

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

Transmission Planning Processes  
Under Order No. 890

Docket No. AD09-8-000

**COMMENTS OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR**

**I. INTRODUCTION**

In Order 890, the Federal Energy Regulatory Commission (“FERC,” “Commission”) directed all transmission providers to modify their tariffs to include a planning process that incorporates both reliability and economic issues and satisfies nine planning principles. In response to these requirements, the New York Independent System Operator (“NYISO”) and its stakeholders expanded the NYISO’s existing Comprehensive Reliability Planning Process (“CRPP”) to incorporate a Local Transmission Planning Process (“LTPP”), an economic planning component (Congestion Analysis and Resource Integration Study or “CARIS”), and developed cost allocation and recovery provisions for both regulated reliability and economic projects.

The NYISO and the New York Transmission Owners (“TOs”) made an initial compliance filing of the Comprehensive System Planning Process (“CSPP”) encompassing all of these components on December 7, 2007 and a further compliance filing addressing cost allocation and related issues on June 18, 2008. FERC conditionally accepted the NYISO’s compliance filings in an October 16, 2008 order. The NYISO filed further compliance filings on January 14, 2009 and May 19, 2009. On October 15, 2009, the Commission issued an Order on Compliance that substantially accepted these compliance filings, finding that they satisfy the Commission’s nine planning principles—subject to a further filing the NYISO will make on December 14, 2009 on certain discrete issues.

Also on October 15, 2009, the Commission denied a motion for rehearing filed by New York Regional Interconnect (“NYRI”) challenging FERC’s acceptance of a stakeholder voting process to approve cost allocation and cost recovery for economic transmission projects through the NYISO’s tariffs. Although FERC required the NYISO to file additional information on stakeholder voting, it reaffirmed the principle that, unlike reliability upgrades, recovery of the costs transmission projects built for economic reasons will not be forced on entities that have determined that such projects lack sufficient benefits to justify their costs.

Concurrently, the Commission staff held three regional technical conferences in September 2009, to determine the progress transmission providers had made in implementing their expanded planning processes. FERC staff received stakeholder input on whether existing planning processes adequately consider inter-regional or interconnection-wide needs and whether existing processes are sufficient to meet emerging challenges on the transmission system. The NYISO participated in a panel discussion at the Philadelphia Technical

Conference on September 21, 2009. Its comments in response to the above issues are included herein as Attachment A.

Following the technical conferences, the Commission staff issued a Notice of Request for Comments (“Notice”) on October 8, 2009 focusing on two categories of issues. First, the staff asked interested parties to address the need for enhancement of existing regional planning processes to incorporate inter-regional and even interconnection-wide considerations. Second, the staff inquired whether the Commission should pursue generic reform in the area of cost allocation, especially for facilities that cross multiple transmission systems. The NYISO addresses both sets of issues in these supplemental comments.

The NYISO also joins and supports the comments submitted in this Docket by the members of the Eastern Interconnection Planning Collaborative Analysis Team (“EIPC Analysis Team”). Those comments address directly the staff’s questions regarding the establishment of an interconnection-wide planning process for the Eastern Interconnection.

## **II. COMMUNICATIONS**

The NYISO respectfully requests that communications regarding this proceeding should be addressed to:

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## **III. NYISO COMMENTS**

### **A. ENHANCED REGIONAL TRANSMISSION PLANNING PROCESSES ARE UNDER WAY**

In the Notice, Commission Staff (“Staff”) expresses its concern over the lack of coordinated planning at the seams of current planning regions. Staff questions whether the

proposals recently submitted to the DOE to establish interconnection-wide planning processes will result in ongoing transmission planning. The Notice states that some areas of the country are struggling with how to adequately address transmission expansion to integrate renewable resources and inquires whether the interconnection queue process may be a further hindrance. Staff further questions whether existing planning processes are a barrier for merchant transmission and independent power producers. The Notice seeks comments on whether there remain opportunities for undue discrimination in planning, and asks whether there should be more consistency in the manner in which planning processes treat demand response resources.

Over the past two years, the NYISO, other ISO/RTOs, and other jurisdictional Transmission Providers responded to the reforms and transmission system planning requirements in Order 890 by proposing and implementing significant changes and enhancements to their existing planning processes that have now been approved by the Commission. The NYISO developed its compliance filings in collaboration with its stakeholders and with the assistance of the New York Department of Public Service Staff. In fact, the New York State Public Service Commission (“NYPSC”) instituted a special proceeding to address its role in the selection and cost recovery for non-transmission projects (generation and demand response) that the NYISO may determine are needed to maintain the reliability of the bulk power system. The NYPSC’s order was needed to provide state-level cost allocation so that all resource types can obtain comparable reliability cost allocation under the NYISO’s unique “all resource” CRPP.

