# Phase II: NYISO COMPREHENSIVE TRANSMISSION PLANNING PROCESS

# RELIABILITY PLANNING PROCESS FRAMEWORK

## REVISED

**By**

**John P. Buechler**

**ESPWG Meeting**

**January 13, 2004**

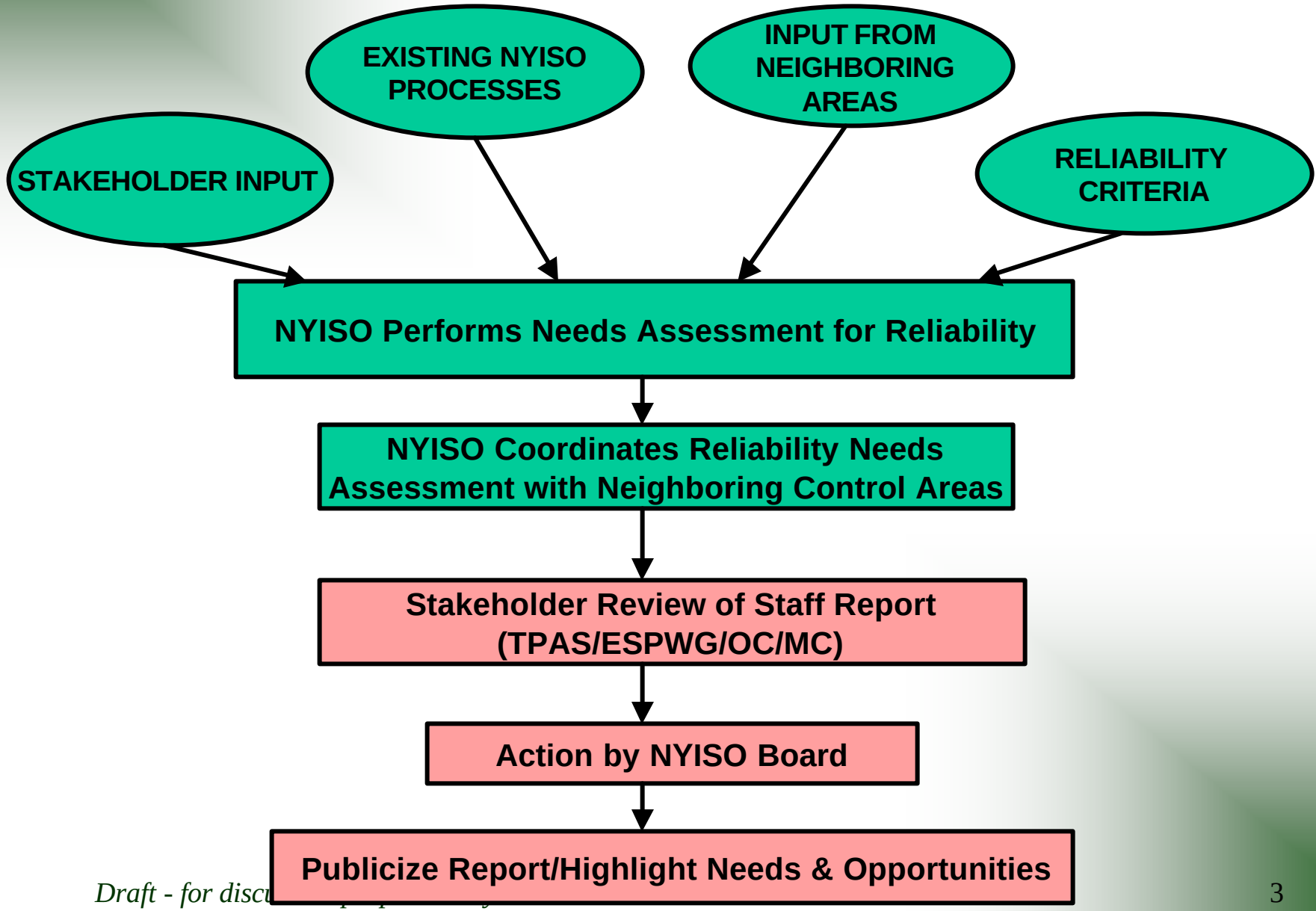
**Albany**

# 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 (I.e. – comments from the December 16th ESPWG meeting are shown in red)**

