

National Grid comments on NYISO's proposed Comprehensive Planning Process

Needs Assessment

Request for Solutions

NYISO Role in Economic Projects

Stakeholder Roles

NYISO Evaluation

Gap Solutions

Cost Allocation

Planning Committee

Comprehensive Planning Process: Needs

➤ Needs Assessment

- *Discussion: Should needs assessment include economic needs? **Yes!***

➤ Goal is to ensure that needed upgrades are built to maintain reliability

- *Discussion: And to meet economic needs/reduce congestion? **Yes!***

The FERC April 28, 2003 paper on Wholesale Power Market Platform contemplates a planning and expansion process in which the RTO or ISO must be responsible for planning, and for directing or arranging, necessary transmission expansions, additions, and upgrades that will enable it to *reliably and economically* serve the needs of customers in the region and coordinate such efforts with appropriate state authorities. National Grid supports this initiative and notes that ERCOT, PJM and ISO-NE have already established such processes.

Comprehensive Planning Process: RFS

➤ Request for Solutions

- *Following issuance of Needs Assessment*

Note that the issuance of the Needs Assessment is an inherent RFS. Since market based proposals are continuously submitted to NYISO, this is unnecessary as a formal step.

▶ **Discussion:** To include economic needs? **Yes!** The SMD proposal discussed a regional planning process that may include a requirement that the independent transmission provider (RTO or ISO) participate in an open regional planning process that will identify transmission investments that are expected to be needed during the planning period ***to maintain system reliability, reduce network congestion to reduce costs and increase generation supplies available to the region, and promote truly competitive regional wholesale electricity markets*** and publicize its assessment of those needs.

- *Open to all resources* **Yes!**
- **NOT an RFP** FERC's white paper indicates that it would not require that the RTO or ISO use a Request for Proposal (RFP) process associated with transmission upgrades under the regional planning process. As explained in the attached white paper, National Grid believes that a mandatory formal RFP is both unnecessary and inimical to the Commission's objectives.

➤ **Market Solutions**

- *What is an appropriate time period for response? **Market solutions are expected to be continuously submitted to NYISO. A cutoff date for market solutions to be included in the final plan should be established depending on the issue date of the plan (annual, biennial, triennial?), the need date, and the lead-time required for the regulated transmission backstop solution should market responses be insufficient.*** The SMD proposal discussed a regional planning process that may include the ongoing opportunity for developers of merchant projects -- including generation, demand side, and transmission -- to develop projects consistent with the regional plan that would be financed entirely from anticipated market revenues obtained from generators, marketers and their customers.
- *What are the qualifications/criteria for a valid response? **Milestones must be developed and monitored by the NYISO.***
- *Is there any commitment required at this stage of the process on the part of the respondent? **No commitment on behalf of market respondents.***
- *Is there any commitment on the part of the NYISO? **To actively follow progress of market solutions and support regulated backstop development until a market solution is actually available.***

➤ Regulated Transmission Solutions

- *TOs would have an obligation to prepare regulated transmission proposals to meet reliability **and economic** needs*
 - ▶ **Discussion:** Obligation to submit/"voluntary" submission of regulated solutions for economic needs? ***This is the job of TOs in their regulated backstop role. If a TO does not submit a proposal, another TO could develop one.***
- *What are the qualifications/criteria for a valid response? **Must meet the need identified by NYISO.***
- *Should the NYISO designate the responsible TO in cases where it is not apparent? **No, the TOs will respond to the needs statement and the NYISO will evaluate all responses.***
- *Must the TOs' response include those facilities identified by the NYISO? **Although the NYISO might identify stressed facilities in the needs statement, the TOs should be responsible for developing the solutions. NYISO should coordinate regulated transmission backstop solutions offered by TOs in the evaluation phase.***

➤ **Regulated Transmission Solutions (cont'd)**

- *Can the TOs propose different responses other than those identified in the NYISO's Needs Assessment? **NYISO would coordinate all regulated responses and compile, in its published plan, regulated solutions that eliminate the needs of the overall system once the effects of market responses have been determined.***

Comprehensive Planning Process

➤ NYISO Role in Economic Projects

- *Should the NYISO provide projections of congestion to marketplace? **Yes!***
- *Should the NYISO develop criteria to determine an “economic need”? **Yes!***
- *Should the NYISO identify specific projects which can meet the need? **NYISO, through Needs Assessment, provides information to the marketplace. NYISO evaluates whether market responses meet all needs. If not, NYISO should coordinate regulated transmission backstop solutions offered by TOs in the evaluation phase.***
- *Should the NYISO have the authority to direct expansion to meet an economic need? **Yes, for regulated transmission backstop solutions subject to PSC authority and approval regarding cost recovery and siting.***

Comprehensive Planning Process

Regulated Upgrades: TO Role

- TOs would assume the obligation to build a regulated transmission reliability **or economic** upgrade that is included in the final NYISO Plan The SMD proposal discussed a regional planning process that may include a requirement that certain transmission owners assume the obligation to build on a regulated basis transmission upgrades that are required *for reliability, to reduce congestion, and to facilitate competition between generators* within the region if merchant projects do not fill the needs identified by the RTO or ISO.
 - **Discussion:** *Should TOs have the “right of first refusal”? **This term has created confusion. The impacts of market responses should be evaluated first. If there are remaining needs, regulated transmission solutions submitted by TOs should then be evaluated. Finally, TOs should have the right and obligation to build such solutions as the TO sees fit.***
 - **Discussion:** *Should TOs be required to contract for construction? **No, this intrudes on a TO’s business need to manage its assets.***

