

ESP Working Group Comprehensive Reliability Planning Process (CRPP) Scheduling and Implementation

By

William A. Lamanna

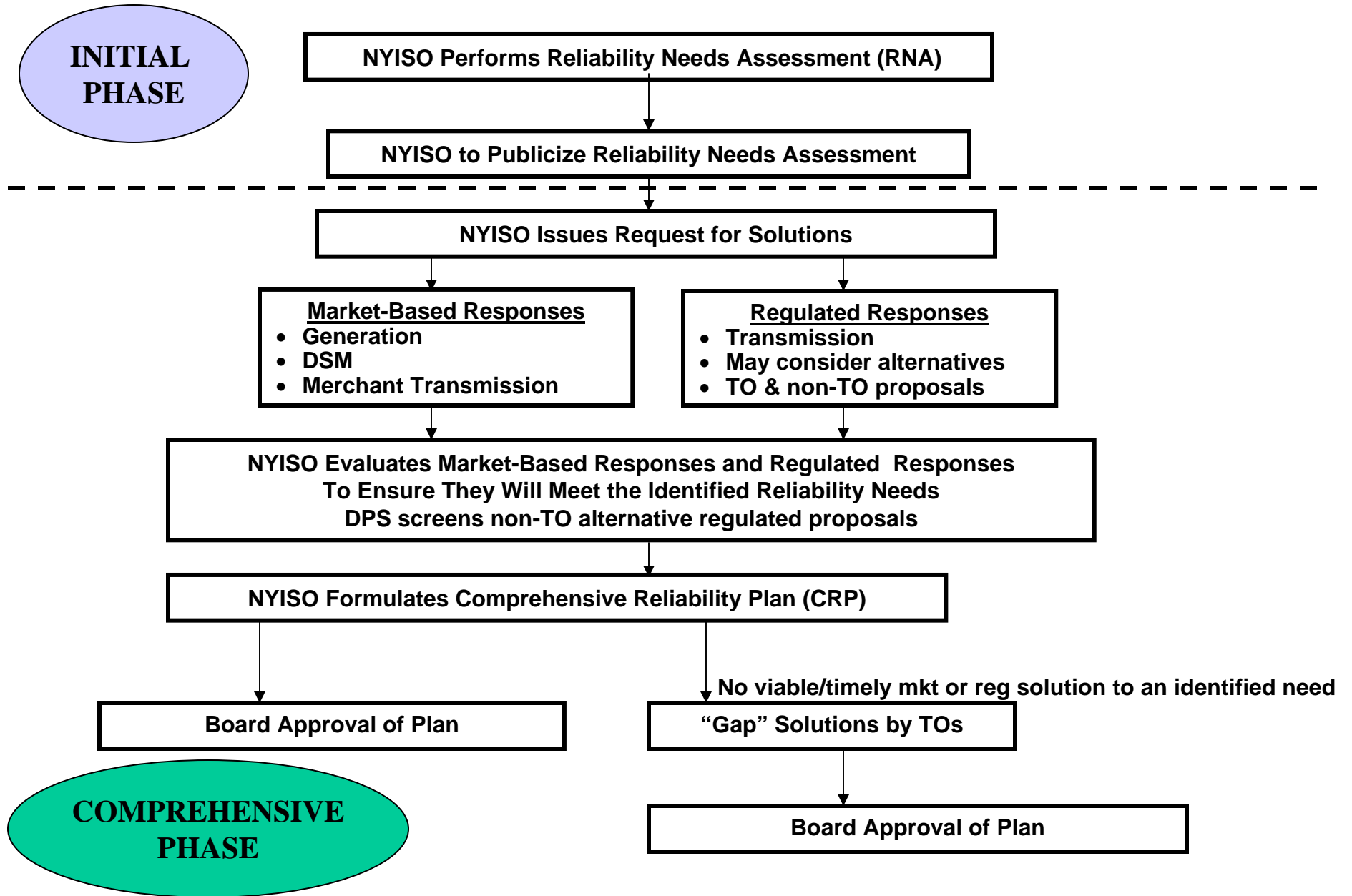
ESPWG/TPAS

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Draft For Discussion Purposed Only

NYISO Reliability Planning Process



Reliability Needs Assessment (“RNA”)