Even before the Commission’s final acceptance of the NYISO’s compliance filings, the NYISO and its stakeholders have been developing the necessary procedures to implement the new elements of its CSPP. Since January 2009 alone, the NYISO has convened over thirty meetings of the Electric System Planning Working Group (some of which have been joint meetings with the Transmission Planning Advisory Subcommittee), focused on the implementation of these enhanced processes. Most of the effort has been directed to implementing the economic planning process.

### **1. Comprehensive System Planning Process (“CSPP”)**

The new CSPP consists of three stages spanning a two-year planning cycle. First, each NYTO conducts a Local Transmission Planning Process for its respective transmission system and provides the input assumptions and results to interested parties through the NYISO stakeholder process for review and comment. Second, the LTPP provides input into the CRPP to establish a base case for determining whether there are reliability needs and scenarios examining risks, which remains largely unchanged from the process first implemented in 2005. Third, the NYISO conducts the CARIS to: (a) identify the most constraining elements on the New York bulk power system and study the potential benefits and costs associated with relieving that identified congestion; and (b) provide that information to stakeholders in order to facilitate the development of solutions to the identified congestion. Solutions can be developed by both NYTOs and private developers. Sponsors of proposed economic transmission projects are eligible for cost allocation and regulated cost recovery through the NYISO Tariff if such projects meet certain eligibility requirements and are approved by a supermajority of voting beneficiaries.

## **2. Economic Planning**

The NYISO is currently working with its stakeholders to finalize its first CARIS Phase 1 study report. The stakeholder process is actively reviewing this draft report, which is targeted for approval by the NYISO's Board of Directors in January 2010. The CARIS Report will contain studies of the three most congested sets of transmission facilities on the New York bulk power system, quantify the present value of congestion costs savings, and compare the costs of generic transmission, generation and demand response solutions through 2018. In 2010, the NYISO will conduct Phase 2 of CARIS to examine specific transmission projects proposed by developers to alleviate congestion. In Phase 2 the developers of potential transmission projects that relieve congestion, have an estimated capital cost in excess of \$25 million, and provide net production cost benefits may seek regulated cost recovery through the NYISO's Tariff.

## **3. Reliability Planning**

Concurrent with its economic planning efforts, the NYISO has commenced the next cycle of its reliability planning process. The New York Transmission Owners recently submitted their Local Transmission Plans ("LTPs") and made presentations on those plans at stakeholder meetings in October 2009. Stakeholders asked questions and commented on those plans at the meetings and will submit written comments to the TOs. The LTPs will feed into the Input Phase of the 2010 Reliability Needs Assessment, which will evaluate the resource adequacy and transmission system security of the New York bulk power system from 2011-2020. If Reliability Needs are identified, the NYISO will seek market-based and regulated backstop transmission, generation and demand-response solutions.

## **4. All Resource Planning**

The NYISO's CSPP is truly an all-resource planning process that affords comparable treatment to generation and demand response resources, as well as transmission, to satisfy any reliability needs that may be identified in the CRPP. Indeed, all resources may be proposed for evaluation by developers as merchant projects or alternative regulated projects. Moreover, Transmission Owners may propose any type of resource as their regulated backstop projects, which the NYISO can call upon in the event that there are insufficient market-based projects to meet the identified needs in a timely manner. In its CARIS process, the NYISO provides benefit/cost analyses of generic solutions to the highest ranking congested locations on the bulk power system—again utilizing generation and demand response resources in addition to transmission solutions—as information to market participants for consideration in the development of their plans.

## **5. Interconnection Planning**

The NYISO does not believe that its interconnection queue process is a hindrance to the development of transmission facilities to integrate new resources. Since the inception of the NYISO, there have been over 7,800 MW of new generation resources and approximately 1,300 MW of merchant transmission added to the New York Control Area ("NYCA") system. This includes approximately 1,275 MW of new wind resources. There are currently over

27,000 MW of proposed projects in the interconnection queue—of which over 7,000 MW are renewable resources. Additionally, the NYISO has an ongoing effort with its stakeholders to identify and implement further improvements to the interconnection process. In fact, the NYISO recently filed with the Commission proposed tariff changes that the NYISO and its stakeholders believe will provide further efficiencies in processing interconnection requests.<sup>1</sup> It should also be noted that the NYISO's Tariff procedures for the interconnection of large facilities extends beyond the Commission's *pro forma* requirements in Order No. 2003 by applying the standardized interconnection procedures, including the allocation of upgrade costs, to both merchant transmission and generation interconnections on a comparable basis. Finally, the NYISO has implemented its recently approved capacity deliverability interconnection service (Capacity Resource Interconnection Service), for the first time in its Class Year 2007 study.

