developed during the implementation phase as well as planned regulated upgrades for reliability. In addition, alternate reliability scenarios will be developed in consultation with Market Participants. The key elements of the planning process are described further below. See **Attachment C** [TBD] for the proposed timeline for the first report resulting from the NYISO Comprehensive Reliability Planning Process.

4.2. Input Stage (See Attachment D)

4.2.1. Baseline: First Five Years

The ATRA will be used to set the baseline for the study for the first five years of the Comprehensive Reliability Planning Process.

4.2.2. Input Requirements

The input to be used for the second five years of the Comprehensive Reliability Planning Process includes: published data sources, existing standard reliability assessments, data for additional reliability analysis, input from Neighboring Control Areas, input from stakeholders, and input from the ESPWG regarding alternate reliability scenarios.

4.2.2.1. Load and Capacity Data Report

The NYISO Load and Capacity Data Report (http://www.nyiso.com/services/documents/planning/pdf/2003_gold_book.pdf) will be the primary reference resource for the Initial Planning Process.

4.2.2.2. Applicable Transmission Facilities

The transmission facilities to be included in the Comprehensive Reliability Planning Process are those facilities designated as the New York State Bulk Power Transmission Facilities in the applicable baseline ATR. The NYISO will monitor and report reliability criteria violations on any of these Bulk Power Transmission Facilities in its Reliability Needs Assessment Report.

The New York Transmission Owners will continue to plan for their transmission systems, including the Bulk Power Transmission Facilities. The NYISO will review the needs identified by the TOs and their proposed plans involving the Bulk Power Transmission Facilities to determine if they meet the identified reliability needs, recommend an alternate means to resolve the needs from a regional perspective, or indicate that it is not in agreement with the TO's proposed additions.

4.2.2.3. Existing Reliability Assessments

The existing standard reliability assessments that will be used in the Comprehensive Reliability Planning Process include:

- The NPCC New York Area Transmission Review (ATR)⁽⁴⁾
- The NYISO Annual Transmission Reliability Assessment (ATRA)
- The NPCC New York Resource Adequacy Review (RAR)⁽⁵⁾
- The NYSRC Installed Reserve Margin (IRM) Study⁽⁶⁾
- The NYISO Locational Installed Capacity Study

4.2.2.4. Short Circuit Data

The Comprehensive Reliability Planning Process would use the information from the NYISO Annual Transmission Reliability Assessment (ATRA)

4.2.3. Input from Neighboring Control Areas

The Comprehensive Reliability Planning Process will use the most recent power flow data collected through the annual regional (NPCC) and inter-regional (NERC) base case development process as the primary reference resource for the Neighboring Control Areas.

4.2.3.1. Forecasted Load, Facilities and System Conditions

The NYISO also will coordinate directly with the Neighboring Control Areas to exchange additional supplemental information for the study including: forecasted load, significant new or modified generation and transmission facilities, and anticipated system conditions.

4.2.4. Input from Stakeholders

In addition to information published in the NYISO Load and Capacity Data Report, the NYISO will solicit stakeholders directly for additional supplemental information . This input will include: Transmission system – existing and planned additions – Transmission Owners, Public Power entities Merchant transmission proposals – Merchant developers Generation additions/retirements – Generator Owners & Developers Demand response programs – Demand Response Providers Long-term firm transmission requests – NYISO and Transmission Owners, Public Power entities

In addition to the foregoing, stakeholders may submit optional suggestions for changes to NYISO rules or procedures which could result in the identification of additional resources or market alternatives suitable for meeting reliability needs.

4.2.5. Reliability Scenario Development

The ESPWG will provide input regarding alternate reliability scenarios for additional reliability analyses. Reliability scenarios will be developed in two time frames: the next five years (first five years), and the next five years after that (second five years). Variables for consideration in the development of these reliability scenarios include:

- Load Forecast Uncertainty
- Fuel (prices and availability of supply)
- New Resources
- Retirements
- Transmission network topology (e.g., changes in procedures of lines that are normally open; change in contingencies based on breakers being operated normally open or closed; etc.)
- Limitations imposed by proposed environmental legislation

4.3. Analysis Stage

[NOTE: THE FOLLOWING SECTION WILL BE MOVED TO AN APPENDIX]

4.3.1. Historic Congestion

The NYISO will prepare summaries and detailed analysis up to the past year of historic congestion across the New York system. This will include analysis to identify the significant causes of the historic congestion.

