

Phase II: NYISO COMPREHENSIVE TRANSMISSION PLANNING PROCESS

RELIABILITY PROCESS ISSUES

By

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ESPWG Meeting

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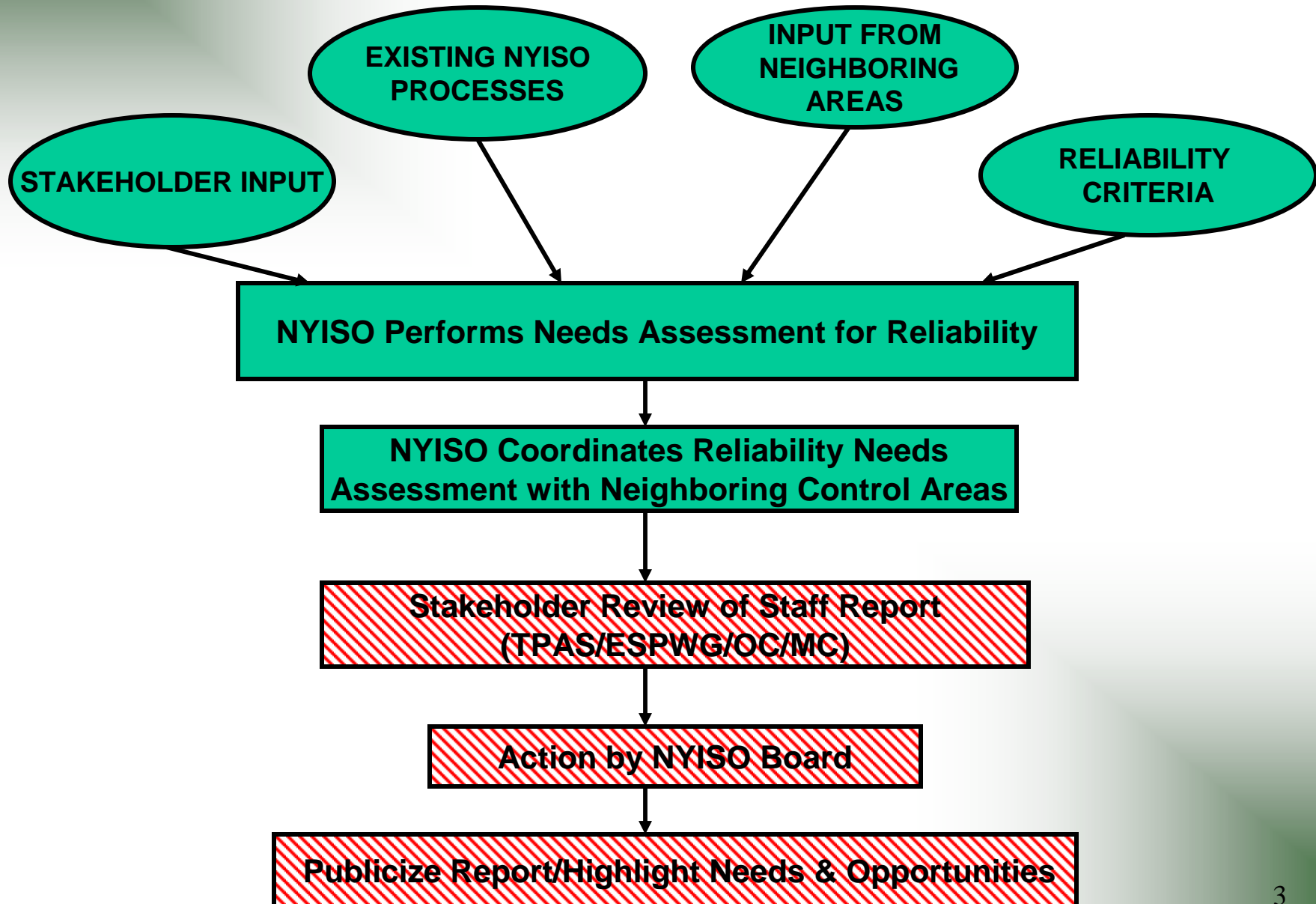
Albany

Reliability Process: Phase I

- **Initial Steps Remain the Same:**
 - *Initial stakeholder inputs*
 - *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