## **6. Dispute Resolution**

Finally, it should be noted that the NYISO's Tariffs provide specific dispute resolution procedures regarding the CSPP process, which recognize the jurisdictional responsibilities and authorities of both the Federal Energy Regulatory Commission and the New York State Public Service Commission. In response to Order 890, the NYISO and New York TOs also added dispute resolution provisions related to the Local Transmission Planning Process that have been incorporated into the NYISO's Tariff. The NYISO's shared governance process, which is explicitly referenced in the NYISO's planning procedures, also provides for appeals to the NYISO's Board of Directors. Lastly, stakeholders always have the right of appeal to the Commission. We believe that these alternate mechanisms for addressing disputes that may arise during the conduct of the CSPP are more than adequate.

## **7. Other Interregional and Regional Planning Processes Are Actively Progressing**

Numerous electric system planning processes have taken root at the national, state, and local levels simultaneous with the expansion of the NYISO's electric system planning functions. In the American Reinvestment and Recovery Act, Congress encouraged broader transmission system planning to upgrade aging facilities and expand transmission capability to move power between regions in the United States and Canada, such as for delivering renewable energy resources from resource rich areas to urban load centers. To implement this initiative, the U.S. Department of Energy ("DOE") has made funding available for interconnection-wide planning under a Funding Opportunity Announcement ("FOA") issued on June 15, 2009. As discussed below, the NYISO is participating in the formation of the Eastern Interconnection Planning Collaborative ("EIPC") to conduct transmission planning studies for the Eastern United States and Canada. On September 14, 2009, the EIPC applied to the DOE for a grant to fund this endeavor.

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<sup>1</sup> The NYISO submitted this filing with the Commission on November 18, 2009. *See New York Independent System Operator, Inc.*, Docket No. ER10-290-000. The NYISO has filed and the Commission has accepted other modifications and improvements to the NYISO's interconnection procedures. *See, e.g., New York Independent System Operator, Inc.*, 124 FERC ¶ 61,238 (2008).

The NYISO has been conducting inter-regional planning studies together with PJM and ISO-NE under the Northeast ISO/RTO Coordination of Planning Protocol which was established in December 2004. This process is conducted in an open and transparent process with input from the Interregional Planning Stakeholder Advisory Committee (“IPSAC”) which has an open participation policy. There have been twelve meetings (including Webex conferences) of the IPSAC since its establishment in 2005. The protocol explicitly provides for coordination of the data bases, models and assumptions that are used for inter-regional analysis. Numerous analyses have already been conducted by the ISO/RTOs for the Northeast region that have explored the inter-regional impacts of regional or cross-border transmission upgrades. The results of these analyses are reported to stakeholders during IPSAC meetings and in periodic Northeast Coordinated System Plans which are issued by the ISO/RTOs. All materials (Critical Energy Infrastructure Information has been redacted) are publicly available at the following link: [www.interiso.com](http://www.interiso.com).

The NYISO has also been actively participating in several broader inter-regional planning activities with other ISO/RTOs and planning authorities. These activities include regional planning studies as a member of the Northeast Power Coordinating Council’s Task Force on Coordination of Planning—which includes New York, New England and the Northeast Canadian provinces. NYISO is also an active participant in the NERC Integration of Variable Generation Task Force (“IVGTF”) as well as the DOE’s Eastern Wind Integration Transmission Study (“EWITS”)—both of which are investigating the operational and planning needs associated with the integration of increased amounts of variable renewable generation. Finally, the NYISO is a member of the ISO/RTO Council’s Planning and Markets Committees which are currently conducting initiatives regarding renewable integration, and developing standard protocols for the communications requirements to reliably integrate PHEVs, Smart Grid and demand response resources into wholesale markets.

Finally, the NYISO has joined with 23 other Planning Authorities to form the Eastern Interconnection Planning Collaborative Analysis Team. The NYISO’s CEO has been elected to serve as the first Chairman of the EIPC Executive Committee. The NYISO has taken a leadership role as one of eight Principal Investigators who have filed a proposal to establish an interconnection-wide transmission planning analysis process in response to the DOE’s Funding Opportunity Announcement 68. As stated in the comments filed separately in this Docket by the EIPC Analysis Team, the member Planning Authorities are committed to proceed with their efforts whether or not they are granted an award by the DOE. Information on the EIPC, including its proposal to the DOE, can be found on the EIPC website at: [www.eipconline.com](http://www.eipconline.com).

#### **8. The NYISO Has Successfully Coordinated Its Planning Processes with New York State’s Energy Planning Process and Related Proceedings.**

There is no lack of energy planning at the state level in New York. The Governor of New York re-established a State Energy Planning Board (“SEPB”) by Executive Order in April 2008. The NYISO has actively participated in the SEPB working group, filing comments, submitting white papers on timely topics, and conducting reliability modeling for the bulk power system assessment. The SEPB released a draft State Energy Plan (“SEP”) in August 2009 which recognizes the benefits achieved by competitive wholesale electric markets. The NYISO provided extensive written comments on the draft Plan, most recently

on October 19, 2009. The State Legislature recently passed and the Governor signed into law a statute reestablishing a statutory State Energy Planning Board. Pending the completion of the current State Energy Plan in late 2009, the NYPSC has held Phase 3 of its Electric Resource Planning (“ERP”) proceeding in abeyance. The ERP proceeding is expected to expand upon and implement SEPB policy initiatives, such as additional state support for renewable resources, demand response and energy efficiency. The NYISO plans to continue its participation in this proceeding whenever it is resumed.