4.3.1.1. Summary Reports [See **Attachment E**: “Matrix”]

The NYISO will prepare various reports of historic congestion costs. These reports will be based upon the actual congestion data from the NYISO day-ahead market, and will include summaries, aggregated by month and calendar year, such as:

- . By NYCA
- . By zone
- . By contingency in rank order
- . By constraint in rank order
- . Total Dollars
- . Number of Hours

Congestion will be reported as the change in bid production costs. In addition, the following elements of congestion will also be reported:

- . Impact on load payments
- . Impact on generator payments
- . Hedged and unhedged congestion payments

These reports will be based upon the definitions of congestion developed by the ESPWG and approved by the Operating Committee on November 6 2003. [See **Attachment E**]

4.3.1.2. Detailed Cause Analysis for Unusual Events

The NYISO will perform an analysis to identify the cause of unusual events causing significant congestion levels. Such analysis will include the following elements:¹

- . Identification of the cause of major transmission outages
- . Quantification of the market impact of relieving historic constraints.

4.3.2. Baseline Reliability Needs Assessment

The NYISO will evaluate the reliability needs of the New York system for the first five-year and second five-year baseline. The evaluation will address resource and transmission adequacy over both periods. The short circuit fault duty for the first five-year will be consistent with the ATRA process. In addition, a short circuit assessment will be performed for the tenth year of the study period. The evaluation will be based on information from the existing standard reliability assessments (see §4.2.2.2) and the NYISO will perform an additional reliability analysis that will include the effects of input from Stakeholders and the Neighboring Control Areas for the second five-year period.

¹ Some of this information may be deemed sensitive and will need to be handled with care to protect national security interests.

The analyses for the baseline reliability needs assessment will first determine whether or not the baseline resources and transmission system would meet all applicable reliability criteria (per §3.1). Then, if any reliability criteria would not be met, additional analyses will be conducted to determine whether additional resources and/or transmission capacity expansion would be needed to meet criteria, and to determine the expected first year of need for those additional resources and/or transmission. The study will not seek to identify specific additional facilities.

4.3.3. Evaluation of Alternate Reliability Scenarios (Robustness of Baseline)

After completion of the baseline reliability needs assessment, the NYISO will conduct additional reliability analyses for the alternate reliability scenarios it has developed in consultation with the ESPWG and TPAS. These evaluations will test the robustness of the baseline needs assessment. The reliability needs may increase in some reliability scenarios and may decrease, or even be eliminated, in others.

4.3.4. Reliability Needs Assessment Report Preparation

Once all the analyses have been completed, the NYISO will prepare a comprehensive report including assumptions, criteria and results.

4.4. Review Process (See Attachment B)

4.4.1. Stakeholder Review

At least two stakeholder review stages are anticipated for the Reliability Needs Assessment Report. Following review of the Staff's Draft Report by TPAS and the ESPWG, it will be forwarded to the OC for a vote. Interested representatives from the Business Issues Committee ("BIC") are invited to attend the OC meeting at which the Draft Report is under consideration. Following the OC vote, the Draft Report will be transmitted to the Management Committee ("MC") for a vote.

~~4.4.2. Input from NYS Department of Public Service. The Staff of the NYS Department of Public Service (NYS DPS) are expected to be an active participant in the NYISO's Comprehensive Reliability Planning Process.~~

~~Input from the NYS DPS will be considered and reflected in the final Reliability Needs Assessment Report.~~

4.4.2~~3~~. Board Action

Following the MC vote, the Reliability Needs Assessment Report resulting from the NYISO Comprehensive Reliability Planning Process, with working group, OC and MC input, will be forwarded to the NYISO Board for review and action. . The Board may approve the Plan as submitted, reject the Plan, or propose modifications on its own motion. If any changes are made by the Board, the revised Plan shall be returned to the MC for comment. The Board shall not make a final determination on the Plan until it has reviewed the MC comments. Upon acceptance by the Board, the report will be finalized by NYISO Staff. Upon finalization, the Reliability Needs Assessment Report will be provided to the Independent Market Advisor for his review and analysis of market considerations.

5. Issuance of Reliability Needs Assessment Report

Following Board acceptance, the NYISO Staff will issue the final Reliability Needs Assessment Report to the marketplace. In addition, this Report will be posted on the NYISO website. This report will identify potential reliability needs determined under various future reliability scenario assumptions and will provide reports and analyses of historic congestion costs.

