



ISO Coordination Meeting  
April 5, 2001

## **ICAP Deliverability**

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## *History of Cost Allocation Policy Process*

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- Interconnections Issues Task Force (IITF) was tasked by the Business Issues Committee (BIC), in August 2000, to address cost responsibility issues regarding the interconnection of new facilities (generation and transmission) to the existing power grid.
  - The cost allocation policy under development is for connection to the system only, not for delivery across the system (in PJM parlance, an “energy only” facility; in NE/NY, this is a minimum interconnection standard or MIS).
  - It is anticipated that the cost allocation policy, described later in this presentation, will be presented to BIC for approval at the April 2001 meeting.
  - If approved by BIC, this policy will then go to FERC for approval.
- Next major cost allocation policy that will need to be developed is for upgrades necessary for deliverability.
  - Currently proposed to be addressed at MSWG, although not currently assigned within the ISO.

## *Evolving Issue*

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- Transmission Planning Advisory Subcommittee (TPAS) developed Minimum Interconnection Standard (MIS)
  - MIS addresses direct connection to the system only, not delivery across (i.e. Energy Only)
  - Cost allocation for MIS was deferred to the Interconnection Issues Task Force (IITF)
- IITF tasked by the Business Issues Committee (BIC), in August 2000, to address cost responsibility issues regarding the interconnection of new facilities under the MIS
  - It is anticipated that the MIS cost allocation policy will be presented to BIC for approval at the April 2001 meeting
  - If approved by BIC, this policy will go to FERC for approval.

## *Summary of Draft MIS Cost Allocation*

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- Transmission Owners will be responsible for upgrades required to reliably serve load in the transmission district.
  - A year-by-year plan for 5-years will be developed by the transmission owner in cooperation with the NYISO and/or the RTO-facilitated Transmission Planning Committee. This plan will be reviewed and updated annually.
  - If insufficient capacity exists within the transmission district, new capability projects will be assessed by the transmission owner (e.g., new transmission ties to neighboring regions with excess capacity or new generation projects sized and located to meet the required need).
- Developers are 100% responsible for direct connect or attachment facilities.
- System upgrades necessary to allow connection of developer projects to the transmission system (e.g., breakers) will be allocated among developers according to the “true up” study performed for each class year.
  - System upgrade facilities will be allocated according to each developer’s contribution (e.g., if a breaker needs to be replaced due to the connection of Project A and Project B whereby Project A contributes 5kA and Project B contributes 10kA. If the breaker replacement costs \$100k, Project A will be assessed \$33.3k and Project B will be assessed \$66.6k. Future development projects using excess capability on this breaker will reimburse Project A and Project B according to its contribution.

## Summary of Draft MIS Cost Allocation (cont.)

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- Costs for system upgrades necessary for developer projects will not be based on the NYISO study queue. Instead, costs will be allocated according to a “true up” study for the “class year”.
  - To qualify for the “class year”, the project must have an approved system reliability impact study (SRIS) and have their Article X, Article VII, or equivalent deemed complete within the preceding 12 months of the “true up” study initiation date.
  - The “true up” study will be initiated on March 1 of each year (except for year 2001, in which the study will commence on May 1).
  - This study will be performed by the NYISO (or under the direction of the RTO-facilitated Transmission Planning Committee) with cooperation of market participants.
  - Costs for system upgrades will be provided by the transmission owner.
  - If an upgrade is triggered by the participants in the class year, all projects contributing to the specific upgrade will be allocated a portion of the total cost.
  - Each project will be provided with their estimated portion of the required system upgrade.
  - If the developer rejects the cost estimate, they are removed from the class year and are not permitted back into a class year until they have received a Certificate from the Article X (VII or equivalent). [this issue still under discussion]
  - If the developer accepts the cost estimate, a bond or financial guarantee must be posted by the developer.
  - A “re-tooling” of the “true up” study will be performed if any project withdraws, and new cost estimates will be provided to the remaining projects.

## *Summary of Draft MIS Cost Allocation (cont.)*

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- Costs for economic upgrades requested by a developer will be the responsibility of the developer.
- Costs for economic upgrades performed by the transmission owner will be borne by the TO.
- This policy does not supercede any existing agreements or future agreements between developer and transmission owner provided other developer contributions are unaffected.

## *ICAP Deliverability Across the System*

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- ICAP rights and cost allocation is an evolving issue
- Concept of deliverability is fundamental to prudent utility planning
- Should extend to operating reserve and ancillary service
- Should send appropriate price signals for expansion location decisions
- Concept of deliverability within and external to New York is supported by the New York State Reliability Council (NYSRC) Reliability Rules R1 and R2

## Resource Adequacy Rules

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- R1. STATEWIDE INSTALLED RESERVE MARGIN REQUIREMENTS
  - Adequate Resource capacity shall exist in the New York State Control Area such that, **after due allowance for** scheduled outages and deratings, forced outages and deratings, assistance from neighboring systems, **internal transmission capacity**, uncertainty of load forecasts, and capacity and/or Load Relief from available operating procedures, **the probability of disconnecting firm load due to a Resource deficiency will be, on the average, no more than once in ten (10) years.**
  
- R2. LSE CAPACITY REQUIREMENTS
  - LSE's shall be required to provide sufficient Resource Capacity so as to meet the statewide installed reserve margin determined from Rule 1. Further, **this LSE capacity obligation shall be distributed so as to meet Locational Capacity requirement, considering the availability and capacity of the internal transmission system** to maintain Rule 1 reliability requirements.



# *Issues Associated with Deliverability Across the System*

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- Determination of Economic- versus Reliability-based Upgrade
- Cost Allocation Among Developers and Between Developers/Transmission Owners
- Award of Financial Rights (TCC's)
- RTO-Mandated Upgrades

## *Next Steps*

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- Identify ISO resources
- Draft Proposal addressing:
  - Cost Allocation Among Developers and Between Developers/Transmission Owners
  - Award of Financial Rights (TCC's)
  - Coordination with RTO-Mandated Upgrades
  - Coordination with 'deliverability to system' policy
- BIC Review and Approval