Moreover, the NYISO has been participating directly in New York State proceedings implementing energy policy changes, emphasizing the importance of coordinating these efforts with the NYISO’s competitive wholesale markets and the NYISO’s existing planning processes. In addition, the NYISO developed a centralized wind forecasting system to facilitate the integration of wind generating resources into our security-constrained economic dispatch. These systems improve the reliability of the grid and the economics of the existing wind resources when the transmission system is constrained. The NYISO has also conducted a detailed two-year long study to assess the reliability impacts of additional wind generation in the State. Similarly, the NYISO collaborated with the NYPSC and the New York State Energy Research and Development Authority (“NYSERDA”) in the development of the State’s Energy Efficiency Portfolio Standard (“EEPS”) to reduce energy consumption by 15 percent of forecasted levels in 2015. Finally, the NYISO participated with the NYPSC, the Department of Environmental Conservation and various other stakeholders throughout the northeast to develop the Regional Greenhouse Gas Initiative (“RGGI”), a first-of-its-kind, regional cap-and-trade program that relies on competitive auctions and competitive secondary markets to reduce carbon emissions from the power sector.

With input from the NYISO, the NYTOs are conducting the New York State Transmission Assessment and Reliability Study (“STARS”). STARS is a joint study of the state's bulk power system over a 20-year planning horizon to help meet future electric needs, support the growth of renewable energy sources, and maintain the reliability of the power system. Its aim is to develop a thorough condition assessment of the transmission system and suggest long-range plans for coordinated infrastructure investment in the state’s power system. Because the bulk power system is owned by separate yet interconnected entities, the STARS will examine the types of investments, including smart grid applications, needed to meet the long-term needs of the entire control area to complement studies currently being performed by the NYISO.

At the municipal level, the City of New York created a City Energy Planning Board (“CEPB”) as part of Plan NYC. The CEPB is designed to provide a coordinated vision in providing for the future energy needs of New York City considering supply and demand while addressing cost, reliability and environmental impacts. The City retained CRA International to conduct a Master Electrical Transmission Plan for the City, a long-term study of the City’s energy needs and policy initiatives. NYISO participated as a technical advisor for that study. The New York City Economic Development Corporation released the results of this analysis in June 2009.

In sum, the NYISO has succeeded in coordinating its own tariff-based planning processes with New York State planning and policy initiatives. FERC should take these

initiatives into consideration and the progress these coordinated processes are making before proposing wholesale changes to NYISO's planning processes.

### **9. The NYISO Has Satisfied the Commission's Order 890 Planning Principles**

As demonstrated by the Commission's acceptance of the NYISO's compliance filings, the CSPP fully satisfies all of the nine planning principles and, we believe, also addresses the staffs' concerns. In addition, as noted above, the NYISO is actively engaged in numerous New York and inter-regional transmission planning initiatives. The NYISO has expressed its support for the planning objectives of Order 890. During the Philadelphia Technical Conference several NYISO stakeholders commented in support of the NYISO's CSPP, and positive comments were also made by representatives of the New York State Department of Public Service. As demonstrated above, there has already been a great deal of effort and resources dedicated by the NYISO and its stakeholders to develop, propose and implement the extensive enhancements to the NYISO's planning process. These new processes should be given a chance to work in New York before the Commission embarks on any significant change in course. To do so at this juncture would only create increased uncertainty to the marketplace, which would have a chilling effect on development activities.

### **B. ALLOCATING THE COST OF TRANSMISSION**

Staff notes that the lack of cost allocation and recovery mechanisms, especially for cross-border facilities, may be an impediment to transmission development. The Notice asks whether existing cost allocation practices may create a disincentive to invest in new transmission, and if so, how they might be changed. Staff also seeks comment on whether the Commission should pursue generic reform in the area of cost allocation, or rather should continue to address cost allocation issues on a case-by-case basis. Staff then goes on to pose a number of questions regarding the possible characteristics of such cost allocation mechanisms.

NYISO agrees that cost allocation and cost recovery are critical to the expansion of facilities needed for the reliable and efficient supply of electricity. The NYISO also recognizes that these issues raise perhaps the most controversial and contentious issues surrounding the expansion of electric infrastructure and notes that these issues arise with respect to all types of resources—including generation, demand response, and transmission.