5.1. Public Information Sessions

In order to provide the ample exposure for the marketplace to understand the identified reliability needs the NYISO will provide various opportunities for market participants and other stakeholders to discuss the final Reliability Needs Assessment Report. Such opportunities may include presentations at various NYISO stakeholder committees, focused discussions with various sectors, and/or presentations in other public venues.

6. Request for Solutions

Concurrent with issuance of the final Reliability Needs Assessment Report, the

NYISO will request that market participants ~~to~~ propose solutions to the any identified reliability needs. ~~One or more TOs will prepare backstop regulated solutions during the same time period provided for market based responses.~~ This solicitation will not be a formal “RFP” process. Where timing considerations make it feasible, the NYISO ~~It and~~ will allow a sufficient time for both market-based responses and/or, in the event no sufficient market-based response is proposed, regulated responses to be developed to meet the identified needs in a timely manner. One or more TOs will prepare backstop regulated solutions as set forth below.– This will normally involve a two-step process, except as provided in Section 6.3.

6.1. Market-Based Responses

In the first step of the solicitation process, the NYISO will request mMarket-based responses–will be requested from all interested market participants. To the extent feasible in light of timing considerations, aA period of time will be reserved to solicit market-based responses only. Subject to the execution of appropriately drawn confidentiality agreements, the NYISO and the subject TO or TOs shall provide Eeach market participant who wishes to develop a response shall be given access to the data that is needed to develop its response. Such responses ~~are~~will be open to all resources, including generation, demand response and merchant transmission developers. Concurrently, market participants will have the option of proposing changes to NYISO rules or procedures which could result in the identification of additional resources or market alternatives suitable for meeting the identified reliability needs.

6.2. Regulated Responses

6.2.1 In the event that a sufficient market-based response is not proposed, the NYISO will initiate the second step of the solicitation process by seeking a regulated response to the identified need. The NYISO will designate the responsible TO(-s), which will normally be the TO(-s) in whose Transmission District(-s) the need occurs. The responsible TO(-s) will prepare a regulated proposal targeted to meet the specific reliability needs identified by the NYISO’s needs assessment for submission to the NYISO. Such proposals may include reasonable alternatives that would effectively address the identified reliability needs.

6.2.1.6.2.2 Stakeholders may develop alternatives for NYS DPS review. Contemporaneously, the NYS DPS will solicit Stakeholders may develop

non-TO regulated proposals for transmission, generation or demand side alternatives to address the identified reliability-based need to be submitted to the NYS DPS. Subject to the execution of appropriately drawn confidentiality agreements, the NYISO and the subject TO or TOs shall provide ~~N~~non-TO market participants ~~shall be given~~ access to the data that is needed to develop an alternative. ~~Such alternatives, along with the TO proposal, will be subject to an initial screening process conducted by the NYS DPS.~~ Stakeholder proposals that satisfy the NYS DPS process may be submitted to the NYISO for review.

6.3 ~~2.2.~~ The NYISO will review the proposed solutions ~~that pass the initial screening process set forth in~~ submitted pursuant to Sections 6.1, 6.2.1 and 6.2.2 ~~above~~ a solution proposed by the appropriate TO or TOs, ~~including any proposed non-transmission solution,~~ to determine whether each of these potential proposed solutions will meet the identified reliability need. ~~Only~~ The NYISO, after taking into consideration NYS DPS ~~PSC~~ input, will determine whether a proposed regulated alternative -- TO or non-TO -- is capable of meeting the identified reliability needs under this Planning Process.

~~6.2.3 The NYS PSC will establish a process for the consideration and review of all alternatives that are deemed by the NYISO pursuant to Section 6.2.2 above and Section 7.2 below to be sufficient to meet the identified reliability need. This process will provide an opportunity for public input. Following its consideration and review, the NYS PSC will determine the regulated response to be used to address the identified reliability need. The TO in whose Transmission District the need occurs will be directed to take the steps necessary to implement the NYS PSC selected response.~~

~~6.2.3. It is intended that regulated proposals, including alternatives, will be reviewed by the NYS DPS.~~

6.4 ~~3.~~ Establishment of Lead Time for Responses

The NYISO will establish the lead time for responses to identified reliability needs based upon the lead time believed to be required for the regulated solution. For the first round of the Comprehensive Reliability Planning Process, the NYISO will request solutions to all identified baseline needs in order to establish the lead time for the regulated backstop solution as the benchmark for the future.