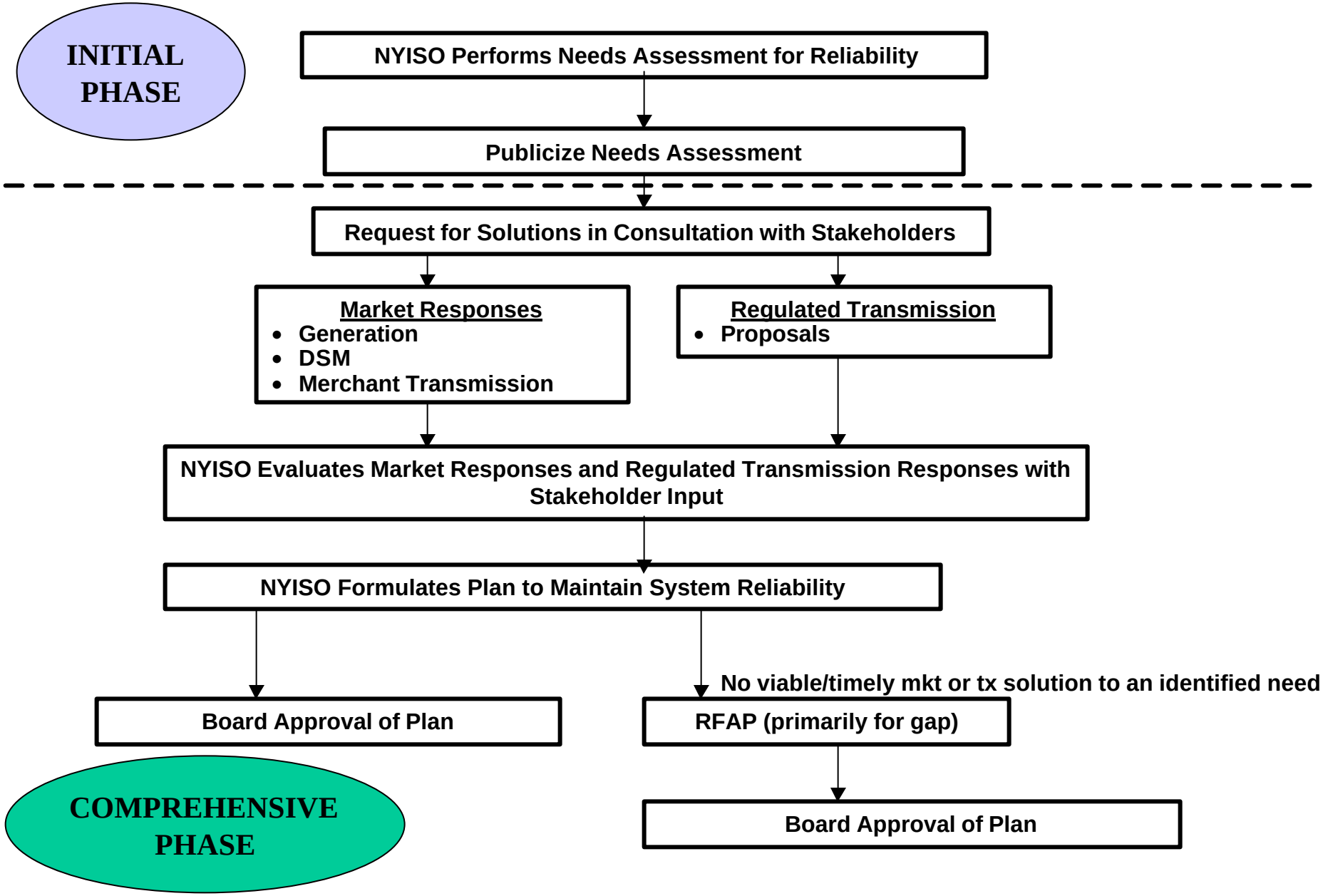
- **This framework will NOT include economic needs**

- **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**
  - ***PSC to provide input and participation in NYISO's Needs Assessment process***

# 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 for a given need*
- **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, considering 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 consider 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”

# 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 consider all feasible alternatives*
- **TOs would assume the responsibility for gap solutions subject to cost recovery**
- **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/FERC

- Active participation of PSC Staff throughout NYISO Planning Process
- To review the TO's regulated solution
- 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)

# END OF DISCUSSION AT DECEMBER 16TH ESPWG MEETING

# 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??