In wholesale market regions, such as those operated by ISOs and RTOs, the primary focus has been on providing efficient market-based signals to allow developers to respond with investments in needed infrastructure. At the same time, planning analyses are performed to maintain reliability and identify opportunities for further economic efficiency. These market-based processes have been approved by the Commission—and reaffirmed in Order 890's planning principles.<sup>2</sup> NYISO believes that its existing reliability planning processes have been working well in general, and in New York in particular, to encourage the

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<sup>2</sup> The Commission has emphasized that the identification of an upgrade in a transmission plan for reliability or economic purposes “does not trigger an obligation to build” but does “allow transmission providers, customers, and potential investors to make the decision whether or not to build on an informed basis.” Order 890-A, ¶ 251, see also Order 890, ¶ 594; Order 890-A, ¶ 178.



development of market-based resources where they are needed. Such development has also resulted in shifting the risk of such new investments from consumers to developers consistent with the policies supporting the development of wholesale markets. Moreover, the NYISO and its stakeholders have only just begun implementation of its economic planning processes. CARIS Phase 2, which includes cost allocation of transmission projects, will only be starting next year. The NYISO's process should be allowed to take root and send appropriate economic signals to investors and developers without changes midstream. The NYISO and its stakeholders will continue to evaluate the planning processes and will file tariff changes with the Commission if such are deemed necessary to further improve the existing processes.

As noted by staff, the Commission has, to date, pursued a logical and progressive policy of establishing planning processes and cost allocation provisions for jurisdictional transmission providers, including ISOs and RTOs. Order 888, which first posed the concept of an Independent System Operator to ensure comparable access to the transmission system, did not have any specific planning requirements for such entities. Order 2000 required that an applicant for RTO status include in its tariff provisions for planning to ensure reliability—recognizing the critical importance of ensuring a reliable bulk power supply system.<sup>3</sup> Planning for economic purposes, including cost allocation provisions, has been addressed by the Commission in the context of individual RTO proceedings to provide information to market participants regarding potential economic opportunities. Under Order 890, the Commission now requires all jurisdictional transmission providers to have tariff procedures which include both economic and reliability planning as well as cost allocation provisions for each. Thus far, the Commission has addressed inter-regional cost allocation only between the MISO and PJM, deriving from the original PJM/MISO Seams Elimination Cost Adjustment (“SECA”) proceeding in 2004, and then only after having approved the inter-regional cost allocation procedures for those respective regions.

In wholesale market regions there are many existing provisions for cost allocation and recovery and opportunities for developers to recover the costs of building needed infrastructure, including transmission facilities:

- Transparent wholesale price signals for energy, capacity, and ancillary services;
- Interconnection procedures that provide for allocation and recovery of the cost of transmission upgrades needed to reliably interconnect generators and merchant transmission facilities;
- Allocation of Firm Transmission Rights, or similar mechanisms, to expanders of the transmission system;
- Allocation of “Unforced Capacity Deliverability Rights” in NYISO which allows developers of controllable lines to receive the benefits of higher locational capacity prices in New York City or on Long Island;
- The NYISO, pursuant to its capacity deliverability requirements, has a tariff mechanism which provides for the cost allocation and recovery of Highway System Deliverability Upgrades when developers have agreed to pay for at least

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<sup>3</sup> It should be noted that, while the NYISO has not applied for RTO status, the NYISO and its stakeholders voluntarily developed the Comprehensive Reliability Planning Process and submitted it to the Commission for approval.

- 60% of the cost of those facilities. Subsequent developers who utilize the Headroom created by such upgrades will pay their proportionate share of the cost;
- SPP has approved tariff provisions under its Balanced Portfolio of economic upgrades which are demonstrated to provide benefits (based upon adjusted production costs) which exceed costs for each zone within SPP;
  - The ability of both loads and generation developers to enter into bilateral agreements with transmission developers which package energy, capacity and transmission costs into a single contract providing mutual benefits<sup>4</sup>
  - Cost allocation provisions are included in each ISO/RTO tariff providing for transmission cost allocation and recovery for both reliability and economic reasons;
  - Inter-connection cost allocation provisions which govern the costs of inter-regional facilities.

These existing tariff provisions for planning and cost allocation and recovery are the result of years of regional stakeholder deliberation and, in many cases, Commission proceedings and litigation. These processes should not be abrogated by any future Commission proposals regarding inter-regional cost allocation. In most regions, the Commission-approved cost allocation provisions for economic projects are still in their infancy and should be allowed to proceed to implementation.

The NYISO has chosen not to comment on the methodology-specific questions raised by staff, since we believe that would be premature. We recognize that there are various approaches that have been employed to meet the needs of different regions—including New York--and that it would be presumptuous at this time to assume that one region's process should be imposed on others. If the Commission determines that further guidance with regard to inter-regional cost allocation is appropriate, it should approach the issue from the broadest viewpoint. NYISO would recommend that such a process should begin with a Notice of Inquiry and technical conferences to obtain input from the broad range of stakeholders, in particular those representing state policy interests, before considering whether a formal rulemaking is needed. This type of open and transparent process is essential so that all stakeholders, especially those ultimately responsible for making payments, will have a voice in the development of any cost allocation methodology. Finally, any development of inter-regional cost allocation processes should be based upon—and not disrupt—the existing regional cost allocation processes.