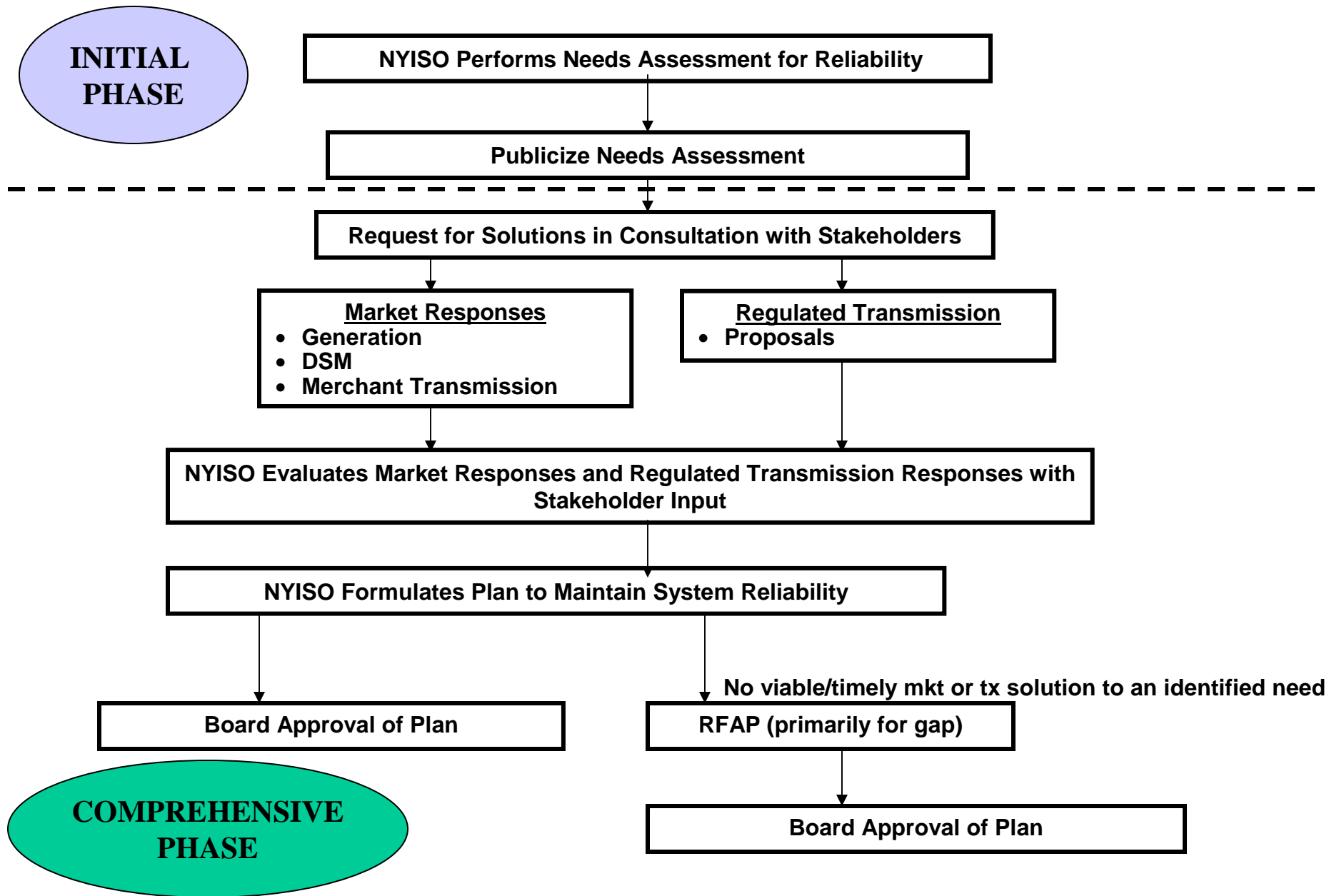
Reliability Process: Phase II

- Today's objective is to discuss the Phase II process issues associated with reliability needs **ONLY**
- This discussion will **NOT** include economic needs
- This discussion 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



Needs Assessment

- Phase I Needs Assessment will not identify specific facilities to meet the identified needs
- **Phase II Needs Assessment Issues for Discussion**
 - *Should Phase II needs assessment identify specific transmission facilities?*
 - *Should Phase II needs assessment identify generation or demand response facilities?*
 - *Should the NYISO attempt to make a determination of a “preferred” solution?*
 - ▶ If so, based upon what criteria: feasibility, least cost, other?

