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September 30, 2014

Via Email

Henry Chao
Vice President, System & Resource Planning
New York Independent System Operator
10 Krey Boulevard
Rensselaer, New York 12144

Re: NYISO Solicitation of Transmission Needs Driven by Public Policy Requirements

Dear Mr. Chao:

This filing responds to NYISO's August 1, 2014 solicitation of transmission needs driven by Public Policy Requirements ("PPRs") and is submitted on behalf of the New York Power Authority ("NYPA"). NYPA requests that NYISO forward to the New York State Department of Public Service ("NYDPS") a transmission need driven by several PPRs to mitigate transmission constraints affecting Western New York in order to allow full access to and facilitate efficient dispatch of clean, renewable and low-cost hydropower from the Niagara Power Plant.

NYPA's Niagara Plant, located on the Niagara River in the City of Niagara Falls, the Town of Niagara, and the Town of Lewiston (all located within Niagara County), is the largest producer of electricity in New York State, providing more than 10% of the State's electricity demand, and the nation's fifth largest electric production facility. Moreover, it is the largest renewable resource in New York State and generates roughly 2.4 gigawatts of zero-emission, carbon-free hydroelectricity.

Unfortunately, transmission constraints in the Niagara Plant's electrical vicinity have prevented its full economic and environmentally beneficial use. These constraints have forced additional use of non-renewable, carbon-emitting generation beyond what would have been required if the Niagara Plant were not transmission constrained.

There are four existing Public Policy Requirements ("PPRs") that support NYPA's proffered transmission need driven by PPRs: 1) Article 6 of the New York Energy Law, which mandates preparation of a New York State Energy Plan ("Energy Plan")¹; 2) the Regional

¹ 2014 New York State Draft Energy available at <http://energyplan.ny.gov/Plans/2009.aspx>; see also, New York Energy Law, Article 6 (2014).

Greenhouse Gas Initiative² (“RGGI”); 3) New York State’s Renewable Portfolio Standards³ (“RPS”); and 4) the Niagara Redevelopment Act.⁴ The Energy Plan is a statutory requirement that, inter alia, addresses “strategies for facilitating and accelerating the use of low carbon energy sources and/or carbon mitigation measures.”⁵ A key initiative of the 2014 Draft New York State Energy Plan is to “reduce environmental impacts associated with our energy system.”⁶ The Draft Energy Plan cautions that “[i]t is essential to guard against failures of the existing transmission system, since such failures not only raise safety and reliability concerns, but also can lead to increased system congestion, with related higher electricity costs and power plant emission levels goals.”⁷ Further, “maintenance of safe and reliable service at a just and reasonable cost, including guarding against the failure of existing transmission and distribution facilities, is a primary objective for the State.”⁸ Relief of Western New York transmission congestion in the vicinity of the single largest New York State electricity producer and the State’s largest renewable resource is a worthy and appropriate investment to effectuate the policy goals of Article 6 of the New York Energy Law and the 2014 Draft Energy Plan to reduce carbon emissions, relieve transmission constraints that are “bottling” renewable resources, and enhance transmission system reliability in the region.

RGGI, a cooperative effort among nine states - Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont – seeks to “stabilize and then reduce anthropogenic emissions of CO₂, a greenhouse gas, from CO₂ budget sources in an economically efficient manner.”⁹ Carbon-emitting generation assets must procure allowances to offset their emissions. When renewable assets such as NYPA’s Niagara Plant are constrained and their output is limited, increased fossil-fuel generation must be dispatched, which not only increases carbon and other air emissions, but also drives up the price of RGGI allowances. The identification of a transmission need here will further the objectives of RGGI, as it has the potential to reduce both pollution and ratepayer costs.

The goal of the RPS is increased use of renewable, non-fossil fuel electricity throughout the New York State. NYPA’s hydropower assets, including the Niagara Plant, are included in the baseline percentage for renewables within the State, and account for “vast majority” the State’s renewable assets.¹⁰ Alleviating Western New York transmission congestion will increase the amount of consumable renewable power from the Niagara Plant and further the RPS’ policy objective to increase the use of non-fossil fuel electricity.

² See 21 NYCRR Part 507 (2014) and 6 NYCRR Part 242 (2014).

³ Case 03-E-0188, Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard, Issued and Effective September 24, 2004.

⁴ 16 U.S.C. § 836 (2014).

⁵ New York Energy Law, § 6-104(2)(i).

⁶ 2014 Draft New York State Energy Plan, Volume I: Shaping the Future of Energy, p.57, available at <http://energyplan.ny.gov/Plans/2014.aspx>.

⁷ 2014 Draft New York State Energy Plan, Volume II: Technical Appendix - Sources, p.8, available at <http://energyplan.ny.gov/Plans/2014.aspx>.

⁸ 2014 Draft New York State Energy Plan, Volume II: Technical Appendix - Sources, p.38, available at <http://energyplan.ny.gov/Plans/2014.aspx>.

⁹ 6 NYCRR § 242-1.1.

¹⁰ Case 03-E-0188, Retail Renewable Portfolio Standards, Issued and Effective September 24, 2004, p. 3.

Western New York’s transmission constraints pose a challenge to the objective of the Niagara Plant’s enabling statute. The Niagara Redevelopment Act expressly states that “at least 50 per centum of the [Niagara] project power shall be available for sale *and distribution* primarily for the benefit of people as consumers...to whom such power shall be made available at the lowest rates reasonably possible and in such manner *as to encourage [its] widest possible use.*”¹¹ (Emphasis supplied). Relieving transmission constraints in Western New York will allow the Niagara Plant to better meet its legislative mandate and will bring increased clean, low-cost energy to the consumers of New York State.

Relieving Western New York’s transmission congestion would further the objectives of the four aforementioned PPRs, by enabling full use of the renewable, non-carbon producing generation available from the Niagara Plant. Pursuant to the public policy goals of Article 6 of the New York Energy Law and its associated Energy Plan, RPS, RGGI and the Niagara Redevelopment Act, it is therefore appropriate that the NYDPS identify the relief of Western New York congestion as a transmission need driven by these PPRs for which the NYISO should solicit projects for NYISO cost recovery and allocation.

NYISO’s August 1 solicitation also requested, consistent with Section 31.4.2 of the OATT, that parties identifying proposed transmission needs driven by PPRs provide suggested evaluation criteria. Accordingly, NYPA proposes the following criteria to be used in evaluating projects proffered to satisfy the transmission need:

1. Ability to provide congestion relief in the western portion of the system
2. Ability to facilitate greater dispatch and utilization of renewable and non-carbon producing resources, including the Niagara Plant

For the reasons set forth above, NYPA requests that NYISO submit to the NYDPS its proposal that the alleviation of congestion in Western New York is a transmission need driven by existing Public Policy Requirements.

Sincerely,

Glenn D. Haake

Glenn D. Haake
Principal Attorney

Cc:
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Zachary Smith

¹¹ 16 U.S.C. § 836(b)(1).