### **C. MARKETS AND MARKET-BASED PLANNING HAVE DRIVEN KEY INFRASTRUCTURE ADDITIONS IN NEW YORK**

The competitive marketplace for electricity and transmission open access have attracted a sizeable amount of private investment and facilitated significant development of in-state energy supplies. Nearly 1,000 MW of transmission capacity has been added to the New York bulk power system from DC cable projects interconnecting ISO-NE (Cross Sound Cable) and PJM (Neptune). Another 300 MW transmission facility, the Linden Variable

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<sup>4</sup> See, e.g., the NSTAR-HQ proposal recently approved by FERC in Northeast Utilities Service Company, NSTAR Electric Company, Docket No EL09-20-000, *Order Granting Petition for Declaratory Order*, (May 22, 2009).

Frequency Transformer connecting from PJM started commercial operation in November 2009. These additions signal the opening of regional markets between New York and its neighbors and a reduction in uneconomic seams.

In addition to transmission, over 7,600 MW of new generation has been built since 2000; more than 80% of this capacity has been sited where demand is greatest -- in New York City, Long Island and the Hudson Valley. This capacity is comprised of much cleaner and more efficient generating technology, which often displaces older, higher-emitting power plants. Approximately 1,275 MW of wind generation are now on line in New York (up from 408 MW in early 2008), with another approximately 7,000 MW of proposed renewable resource projects currently in the NYISO's interconnection queue. The NYISO is completing an up-dated Wind Study to determine whether up to a total of 8,000 MW of wind generation can be reliably and economically integrated into New York's power grid.

The NYISO markets are also providing incentives for the entry of new types of grid resources. For example, the NYISO has recently established a market product for limited energy storage devices with very rapid response characteristics, such as flywheels and advanced batteries. This market development enables these types of new and emerging storage technologies to enter the NYISO markets to provide regulation services. While these new resources will increase competition in the regulation market, they will also assist the NYISO in meeting potential increases in system regulation requirements that may result from higher levels of intermittent resources, such as wind.

In sum, further investment in energy resources and infrastructure will be certainly be needed in New York in the future, but the experience of the past decade has demonstrated that transparent market price signals, combined with the NYISO's rigorous planning processes, is attracting significant investment in new grid resources that benefit New York and regional markets. Importantly, these market-based resources have shifted the risk of development from ratepayers to the developers—thus fulfilling one of the important policy objectives leading to the formation of competitive wholesale markets. Regulatory action that may signal a reversal in course, especially at this critical juncture in the economic history of our country, will only create uncertainty in the marketplace, chill future investment and may result in shifting the risks back on the shoulders of consumers. FERC should allow the NYISO's existing planning processes and markets to continue bringing needed resources to New York and regional markets.

#### **IV. SUMMARY AND CONCLUSION**

For the reasons discussed in these comments, the NYISO's reliability and interconnection planning processes are working well. Key infrastructure has been added to the NYISO's bulk power system in response to NYISO's market signals and market-based planning processes. New York has never had to trigger a regulatory solution or seek further regulatory intervention to maintain reliability. The Local Transmission Planning Processes and CARIS economic planning process are just being implemented now, and all indications are that these processes will contribute to well-informed electric system planning in New York. The NYISO has worked hard to coordinate its planning processes with local and, statewide planning in New York, and with regional, interregional and now interconnection wide planning processes. FERC should allow these new planning processes to take root and

the existing planning processes to continue to succeed. The Commission should not upset the progress these coordinated processes are making by pursuing wholesale changes to NYISO's planning processes at this time.

Respectfully submitted,

NEW YORK INDEPENDENT  
SYSTEM OPERATOR, INC.

*/s/ Carl F. Patka*

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**ATTACHMENT A**

**REGIONAL TECHNICAL CONFERENCE ASSESSING THE ORDER 890  
PLANNING PROCESSES  
PHILADELPHIA, PA  
9/21/09**

**COMMENTS OF HENRY CHAO  
NYISO, VICE PRESIDENT - SYSTEM & RESOURCE PLANNING**

**GOOD MORNING**

**MY NAME IS HENRY CHAO, AND I AM THE VICE PRESIDENT OF SYSTEM & RESOURCE PLANNING FOR THE NEW YORK INDEPENDENT SYSTEM OPERATOR (NYISO).**

**ON BEHALF OF THE NYISO, I WOULD LIKE TO THANK THE COMMISSION AND FERC STAFF FOR THIS OPPORTUNITY TO ADDRESS THE QUESTIONS THAT HAVE BEEN RAISED REGARDING THE IMPORTANCE OF PLANNING ON BOTH A REGIONAL AND INTER-REGIONAL BASIS.**