Regulated Upgrades: TO Role (cont'd)

- **TO obligation is subject to ability to recover costs**
 - *Requires FERC and PSC concurrence*
 - *Discussion: Should regulatory agencies give deference to the NYISO Plan? **Yes, regarding the technical and economic merits.***
 - *Discussion: Should there be incentives to construct? **This is a FERC/PSC issue. FERC has offered enhanced ROEs to stimulate required transmission investment.***
- **TO Obligation is also subject to obtaining siting approval, local permits, etc. *Agree!***

Economic Upgrades: TO Role vs Market Role

➤ TO Role

- ▶ Should TOs have an obligation to build economic upgrades? **Yes, subject to recovery and siting caveats.**
- ▶ Can TOs choose to respond to economic needs on a voluntary basis? **No, TOs should have a backstop obligation.**
- ▶ Should TOs have any preferential ability with regard to economic upgrades? **Only to the extent that they would arrange to construct, own and maintain a regulated transmission solution that is warranted by the plan.**
- ▶ Should TOs be precluded from addressing economic needs with a regulated transmission project? **No!**

➤ Market Role

- ▶ Should market response to economic needs be purely voluntary? **Yes, market entities have no obligation to build.**
- ▶ Should market response be open to “all resources?” **Yes, as long as option to seek a subsidy with regulated cost recovery is permanently waived.**

➤ **NYISO Evaluation of Proposals**

- *If Market proposals are judged sufficient to meet the identified needs in a timely manner, plan will so state*
 - ▶ NYISO will monitor status of market projects to ensure needs will be met
- *Should there be specified milestones that a market-based project must meet? **Yes, in order to be taken into account in the plan.***
- *What are the criteria to determine that a market-based response will continue its viability to meet the need? **Commercial viability criteria (e.g. site control, contractual arrangements, siting permits, financial strength, etc.) should be established to aid in determining whether to defer the development of regulated transmission backstop solutions.***
- *If Market proposals are judged insufficient, NYISO will turn to regulated transmission proposals, which will be included in the plan*
- *Should the NYISO attempt to make a determination of a “preferred” solution? **No, for market responses. NYISO should coordinate regulated transmission backstop solutions offered by TOs.***

➤ **NYISO Evaluation of Proposals (cont'd)**

- *Should the NYISO immediately turn to a regulated solution if no market-based response is viable? **Yes, to authorize construction of short lead time backstop solutions and to authorize development of long lead time backstop solutions, subject to deferral only upon the commercial availability of market responses need to cover the identified need.***
- *Should market proposals be allowed regulated treatment? How would this be done? **No, if some merchant projects receive subsidies through regulated rates because they are selected as “winners” by the NYISO, those projects will have an unfair advantage over their competitors in the wholesale electricity markets. Refer to attached white paper for more on this subject.***

➤ “Gap” Solutions

▪ *Discussion Topics:*

- ▶ Should TOs assume the obligation to build? ***Gap solutions may be necessary for an interim period until the preferred regulated transmission solution is in place. Since Gap solutions will by definition be a subset of market responses, TOs should not have an obligation to build them.***
- ▶ Should the NYISO issue an “all source” RFP? ***Only for interim solutions and only to address reliability needs.***
- ▶ Should the NYISO contract directly with resources? ***Yes!***
- ▶ Should “gap” solutions be limited to reliability needs? ***Yes!***
- ▶ How to define the period of need/length of contract? ***Until the regulated transmission solution can be placed in-service.***
- ▶ What happens when “gap” period expires? ***Regulated subsidy for reliability benefit is replaced with permanent regulated backstop solutions.***

Cost Allocation

➤ For Reliability Upgrades

- ▶ Should upgrades with local benefits be included in TO retail rates? **Yes!**
- ▶ Should upgrades with statewide benefits be included in NYISO Tariff? **Yes and in retail rates.**
- ▶ Need to develop criteria to determine local/statewide benefit **Yes! Need a default mechanism for cost allocation**, e.g., Regional cost support for looped facilities, generally 115kV and above. Local funding for local benefit upgrades (radial 115kV and most facilities below 115kV) and localized costs (e.g. premium for incremental underground requirements of the looped facilities). Interconnection customer funding for generator interconnection related upgrades.

➤ For Economic Upgrades

- ▶ “Beneficiaries Pay” vs regional recovery? **Use the reliability default until alternative criteria is in place.**
- ▶ Need to develop criteria to determine “beneficiaries” **Agree, but it has to be implemented in pragmatic way without a case-by-case debate.**
- ▶ Need to develop a mechanism for revenue recovery **Agree.**
- ▶ Applies to economic upgrades associated with the NYISO Plan **Agree.**
- ▶ Does not apply to market-driven responses **Agree.**

Procedural Issues

- **Consider formation of a Planning Committee**
 - *Reporting to the Management Committee*
 - *To recognize the critical importance of the NYISO Planning function*
 - *To administer the Comprehensive Planning Process*
 - *To consolidate responsibility for other Planning functions*
 - *Need to decide what existing committees should report to the Planning Committee*
 - *Need to determine inter-relationships with BIC and OC*
 - *Advisory only*