6.4. Qualifications For a Valid Response

The NYISO will develop qualifications for a valid market-based solution in conjunction with ESPWG. Such qualifications shall recognize the differences between various resources' characteristics and development time lines.

7. NYISO Evaluation of Proposed Solutions

NYISO Staff shall perform an evaluation of market-based and regulated proposals to determine whether such proposals will meet the identified needs when required. .

7.1. Market Based Responses

If market-based responses are found by the NYISO to be sufficient to meet an identified need in a timely manner, the NYISO will so state in the Comprehensive Reliability Plan Report.

7.1.1. The NYISO will not select from among the market-based responses if there are is more than one response which will meet an identified need.

7.1.2. The NYISO will monitor the status of market-based projects to ensure their continued viability to meet the reliability need as part of its ongoing annual planning process. The NYISO will develop criteria, in conjunction with the ESPWG, to determine the continued viability of such projects.

7.1.3. The NYISO, in conjunction with the ESPWG, -will develop criteria for determining the cutoff date for a determination that a market-based project will not be available to meet an identified reliability need.

~~7.1.4. If there are no viable market based responses are proposed to address to the reliability needs, identified by the NYISO, the NYISO, acting together with its Independent Market Adviser, will undertake to investigate whether that the lack of response is due to market failure, and if so, will examine the appropriate specifically targeted modifications to its market rules with market participants to address such market failure.~~

7.2. Regulated Responses

If the NYISO determines that there is no viable market-based response to meet an identified reliability need, or that no qualified market based solution has been proposed, and that it is necessary to take action to ensure

reliability, it will state in the Comprehensive Reliability Plan Report that a regulated solution is necessary.

- 7.2.1. The NYISO will determine whether the proposed regulated solutions identified in Sections 6.2.1 and 6.2.2 ~~proposed by the TO(-s) selected by the NYS DPS in its initial screening process~~ will address the identified need in a timely manner. The NYISO will identify any reliability deficiencies in ~~the TO's proposals~~ each of the proposed solutions. The ~~TO~~ affected developer will discuss with the NYISO any identified deficiencies and shall have the option to revise and resubmit its proposal to address the identified deficiency. ~~and~~ The TO shall be required to make any necessary changes to its proposed solution to address reliability deficiencies identified by the NYISO.
- ~~7.2.2. The TO(-s) will submit a regulated proposal to the appropriate regulatory agency(-ies) to begin the approval process. Upon completion of any changes required by the NYISO's analysis and review in accordance with Section 7.2.1, the TO(s) will submit a regulated proposal to the appropriate state regulatory agency(ies) to begin the approval process. Developers with alternative proposed regulated proposals identified in Section 6.2.2 that have completed any changes required by the NYISO's analysis and review in accordance with Section 7.2.1 may submit these proposals to the appropriate state regulatory agency(ies) for review.~~
- 7.2.3. Upon completion, the NYISO will forward its Comprehensive Reliability Plan to the NYS PSC for consideration ~~In its review of the regulated proposals, the NYSDPS will give due consideration to the findings of the NYISO's Comprehensive Reliability Plan.~~
- 7.2.4. If the NYISO determines that it is necessary for a regulated solution to proceed in parallel with a market-based solution in order to ensure that an identified reliability need is met in a timely manner, the Report will so state. The TO responsible for the regulated solution will proceed with its development until notified by the NYISO that it has determined that the regulated solution is no longer needed.
- 7.2.5. The NYISO, in conjunction with ESPWG, will develop the criteria for halting a regulated project that is already underway because of the entry of a viable market-based project that will meet the identified reliability need. Such criteria shall also establish a cut-off point following which a regulated project may not be cancelled regardless of the appearance of a market-based project.
- 7.2.6. The appropriate TO(-s) will receive cost recovery, in accordance with Section 10, for a regulated project that is subsequently cancelled in accordance with NYISO procedures. Such procedures will include

recovery of costs incurred through the time of cancellation, including any forward commitments made.

7.3. “Gap” Solutions

If the NYISO determines that neither market-based proposals nor regulated proposals can satisfy the identified reliability needs in a timely manner, the NYISO will request the appropriate TO(-s) to seek a “gap” solution.