**THE NYISO VIEWS PLANNING AS A CONTINUOUS, EVOLVING PROCESS, WHICH IS CRITICALLY IMPORTANT TO SUSTAINING A RELIABLE AND EFFICIENT BULK POWER SYSTEM THAT MEETS STATE, REGIONAL AND NATIONAL ENERGY POLICY OBJECTIVES.**

**TO THIS END, THE NYISO SUPPORTS THE NINE PLANNING PRINCIPLES ARTICULATED BY THE COMMISSION IN ORDER 890. WE CONTINUE TO CONDUCT OUR REGIONAL PLANNING PROCESSES IN AN OPEN AND TRANSPARENT MANNER. OUR PLANNING MEETINGS AND ALL RELATED STUDY INFORMATION (WITH SUITABLE PROTECTIONS IN PLACE FOR**

**CRITICAL ENERGY INFRASTRUCTURE INFORMATION (CEII) AND CONFIDENTIAL MARKET DATA) ARE OPEN TO ALL INTERESTED PARTIES. WE HAVE EXPERIENCED VERY ACTIVE STAKEHOLDER PARTICIPATION IN OUR PLANNING PROCESSES, INCLUDING REPRESENTATION BY SEVERAL NEW YORK STATE AGENCIES. IN ADDITION, THE NYISO IS CURRENTLY PARTICIPATING IN SEVERAL BROADER INTER-REGIONAL PLANNING INITIATIVES WHICH SERVE TO FURTHER ENHANCE OUR REGIONAL PLANNING ACTIVITIES.**

**THE NYISO'S APPROACH TO PLANNING IS FOUNDED ON THE STRONG MARKET ORIENTATION THAT HAS CHARACTERIZED THE NEW YORK WHOLESALE ELECTRICITY MARKETS SINCE THEIR BEGINNINGS NEARLY A DECADE AGO. THE NYISO'S PLANNING PROCESS IS A TRULY UNIQUE "ALL RESOURCE" DESIGN, WHICH EVALUATES GENERATION AND DEMAND RESPONSE ON A COMPARABLE BASIS WITH TRANSMISSION AS POTENTIAL SOLUTIONS TO RELIABILITY NEEDS AS WELL AS FOR CONGESTION MITIGATION.**

**OUR COMPREHENSIVE RELIABILITY PLANNING PROCESS HAS BEEN IN PLACE FOR THE PAST FIVE YEARS. IT HAS BEEN WELL RECEIVED BY NEW YORK STAKEHOLDERS AND HAS BEEN UTILIZED BY TRANSMISSION OWNERS, UTILITY REGULATORS AND POLICY MAKERS AS THE REFERENCE POINT FOR SEVERAL NEW YORK STATE PLANNING INITIATIVES. SINCE ITS INCEPTION, NEW YORK STAKEHOLDERS HAVE BEEN ACTIVELY ENGAGED IN, RELY UPON, AND SUPPORT THE NYISO'S RELIABILITY PLANNING PROCESS. WE HAVE ESTABLISHED A DEDICATED STAKEHOLDER GROUP TO WORK WITH THE NYISO ON THE DEVELOPMENT OF ITS PLANNING PROCESSES AND TO PROVIDE INPUT AND REVIEW.**

**AS A RESULT OF ORDER 890, THE NYISO HAS SIGNIFICANTLY EXPANDED ITS PLANNING TO CREATE A COMPREHENSIVE SYSTEM PLANNING PROCESS (CSPP). MOST NOTABLY, THE EXPANDED PROCESS INCLUDES A FORMALIZED LOCAL TRANSMISSION PLANNING PROCESS AND AN ECONOMIC PLANNING PROCESS (CONGESTION ANALYSIS AND RESOURCE INTEGRATION STUDY OR “CARIS”), AS WELL AS COST ALLOCATION PROCEDURES (BASED UPON A “BENEFICIARIES PAY” METHODOLOGY) FOR BOTH REGULATED ECONOMIC AND RELIABILITY PROJECTS. THE COMMISSION HAS CONDITIONALLY ACCEPTED THE NYISO’S COMPLIANCE FILINGS. WE ARE BEGINNING TO IMPLEMENT THE LOCAL TRANSMISSION PLANNING PROCESS NEXT MONTH, IN ADVANCE OF THE NEXT CSPP CYCLE THAT WILL START IN EARLY 2010. WE HAVE SCHEDULED TWO FULL DAYS OF MEETINGS THIS FALL FOR THE NEW YORK TRANSMISSION OWNERS TO REVIEW AND DISCUSS THEIR LOCAL PLANS WITH STAKEHOLDERS.**

