

## “HALTING” A REGULATED SOLUTION

NYISO Proposal 5/9/05

Tariff section 9.0(c) provides

The NYISO, in conjunction with ESPWG, will develop the criteria for halting a regulated solution that is already underway because of the entry of a viable market-based solution that the NYISO has determined will meet the same Reliability Need. Such criteria shall also establish a cut-off point following which a regulated solution may not be cancelled regardless of the appearance of a market-based solution.

General principles:

Preserve PSC siting authority

Preserve NYISO role in determining “fitness” of projects to meet reliability needs identified in the RNA.

Preserve a TO’s cost recovery rights under the NYISO rate recovery mechanism and the NYISO/TO Reliability Agreement for TO regulated solutions necessary to meet reliability needs identified in the CRP, including alternative regulated solutions implemented by a TO.

Proposed approach:

1. NYISO requests the Responsible TO to submit its proposal for a backstop regulated solution to the appropriate state regulatory agency or agencies to begin the approval process, pursuant to § 8.4(a) of Attachment Y.
2. New market-based proposals (i.e. – those not evaluated by NYISO prior to the NYISO’s request under § 8.4(b) that the Responsible TO seek state regulatory approval) are referred to the appropriate state regulatory agency for possible consideration in the state regulatory approval process.
3. The appropriate state regulatory agency may, at its discretion, request that the NYISO conduct a reliability review of a new market-based proposal; NYISO will report the results of its review to the requesting state regulatory agency.
4. The appropriate state regulatory agencies decide whether to certificate the TO’s regulated project or an alternative regulated solution.
5. If a material modification to the TO’s backstop regulated solution is proposed in the state regulatory approval process, the Responsible TO will request the NYISO to conduct a supplemental reliability review. If the

NYISO identifies any reliability deficiency in the modified solution, the NYISO will so advise the Responsible TO and the appropriate state regulatory agency.

6. If the appropriate state regulatory agencies do not approve the TO's regulated solution or an alternative regulated solution, all of the costs incurred and commitments made by the TO up to the final state regulatory decision will be recoverable by the TO under the NYISO cost recovery mechanism.
7. If the appropriate state regulatory agencies approve the TO's regulated solution or an alternative regulated solution all costs related to the planning and implementation of the regulated solution will be recoverable under the NYISO cost recovery mechanism.
8. Entry of a market-based project subsequent to state regulatory certification will not result in the halting of a TO regulated solution by the NYISO. The NYISO is not required to review market-based proposals after the TO regulated solution receives state regulatory approval, unless a state regulatory agency refers a market-based proposal to the NYISO for review. The NYISO will report the results of its review to the state regulatory agency. If a TO regulated solution does not receive necessary state and local authorizations or a necessary state or local authorization is withdrawn, the TO will be entitled to recover all expenditures and commitments made up to that point.