7.3.1. The determination of the need to seek a gap solution will normally occur as part of the Comprehensive Reliability Planning Process and will be stated in the Final Report issued by the NYISO.

7.3.2. If there is an imminent threat to the reliability of the New York power system, the NYISO Board, after consultation with the PSC, may request the appropriate TO(-s) to propose-go forward with a gap solution outside of the normal planning cycle.

7.3.3. Upon the NYISO’s determination of the need for a gap solution, pursuant to either Section 7.3.1 or 7.3.2 above, the NY TOs will immediately propose such a solution for consideration by the NYISO and PSC.

7.3.4. Any party may submit an alternative gap proposal to the NYISO and the NYS DPS for their consideration—The NYISO shall evaluate all gap proposals to determine whether they will meet the identified reliability need. The NYISO will report the results of its evaluation to the NYS PSC and the party making the proposal. ~~Following consideration and review of all proposed gap solutions, the NYS PSC will determine the gap solution to be pursued.~~

7.3.5. To the extent possible, the gap solution should be temporary and designed to avoid economic harm to market-based proposals.

7.3.6. A permanent regulated solution, if appropriate, may proceed in parallel with gap measures.

8. Comprehensive Reliability Plan

Following the NYISO’s evaluation of the proposed market-based and regulated responses to the needs identified in the final Reliability Needs Assessment Report, the NYISO will prepare a comprehensive report (the “Comprehensive Reliability Plan”) of its findings and recommendations including a determination to proceed with a regulated solution (which may

include a “gap solution”) if needed to ensure system reliability.

8.1. Stakeholder Review

At least two stakeholder review stages are anticipated in the Comprehensive Reliability Planning Process. Following review of the NYISO Staff’s Draft Comprehensive Reliability Plan by TPAS and ESPWG, a Final Draft will be prepared which includes input received from stakeholders, ~~including the NYS PSC.~~

8.2. Committee Approval

The Final Draft of the Comprehensive Reliability Plan will then be forwarded to the OC for a vote. Interested representatives from the Business Issues Committee (“BIC”) are invited to attend the OC meeting at which the Draft Report is under consideration. Following the OC vote, the Draft Report will be transmitted to the Management Committee (“MC”) for a vote.

8.3. Board Action

Following the MC vote, the Comprehensive Reliability Plan resulting from the NYISO Comprehensive Reliability Planning Process, with working group, OC and MC input, will be forwarded to the NYISO Board for review and action. The Board may approve the Plan as submitted, reject the Plan, or propose modifications on its own motion. If any changes are made by the Board, the revised Plan shall be returned to the MC for comment. The Board shall not make a final determination on the Plan until it has reviewed the MC comments. Upon final approval by the Board, the Plan will be finalized by NYISO Staff. [The Plan will also be provided to the Independent Market Advisor for his review and analysis of market considerations.](#)

8.4. Issuance of Comprehensive Reliability Plan

Following final approval by the Board, the NYISO Staff will issue the final Comprehensive Reliability Plan to the marketplace. In addition, the Plan will be posted on the NYISO website.

9. Cost Allocation

~~1.9.1. For Timely Reliability Solutions~~

~~1.9.2. For “Gap” Solutions~~

~~[TO BE DEVELOPED]~~

~~[TO BE DEVELOPED]~~

9.1 Market-Based Responses

The costs of market-based responses shall be the responsibility of the developer of the market-based proposal and shall not be subject to the provisions of Section 9.2.

9.2 Regulated Responses

Cost allocation for backstop regulated responses to reliability needs identified in the NYISO Plan shall be determined by the NYISO based upon the principle that beneficiaries should bear the cost responsibility. The specific cost allocation methodology, to be developed by the NYISO in consultation with the ESPWG, will incorporate the following elements:

9.2.1 The focus of the cost allocation methodology shall be on solutions to violations of specific reliability criteria

9.2.2 Potential impacts unrelated to addressing the reliability needs shall not be considered for the purpose of cost allocation for reliability upgrades

9.2.3 Primary beneficiaries shall initially be those Transmission Districts who are identified as contributing to the reliability violation.