**THE NYISO BEGAN WORKING WITH ITS STAKEHOLDERS TO DEVELOP THE DETAILED PROCEDURES AND MODELS NEEDED TO IMPLEMENT ITS ECONOMIC PLANNING PROCESS IN MID-2008. NYISO STAFF AND OUR STAKEHOLDERS HAVE DEDICATED SUBSTANTIAL TIME AND RESOURCES TO MEET THE IMPLEMENTATION SCHEDULE. IN FACT, SINCE THE BEGINNING OF THIS YEAR ALONE, WE HAVE HELD 24 ELECTRIC SYSTEM PLANNING WORKING GROUP (ESPWG) MEETINGS AND CONFERENCE CALLS PRIMARILY FOCUSED ON IMPLEMENTATION OF THE CARIS PROCESS.**

**WE BELIEVE THAT THE SUBSTANTIAL EFFORTS TO DEVELOP AND IMPLEMENT THE NYISO’S EXPANDED LONG-TERM PLANNING PROCESSES SHOULD BE ALLOWED TO COME TO FRUITION BEFORE EMBARKING ON ANY SIGNIFICANT CHANGE IN COURSE. THE NYISO AND ITS STAKEHOLDERS ARE CONTINUALLY LEARNING BY MONITORING AND IMPROVING OUR EXISTING PROCESSES. FOLLOWING THE COMPLETION**

**OF THE INITIAL PHASE OF OUR EXPANDED PROCESS, WE WILL ENGAGE OUR STAKEHOLDERS IN DISCUSSION OF “LESSONS LEARNED.” IF THOSE DISCUSSIONS IDENTIFY THE NEED FOR ANY TARIFF CHANGES, THOSE WILL BE BROUGHT TO THE COMMISSION THROUGH NYISO’S SHARED GOVERNANCE PROCESS.**

**THERE ARE A NUMBER OF OTHER PLANNING INITIATIVES WHICH ARE CURRENTLY UNDERWAY IN NEW YORK—BY THE NEW YORK STATE PUBLIC SERVICE COMMISSION, THE NEW YORK STATE ENERGY PLANNING BOARD AND THE NEW YORK TRANSMISSION OWNERS—IN WHICH THE NYISO IS AN ACTIVE PARTICIPANT. IT IS ANTICIPATED THAT ANY TRANSMISSION PROJECTS RESULTING FROM THESE INITIATIVES WILL THEN BE EVALUATED UNDER THE NYISO’S INTERCONNECTION AND PLANNING PROCESSES.**

**THE NYISO IS ALSO A PARTICIPANT IN A NUMBER OF BROADER INTER-REGIONAL PLANNING ACTIVITIES.**

- UNDER THE NORTHEAST ISO/RTO COORDINATION OF PLANNING PROTOCOL, NYISO HAS JOINED WITH ISO-NE AND PJM IN PERFORMING NUMEROUS INTER-REGIONAL ANALYSES WHICH ARE DOCUMENTED IN THE 2009 NORTHEAST COORDINATED SYSTEM PLAN.**
- THE NYISO IS A PARTICIPANT IN THE DOE-SPONSORED EWITS STUDIES INVESTIGATING THE OPERATIONAL AND PLANNING ISSUES ASSOCIATED WITH INTEGRATION OF LARGE AMOUNTS OF RENEWABLE GENERATION.**

**IN ADDITION, THE NYISO HAS JOINED WITH 23 OTHER PLANNING AUTHORITIES IN THE EASTERN INTERCONNECTION TO FORM THE**



**EASTERN INTERCONNECTION PLANNING COLLABORATIVE ANALYSIS TEAM. *[DAVID WHITELEY WILL BE SAYING MORE ABOUT THIS INITIATIVE ON PANEL #2]* RECENTLY, THE NYISO ALONG WITH OTHER MEMBERS OF THIS GROUP, HAS TAKEN A LEAD ROLE IN DEVELOPING AND SUBMITTING A PROPOSAL TO THE DOE IN RESPONSE TO ITS FUNDING OPPORTUNITY ANNOUNCEMENT TO ESTABLISH AN EASTERN INTERCONNECTION –WIDE OPEN COLLABORATIVE PLANNING PROCESS.**

**IN CONCLUSION, THE NYISO HAS AN OPEN, ACTIVE AND ROBUST PLANNING PROCESS FOR ITS REGION, WHICH MEETS ALL OF THE REQUIREMENTS OF ORDER 890. NYISO IS ALSO ACTIVELY ENGAGED IN SEVERAL BROADER INTER-REGIONAL PLANNING INITIATIVES WITH ITS NEIGHBORS. WE LOOK FORWARD TO CONTINUING TO EVOLVE LONG TERM ELECTRIC PLANNING PROCESSES WITH FERC, DOE, OUR NEIGHBORS AND ALL INTERESTED PARTIES.**

## **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (2009).

Dated at Rensselaer, NY this 23rd day of November, 2009

By: /s/ Joy A. Zimmerlin  
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