Request for Solutions

Market-Based Proposals

- 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 (Cont'd)

➤ **Market Based Responses: Issues for Discussion**

- *What is an appropriate time period for response?*
- *What are the qualifications/criteria for a valid response?*
- *Is there any commitment required at this stage of the process on the part of the respondent?*
- *Is there any commitment on the part of the NYISO?*

Request for Solutions (Cont'd)

Regulated Transmission Responses

- TOs would have an obligation to prepare regulated transmission proposals to meet reliability needs
- Within the same time period allowed for market-based responses
- **Issues for Discussion:**
 - *What are the qualifications/criteria for a valid response?*
 - *Should the NYISO designate the responsible TO in cases where it is not apparent?*
 - *Must the TOs' response include those facilities identified by the NYISO?*
 - *Can the TOs propose different responses other than those identified in the NYISO's Needs Assessment?*

NYISO Evaluation Process

- **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*
- **If Market proposals are judged insufficient, NYISO will turn to regulated transmission proposals, which, if sufficient, will be included in the plan**
- **If market-based proposals are not forthcoming, the NYISO will investigate whether that is due to market failure, and if so, will propose appropriate modifications.**
- **If neither market proposals nor regulated transmission proposals can satisfy the need in a timely manner, the NYISO will have the discretion to seek a “Gap” solution**

NYISO Evaluation Process (Cont'd)

➤ Issues for Discussion:

- *What are the criteria to determine that a market-based response will continue its viability to meet the need?*
- *Should there be specified milestones that a market-based project must meet?*
- *Should the NYISO immediately turn to a regulated solution if no market-based response is viable?*
- *Should market proposals be allowed to compete with TOs for regulated treatment? How would this be done?*

Review and Approval Process

- NYISO staff issues draft plan including recommended transmission upgrades, if needed for reliability
- NYISO Staff draft plan circulated for stakeholder review and comment
- NYISO makes revisions as appropriate
- Final draft plan sent to OC?/BIC?/MC 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 (Cont'd)

➤ Issues for Discussion:

- *Specific review and approval process is dependent on the determination of the responsible committee/subcommittees*
- *What discretion does NYISO Staff have in addressing stakeholder comments on plan?*
- *In the event of a difference of opinion, will both Staff and Stakeholder positions be presented?*
- *Should there be provisions for addressing minority opinions?*
- *Should the normal NYISO appeals process apply to the review and approval of the Comprehensive Plan?*

Reliability Upgrades: TO Role

- TOs would assume the obligation to build a regulated transmission reliability upgrade that is included in the final NYISO Plan
 - *Issues for Discussion:*
 - ▶ Should the NYISO have the authority to designate a specific TO(-s) to build a reliability upgrade?
 - ▶ Should TOs have the “right of first refusal”?
 - ▶ Should TOs be required to contract for construction?
 - ▶ Can an entity other than the franchise TO build a regulated reliability upgrade?
 - ▶ Should TOs retain ownership of all reliability upgrade facilities regardless of who constructs them?

Reliability Upgrades: TO Role

- 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.
- **Issues for Discussion:**
 - *Should the NYISO Tariff be the vehicle for TO's cost recovery?*
 - *Should regulatory agencies give deference to a reliability upgrade included in the NYISO Plan?*
 - *Should incentives be provided for construction of reliability upgrades?*

“Gap” Solutions for Reliability Needs

➤ If reliability is threatened, the NYISO must have a means to meet the need.

■ *Discussion Topics:*

- ▶ Should TOs assume the obligation to build in such situations?
- ▶ Should the NYISO issue an “all source” RFP?
- ▶ Should the NYISO determine the “least cost” proposal?
- ▶ Should the NYISO contract directly with resources?
- ▶ How to define the period of need/length of contract?
- ▶ What happens when “gap” period expires?

Other Issues

➤ 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?

➤ Removal of Upgrades from the NYISO Plan

- *Cost recovery should be provided*
- ***Issues for Discussion:***
 - ▶ What is the criteria for removal of a project from the plan?
 - ▶ How to define costs?

OTHER ISSUES

??QUESTIONS??