



*FERC NOPR on
Transmission Planning &
Cost Allocation
Proposed NYISO Comments*

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**ESPWG Meeting
NYISO Offices- Albany**
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Overview

- ◆ **FERC NOPR on Transmission Planning & Cost Allocation**
 - *Issued on 6/17/10 (Docket RM10-23-000))*
 - *Comments Due: August 30, 2010*
- ◆ **Follow-up to the Order 890 Technical Conferences held in Fall 2009 and the Staff Request for Comments issued in October 2009**
- ◆ **FERC notes that, although significant progress has been made in regional planning since the issuance of Order 890, “..significant changes have taken place in the industry... which requires the Commission to consider additional reforms” (NOPR Para 33)**

FERC's Areas of Concern

- ◆ **Lack of a requirement for a regional plan (P35)**
- ◆ **Lack of consideration of transmission needs driven by state and federal public policy (P 36)**
- ◆ **Obstacles to non-incumbent transmission providers (P 38)**
- ◆ **Relative lack of coordination between regions (P 39)**
- ◆ **Existing cost allocation methodologies may inhibit the development of cost-effective transmission (P 40)**

Regional Planning

- ♦ **FERC proposes to require that all transmission providers have a transmission planning process in place that meets Order 890's nine Planning Principles and includes development of a comprehensive system plan (P 50)**

Proposed Comments:

- **NYISO is already compliant with Order 890's Planning Principles for reliability & economic projects**
 - ***Cite to relevant FERC Orders***
- **Support IRC comments that existing ISO/RTOs are considered "regions" for the purpose of this NOPR**

Public Policy Driven Projects

- ◆ FERC proposes to require a tariff amendment to explicitly provide for consideration of public policy requirements established by state or federal laws or regulations in local and regional transmission planning (P 64)
- ◆ Allows for regional flexibility in meeting this requirement (P65)
- ◆ In addition to existing reliability and economic planning requirements (P 64)
- ◆ Not intended to infringe on state authority (P69)

Proposed Comments:

- Support regional flexibility
- NYISO already has mechanisms to “consider” public policy
 - *CSPP Scenario Analysis*
 - *Provides technical analysis for the NYS Energy Planning Board process*
 - *Special studies – e.g. – NYISO Wind Study*
- “Identification” of public policy requirements is the province of state and federal authorities

Non-Incumbent Transmission Providers

- ♦ **FERC proposes the elimination of right-of-first refusal (“ROFR”) tariff provisions for incumbent transmission providers with respect to building proposed facilities that are included in a regional transmission plan (P 93)**

Proposed Comments:

- **NYISO is already compliant**
 - *There is no “ROFR” in NYISO’s Tariffs*
- **CRPP has explicit provisions for non-incumbent developers to submit Alternative Regulated Solutions**
- **All solutions and solution types are considered by NYISO at the same time on a comparable basis**
 - *Reliability solutions are analyzed for NYPSC, which decides on solution from Responsible TOs and non-TO alternatives*
- **CARIS has no restrictions as to who may propose a regulated economic project for evaluation**

Non-Incumbent Transmission Providers

- ◆ Other requirements include:
 - *Qualification criteria for participation (P90)*
 - *Form to provide information on proposed project (P91)*
 - *Transparent evaluation process (P92)*
 - *Right to resubmit; right to develop (P 95)*
 - *Comparable rights to cost recovery under regional cost allocation process (P 96)*

Proposed Comments:

- Support need for qualification criteria for inclusion in its planning processes
 - *NYISO planning process already has such criteria*
- Support IRC comments that a new “ROFR” right should not be created for non-incumbents
 - *NYISO treats all proposals on a comparable basis*
 - *PSC selects solutions for regulated backstop solutions*
- Support for requiring participation in a regional planning process as a pre-requisite for cost recovery
 - *Merchant projects need not participate*

Interregional Planning

- ♦ FERC proposes to require each transmission provider to enter into bilateral planning arrangements with each of its neighboring regions within its Interconnection (P114)
 - *Multilateral agreements among regions are encouraged—but not required*

Proposed Comments:

- Support proposed scope
- Support encouragement & “non-interference” with EIPC
- Support requirement for inclusion of inter-regional projects in each region’s transmission plan as a pre-requisite for inter-regional cost recovery

