

**FERC Order 1000:  
Transmission Planning &  
Cost Allocation  
Framework for NYISO  
Compliance**

by  
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**Joint IPTF/ESPWG Meeting**  
*February 27, 2012*  
*Albany, NY*

# Overview

- ◆ **FERC Order 1000: Final Rule on Transmission Planning & Cost Allocation**
  - *Issued on 7/21/11 (Docket RM10-23-000)*
  - *Largely adopts the proposals from the June 2010 NOPR*
  
- ◆ **Petitions for rehearing/clarification:**
  - *66 petitions were filed by ISO/RTOs and other parties*
  - *Principal Issues: jurisdictional authority; ROFR; cost allocation*
  - *FERC issued a tolling Order on 9/19/11*
  
- ◆ **This presentation will highlight issues for consideration in NYISO's compliance filings**

# Regional Planning

- ◆ All transmission providers must have a regional transmission planning process in place that meets Order 890's nine Planning Principles and includes development of a comprehensive system plan

## *NYISO Compliance Issues:*

- NYISO has already been found compliant with Order 890's Planning Principles by the Commission for its reliability and economic planning processes
- Compliance to be demonstrated by reference to FERC's Order 890 Compliance Orders

# Public Policy Driven Projects

- ◆ Local & regional planning processes must consider transmission needs driven by public policy requirements established by state or federal laws or regulations
- ◆ No requirement to go beyond existing laws or regulations—but permitted on a voluntary basis
- ◆ Allows for regional flexibility in meeting this requirement
- ◆ Not intended to infringe on state authority

## ***NYISO Compliance Issues:***

- ***While there may be no public policy requirements in effect in NY today, NYISO will need to develop a process for considering PPRs that may arise in the future***
- ***Process to address:***
  - Identification of public policy requirements
  - Identification of transmission needs
  - Provide an opportunity for stakeholders to propose solutions
  - Consideration of non-transmission solutions –as appropriate
  - How to maintain consistency with existing reliability & economic planning processes

# Non-Incumbent Transmission Providers

- ◆ **Final Rule eliminates the right-of-first refusal (“ROFR”) tariff provisions for incumbent transmission providers with respect to building proposed facilities that are included in a regional transmission plan**
  - *Several exceptions are granted for local facilities/upgrades /use of existing ROWs*

## ***NYISO Compliance Issues:***

- **NYISO is already compliant since its tariff does not have any ROFR provisions**
- **NYISO planning process contains provisions for non-incumbents to participate on an comparable basis**
- **Tariff revisions will be needed to incorporate:**
  - Non-discriminatory qualification criteria
  - Detailed information requirements for proposed transmission projects
  - Other specific requirements of Order 1000

# Interregional Planning

- ◆ **Each transmission provider must develop further procedures with each of its neighboring regions within its Interconnection**
  - *Final Rule identifies a number of specific requirements, including:*
    - **A formal procedure for the “identification and joint evaluation of interregional facilities that may be more efficient or cost –effective solutions to regional needs”**
    - **A developer must first propose an interregional project in each regional planning process**
    - **An interregional project must first be selected in both of the regional planning processes in order to receive inter-regional cost allocation**
- ◆ **FERC encourages—but does not require:**
  - *Separate inter-regional planning agreements*
  - *An inter-regional “plan”*
  - *Multilateral or interconnection-wide planning*
  - *An inter-regional stakeholder process*
- ◆ **Jurisdictional entities to attempt to develop interregional coordination procedures with neighbors in another country**

# Interregional Planning (Cont'd)

## **NYISO Compliance Issues:**

- ***The Northeast ISO/RTO Planning Coordination Protocol already meets many of the Inter-regional Planning requirements of the Final Rule***
  - The Northeast RTOs (*ISO-NE, NYISO & PJM*) have agreed to leverage the existing Protocol to comply with the Final Rule
  - Some modifications may be needed
- ***There is an active stakeholder process established under the Protocol***
  - IPSAC
- ***Canadian neighbors are already participants in inter-regional planning activities in the Northeast***
- ***DOE-ARRA funded inter-connection wide planning efforts are encouraged by FERC***
  - ISO-NE, NYISO and PJM are sponsors and active participants in EIPC

# Cost Allocation: Intra-regional

## Six Cost Allocation Principles:

- ◆ Cost allocation to be “roughly commensurate” with estimated benefits
- ◆ No costs allocated to those who receive no benefits
- ◆ B/C threshold, if used, may not exceed 1.25
- ◆ Costs totally allocated within the region
  - *Unless an external entity agrees to share voluntarily*
- ◆ Transparent and documented process
- ◆ Different allocation methodologies allowed for different types of facilities (i.e. – reliability, economic, public policy)

## ***NYISO Compliance Issues:***

- NYISO tariff already contains FERC-approved cost allocation methodologies for reliability and economic projects under Order 890
- Need to develop cost allocation for PPR transmission projects
- Maintain consistency with existing methodologies



# Cost Allocation: Interregional

- ◆ Transmission providers in each pair of neighboring regions to develop a mutually agreeable cost allocation methodology for a transmission facility located in both regions
- ◆ Principles are similar to the six intra-regional cost allocation principles, except:
  - *Costs may be assigned only to regions where the facility is located*
  - *Costs cannot be assigned involuntarily to a region in which the facility is not located*
  - *Project must be accepted in both regional plans to become eligible for inter-regional cost allocation*
- ◆ Final Rule does not propose a uniform methodology
- ◆ Final Rule does not address cost recovery
- ◆ If region(-s) cannot agree, FERC will decide
- ◆ Voluntary participant funding is allowed—but not for compliance

## **NYISO Compliance Issues:**

- *NYISO to work with PJM, ISO-NE and stakeholders to develop an inter-regional cost allocation methodology for inclusion in the Northeast Protocol*

# **NYISO Compliance Plan**

- ◆ **Both NYISO & NYTOs have compliance obligations under Order 1000**
  - *Plan to make joint compliance filings*
- ◆ **NYISO & TOs have reviewed Order 1000 and developed a “Matrix” of issues for discussion today**
- ◆ **NYISO is discussing inter-regional issues with PJM and ISO-NE**
- ◆ **Identification of tariff changes is underway**
  - *Will be reviewed with stakeholders*
- ◆ **Primary stakeholder groups**
  - *ESPWG/IPTF – propose joint meetings*
  - *IPSAC – focus on inter-regional issues*

# Compliance Schedule

- ◆ **Effective Date of Final Rule**
  - *Due 60 days from publication in Federal Register – Oct 11, 2011*
- ◆ **Compliance filing is required on everything except interregional planning and cost allocation**
  - *Due 12 months from Effective Date of Final Rule – Oct 11, 2012*
- ◆ **Compliance filing on interregional planning & cost allocation**
  - *Due 18 months from Effective Date of Final Rule – April 11, 2013*
  
- ◆ **Final Rule’s requirements will apply only to “new transmission facilities”**
  - *After the Effective Date of the compliance filings (e.g. – after FERC Approval)*

The New York Independent System Operator (NYISO) is a not-for-profit corporation that began operations in 1999. The NYISO operates New York's bulk electricity grid, administers the state's wholesale electricity markets, and provides comprehensive reliability planning for the state's bulk electricity system.

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