9.2.4 The cost allocation among primary beneficiaries shall be based upon their relative contribution to the need for the upgrade

9.2.4.1 The NYISO will examine the development of specific cost allocation rules based on the nature of the reliability violation (e.g. – thermal overload, voltage, stability, resource adequacy & short circuit)

9.2.5 Cost allocation among Transmission Districts shall recognize the terms of prior agreements among the transmission owners, if applicable.

9.2.6 Consideration should be given to the use of a materiality threshold for cost allocation purposes

9.2.7 Methodology shall provide for ease of implementation and administration to minimize debate and delays to the extent possible.

9.2.8 Consideration should be given to the “free rider” issue as appropriate

9.2.9 Methodology shall be fair and equitable.

9.2.10 Provide price certainty to investors to the extent possible.

9.2.11 Methodology shall apply, to the extent possible, to regulated “gap” solutions as well.

9.3 Not Applicable to Interconnection Cost Allocation

The cost allocation procedures described in this Section shall not apply to cost allocation for market based generation and merchant transmission interconnection purposes, which is determined in accordance with Attachment S of the NYISO OATT.

10. Construction , Ownership and Cost Recovery

10.1. For Timely Reliability Solutions

10.2. For “Gap” Solutions

[TO BE PROVIDED BY NYTOs]

11. Dispute Resolution [Subject to further discussion]

11.1. NYISO Procedures

It is recognized that disputes may arise during the conduct of the Comprehensive Reliability Planning Process. Such disputes, ~~other than disputes related to a regulated solution,~~ shall be addressed in accordance with the normal NYISO internal appeals process. ~~and dispute resolution process.~~

11.2 FERC Role in Dispute Resolution

11.2.1 Disputes directly relating to the NYISO’s compliance with its tariffs that are not resolved in the internal NYISO appeals process shall be reviewed at the Federal Energy Regulatory Commission pursuant to the Federal Power Act, if such review is sought by a Market Participant.

~~11.3.2.~~ NYSPSC Role in Dispute Resolution

11.3.1 In the event that a Market Participant raises a dispute relating to (a) the final conclusions or recommendations of a Needs Assessment; (b) the NYISO’s final determinations in the Comprehensive Reliability Plan that proposed solutions will or will not meet the identified reliability needs; or (c) the TOs choice of a regulated solution, and such dispute is not resolved under the normal NYISO internal appeals process, a Market Participant seeking further review shall refer such dispute to the NYS PSC for resolution.

11.3.2 The NYS PSC’s final determinations under Section 11.3.1 shall be binding, subject only to judicial review in the courts of the State of New York pursuant to Article 78 of the NYCPLR.

~~11.2.1 In the event that there is a dispute relating to the inputs for a Needs Assessment or to a conclusion of a Needs Assessment that cannot be resolved under the normal NYISO or NYSRC procedures, such dispute will be referred to the NYPSC for resolution. (See Sections 4 and 5)~~

~~11.2.2 In the event that there is a dispute relating to NYISO determinations that proposed solutions will or will not meet the identified reliability needs, and such dispute cannot be resolved under the normal NYISO or NYSRC procedures, such dispute will be referred to the NYPSC for resolution. (See Section 7.1 for market based solutions. See Sections 6.2 and 7.2 for regulated solutions.)~~

~~11.2.3 In the event that there is a dispute relating to a TO's choice of a regulated solution, or the process used by a TO in choosing a regulated solution, such dispute will be referred to the NYPSC for resolution.~~

~~11.2.4. The NYPSC's final determinations under Sections 11.2.1, 11.2.2, and 11.2.3 shall be binding, subject only to judicial review in courts of the State of New York pursuant to Article 78 of the New York CPLR.~~

12. References [TO BE REVISED AS NEEDED] Figures [TO BE REVISED AS NEEDED]

- (1) NPCC Basic Criteria for Design and Operation of Interconnected Power Systems (A-2)
- (2) NYSRC Reliability Rules For Planning and Operating the New York State Power System
- (3) NYISO Open Access Transmission Tariff – Attachment S
- (4) NPCC Guidelines for NPCC Area Transmission Reviews (B-4)
- (5) NPCC Guidelines for Area Review of Resource Adequacy (B-8)
- (6) NYSRC Policy 5
- (7) NYISO Load and Capacity Report

Attachment A – Process Flow Chart Attachment B – Stakeholder Participation

Attachment C – Timeline Attachment D – Process Inputs Chart Attachment E – Historic

Congestion Matrix **[TO BE INSERTED]**