

# Phase II: NYISO Comprehensive Transmission Planning Process

## Cost Allocation & Cost Recovery For Reliability Needs **Stakeholder Comments**

By

John P. Buechler

ESPWG Meeting

January 13, 2004

Albany

# Cost Recovery Issues

- *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

# Cost Allocation Issues

- 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

# Stakeholder Comments

- Con Edison Solutions/Con Edison Energy
- Keyspan
- Multiple Intervenors
- National Grid
- New York Energy Buyers Forum
- TOs (Con Ed/NYSEG/LIPA/NYPA)

# Con Edison Solutions/Con Edison Energy

- **Costs for all regulated transmission upgrades should be collected through individual TO's TSC charges**
  - *Keeps all transmission charges in one place*
  - *Ensures consistent treatment for all regulated transmission*
- **Opposes collection from LSE's through NYISO Tariff**
  - *Fundamentally changes the nature of the NYISO*
  - *Requires NYISO to collect charges not directly related to wholesale markets*
  - *Would increase the NYISO's credit requirements*

# Keyspan

- Correction of market signals must either precede or accompany any reliability resource procurement
- Cost-based recovery would be appropriate for certain types of reliability equipment
- TO's to seek recovery directly from FERC and/or PSC regardless of the type of upgrade
- Incentives should not be required for regulated upgrades
- Economic considerations should not be transformed into reliability upgrades
- ISO-NE cost allocation order may provide some guidance, but NYISO should continue to develop its own process with its stakeholders

# Multiple Intervenors

- Regulated reliability upgrades should be a last resort
- If market does not respond; shift focus to PSC
  - *To identify the least cost regulated solution*
  - *PSC to institute an open proceeding to consider all alternatives*
- No additional incentives should be paid
- Market-based response to be participant funded
- Cost of a regulated solution to be allocated to beneficiaries (support “cost causation”)
  - *Cost to include investment cost and “hold harmless” costs*
- Oppose use of other methods
  - *E.g. – percentage sharing; voltage level cut-off*

# National Grid

- Essentially supports the ISO-NE approach
- Participant funding for market-based solution
- Need for a default mechanism if no market response
- Regional cost support for regional transmission upgrades that provide network benefits
- Local cost support for local benefits
- Propose a “bright line” voltage level
  - *Not necessarily the same as the Bulk Power System*
  - *Suggest consideration of 115Kv*
  - *Should also consider the parallel path capability of system*



# New York Energy Buyers Forum

- PSC—not FERC--should review cost allocations
- Incentives may be needed—also under PSC purview
- Cost recovery should be through individual TO Tariffs—not the NYISO OATT
- Support the creation of reliability criteria for cost allocation through stakeholder process
- Guidelines to be established on a case-by-case basis (noting special needs of Zone J)

# TOs: Con Ed/LIPA/NYPA/NYSEG

## ➤ Cost Allocation Principles:

- *Fair to parties paying costs; no "free riders"*
- *Deterministic and easy to apply*

## ➤ Standard "beneficiaries pay" methodology

- *Benefits related to degree of reliability improvement by TO zone*
- *"Continuous spectrum of reliability benefits"*
- *May be difficult to design since reliability criteria are deterministic*

## ➤ "Those who need it pay"

- *Only those who rely on portions of system that do not meet reliability criteria should pay*
- *Assign costs to load on buses that don't meet criteria*
- *Potential "free-rider" issue*

# Summary of Comments by Issue

## ➤ NYISO Tariff or TO Tariff; FERC or PSC?

- *CE Solutions: Use TO's TSC charge for recovery; opposes use of NYISO OATT*
- *Keyspan: TOs seek recovery from FERC and/or PSC*
- *MI: PSC to focus on regulated solutions*
- *NGrid: No specific comment: implicit support for use of both NYISO and TO's tariffs*
- *NYEBF: PSC—NOT FERC; individual TO Tariffs—NOT NYISO OATT*
- *TOs: No specific comment*

# Summary of Comments (Cont'd)

## ➤ Incentives

- *Con Ed Solutions: No comment*
- *Keyspan: Opposed to incentives*
- *MI: Opposed to incentives*
- *NGrid: No comment*
- *NYEBF: Incentives may be needed; to be subject to PSC purview*
- *TOs: No comment*

# Summary of Comments (Cont'd)

## ➤ Cost Allocation Methodology

- *CE Solutions: No comment*
- *Keyspan: Cost allocation to be determined by PSC (retail service) and FERC (wholesale service)*
- *MI: Support s"Cost causation" & beneficiaries pay; oppose a "bright line" test; support a "hold harmless" payment*
- *NGrid: Supports a "bright line" test for regional vs local benefits and cost support; suggest 115kv and above*
- *NYEBF: Supports development of reliability criteria to be applied on a case-by-case basis; special consideration for NYC*
- *TOs: Support "beneficiaries pay"; suggest two alternatives*