- NYISO Staff will perform a Reliability Needs Assessment over the 10-year planning horizon based upon existing reliability criteria
- Scenario analysis will be employed to test the robustness of the base case assumptions
- RNA will identify violations of reliability criteria, but will not identify specific facilities to meet the identified needs
- Provision for MP input & review of RNA
 - *Through ESPWG & TPAS*
- Provision for coordination with adjacent regions
- The final approved Needs Assessment will be widely distributed

Request for Solutions

- Following issuance of its RNA, the NYISO will provide an appropriate time period for the development of market-based & regulated responses
- Process is open to all resources
- NOT a formal “RFP” process
- When a Reliability Need is first identified by the NYISO:
 - *TOs have obligation to prepare a regulated backstop proposal*
 - *Such proposals are not limited to transmission*
 - *Development time for the regulated backstop provides the benchmark for the lead time for non-TO alternate proposals*

Request For Solutions (Cont'd)

- Market-based proposals are prepared in parallel with regulated backstop proposals
 - *All resources are eligible: generation, merchant transmission, demand response*
- TOs and Non-TO's may submit alternative regulated proposals to the NYDPS for consideration
 - *Such review is optional and may be submitted prior to submission to the NYISO*

NYISO Evaluation Process

- NYISO will evaluate all proposals to determine if they will meet the identified reliability needs
- Regulated backstop proposals by TOs will establish the lead time for non-TO proposals
- If Market-based proposals are judged sufficient to meet the identified needs in a timely manner, the Comprehensive Reliability Plan ("CRP") will so state
 - *NYISO will not select from among the market-based responses*
 - *NYISO will monitor status of market-based projects to ensure needs will continue to be met as part of its annual update process*

NYISO Evaluation Process (Cont'd)

- If Market proposals are judged insufficient, NYISO will indicate that a regulated solution is needed in the CRP
- NYISO will evaluate non-TO regulated alternatives to determine whether they will meet the identified need, and will report its evaluation in the CRP
- If market-based proposals are not forthcoming
 - *NYISO and its Independent Market Advisor will investigate whether that is due to market failure in one of its markets*
 - *If so, NYISO and its IMA will examine appropriate modifications to its market rules with MPs.*

CRP Review and Approval Process

- NYISO staff issues draft CRP including designated regulated backstop solutions, if needed, to meet identified reliability needs
- NYISO Staff draft CRP is circulated for stakeholder review and comment
- NYISO staff makes revisions as appropriate
- Final draft CRP is sent to the appropriate stakeholder committees for review and vote
- NYISO staff makes revisions as appropriate
- Final draft CRP sent to Board for approval
 - *Provision for remand to Management Committee*
 - *NYISO Board to have final approval of CRP*
- CRP provided to regulatory agencies for their consideration

“Gap” Solutions for Reliability Needs

- If neither market proposals nor regulated proposals can satisfy the need in a timely manner, the NYISO may seek a “Gap” solution
 - *NYISO may seek a gap solution outside of the normal Planning Process if there is an imminent threat to reliability*
 - *NYISO will not contract directly for gap resources*
- TOs assume the obligation to immediately propose a “gap solution” for consideration by the NYISO and DPS
- To the extent possible, the gap solution should be temporary and strive to ensure that market based solutions will not be economically harmed
- A permanent regulated solution, if appropriate, may proceed in parallel with gap measures

Cost Allocation and Cost Recovery

➤ Cost Allocation for Regulated Projects

- *Based upon a "beneficiaries pay" principle*
- *Specific methodology to be developed by NYISO/ESPWG*
- *Near-term reliability needs are not anticipated based upon Phase I needs assessment/Assuming Schedules are Met*

➤ Cost Recovery for Regulated Projects

- *Transmission solutions*
 - ▶ TOs to file for recovery with FERC
 - ▶ Recovery proposed through a separate rate schedule under the NYISO Tariff
- *Non-transmission solutions*
 - ▶ In accordance with NYS Public Service Law

NYISO-TO Agreement

- Defines TO rights and obligations with respect to the Comprehensive Reliability Planning Process
 - *Similar provisions to those recently approved for RTO-NE*
- TOs assume obligation to provide backstop regulated solutions
 - *If NYISO determines that there are no viable market-based solutions which will meet identified Reliability Needs*
 - *Subject to cost recovery, permitting and other conditions*
- Supplements existing NYISO/TO Agreement
 - *Not subject to OC/MC approval*
- Filed for FERC approval with NYISO Tariff Filing