Interregional Planning

- ◆ **Must file interregional planning agreements with FERC (P120)**
 - ***Proposed specific requirements for such agreements including a formal procedure to identify and jointly evaluate facilities to be located in both regions***

Proposed Comments:

- ***“Northeast ISO/RTO Coordination of Planning Protocol” previously found to be compliant with Order 890’s (Inter-) Regional Planning principle***
- ***Additional requirements in Final Rule will build on the existing Protocol***

Cost Allocation

- ◆ **FERC states the “Need for Reform” is based on the following:**
 - ***Comments in response to the October 2009 Staff Request (P 138)***
 - ***Since few existing rate structures provide for cost allocation outside ISO/RTOs or for interregional projects, this poses significant risks for developers’ cost recovery (P 152)***
 - ***FERC asserts that cost allocation within ISO/RTOs is “often contentious and prone to litigation” (P 152)***
 - ***FERC concerns over the “free rider” problem—especially for interregional projects (P 153)***

Cost Allocation: Proposed Reforms

- ◆ **More closely align the transmission planning & cost allocation processes (P156)**
- ◆ **Every transmission provider must have a cost allocation mechanism and methodology in its tariff for facilities included in its transmission plan (P159)**
- ◆ **Cost allocation methods may differ for different types of facilities (e.g. – reliability, economic, public policy) (P160)**
- ◆ **Each transmission provider to develop a method to allocate the costs of interregional facilities (P161):**
 - *Between two regions; or*
 - *Among beneficiaries within the two neighboring regions*
- ◆ **FERC provides principles that all cost allocation procedures must meet (P 162)**

Cost Allocation: Intra-regional

- ♦ Cost allocation to be “roughly commensurate” with estimated benefits
- ♦ No costs allocated to those who receive no benefits
- ♦ B/C threshold, if used, may not exceed 1.25
- ♦ Costs totally allocated within the region
 - *Unless an external entity agrees to share voluntarily*
- ♦ Process must identify consequences in other regions
 - *May include cost allocation for any upgrades*
- ♦ Transparent and documented process
- ♦ Different allocation methodologies allowed for different types of facilities

Proposed Comments:

- Support “beneficiaries pay”
 - *No costs can be involuntarily allocated to those who do not benefit*
- Support regional flexibility
- NYISO already compliant for reliability and economic projects
- Seek clarification that NOPR does not require cost allocation process for public policy projects

Cost Allocation: Interregional

- ♦ Transmission providers in each pair of neighboring regions to develop a mutually agreeable cost allocation methodology for a transmission facility located in both regions for inclusion in each region's tariff (P172)
- ♦ Principles are similar to intra-regional cost allocation, except:
 - *Costs may be assigned only to regions where the facility is located*
 - *Costs cannot be assigned involuntarily to a region in which the facility is not located*
- ♦ FERC will not propose a uniform methodology (P165)
- ♦ If region(-s) cannot agree, FERC will decide (P166)
- ♦ Principles do not prohibit voluntary participant funding (P 168)

Proposed Comments:

- Support Beneficiaries Pay
 - *Costs only allocated to regions in which the facility is located*
 - *No costs can be involuntarily allocated to other regions*
- Support regional flexibility
- Support voluntary processes
 - *Voluntary participant funding*
- Caution FERC against imposing a mandatory inter-regional cost allocation methodology
 - This would likely result in a lengthy litigation process

Proposed Schedule

- ♦ **Comments on NOPR**
 - *Due 60 days from publication in Federal Register – August 30, 2010*
- ♦ **Compliance filing will be required on everything except interregional planning and cost allocation**
 - *Due 6 months from effective date of Final Rule*
- ♦ **Compliance filing on interregional planning & cost allocation**
 - *Due 1 year from effective date of Final Rule*

Proposed Comments:

- **Proposed one year deadline for filing on Inter-regional planning and cost allocation may be too short**

Questions

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The New York Independent System Operator (NYISO) is a not-for-profit corporation that began operations in 1999. The NYISO operates New York's bulk electricity grid, administers the state's wholesale electricity markets, and provides comprehensive reliability planning for the state's bulk electricity system.

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