Role of the NYS PSC

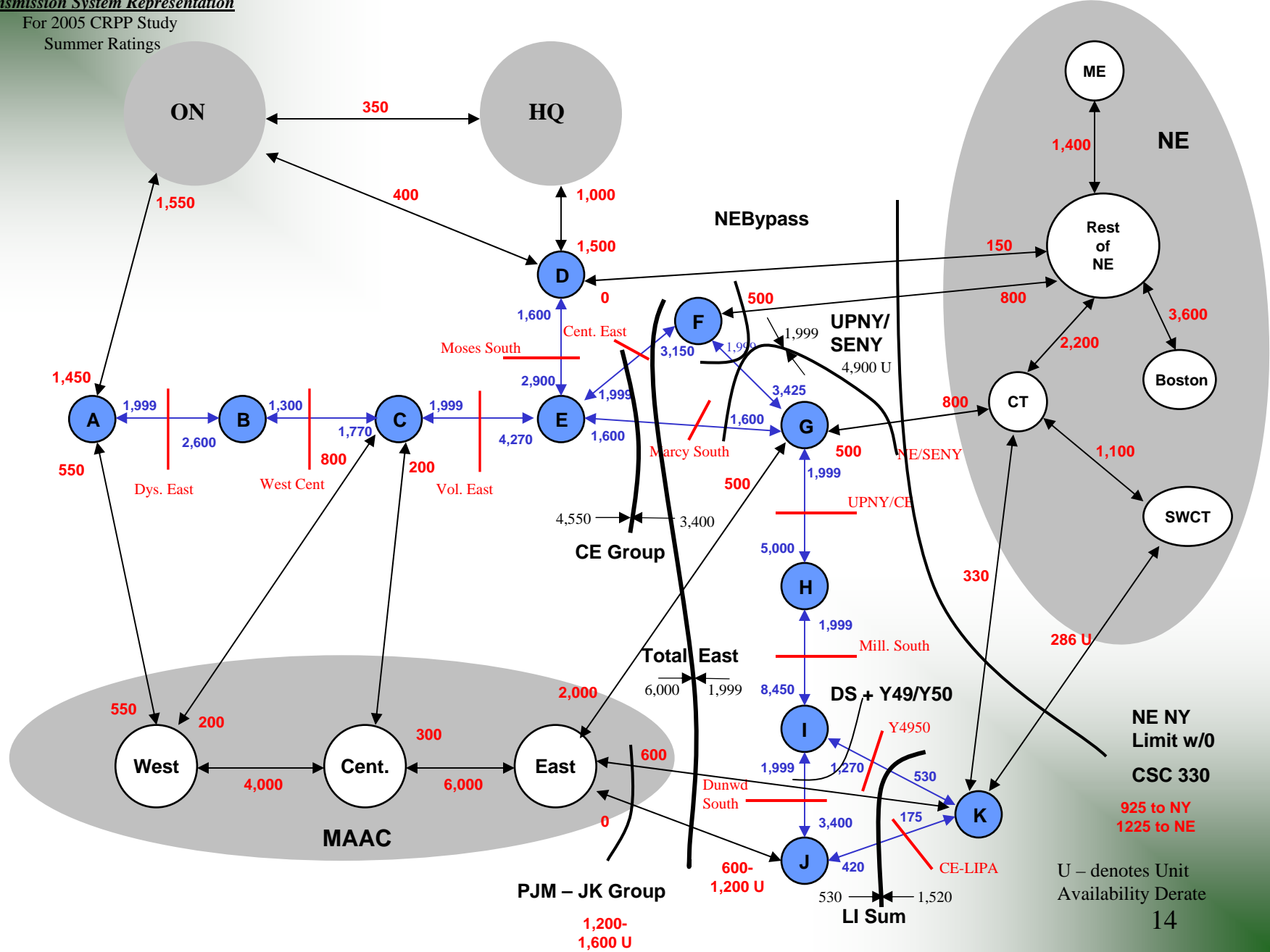
- Will perform a review of regulated proposals upon request
- Reviews and screens “gap” solutions
- Adjudicates disputes relating to reliability determinations in final RNA and in CRP
 - *Disputes regarding compliance with NYISO Tariff go to FERC*
- Reviews TOs’ backstop solution when NYISO determines action is necessary to ensure reliability
- PSC has final authority with respect to solution ultimately implemented
- PSC participation in the NYISO process will facilitate necessary approvals to ensure reliability

New York Control Area

Transmission System Representation

For 2005 CRPP Study
Summer Ratings

Draft 8-25-05



U – denotes Unit
Availability Derate
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