

## Select's Comments & Issues with the UDR Proposal

The BIC has a proposal for action on the table for the 5-22-02 meeting to create UCAP Deliverability Rights (UDRs) for incremental transmission expansion. Select is not opposed to the UDR concept but has concerns about some of the specifics and believes that some of the issues need to be more carefully considered before BIC takes action.

This issue had lingered at MSWG before being shifted to the ICAP WG. Besides the venue change, the proposal in front of BIC is much narrower than what had been discussed previously which had left open major issues such as dealing with incumbent transmission.

### Issues

- What is different between AC and DC lines – the latter fully controllable – within the proposal?
- Would only merchant developers be granted UDRs or could TOs get them as well?
- For an internal load pocket would the locality requirement be reduced or UDRs granted? Is the answer the same if the incremental increase was AC or DC?
- If a locality did not exist, against what measure of deliverability would UDRs be awarded?

### Specific Comments

Under Proposal Basics it is not clear if UDRs are only granted to merchant transmission facilities or would they also be granted to TOs building under a regulated rate of return? Such as we do with TCCs auction revenues, revenues from UDRs could also be used to offset TO revenue requirements

The numbered items key to the Proposal Basics List.

#2

Implies that all external ICAP would have UDRs. This may just be a misstatement where only any incremental external UCAP import ability need UDRs to bring in ICAP to NY.

This also mentions a UCAP sub-region which is otherwise undefined. Since the overall tenor of the item is for supply, presumably a UCAP sub-region would be a generation pocket for which some export constraints would be placed by the ISO such that ICAP would not be sold that could not be reasonably be expected to have associated energy deliveries with it. This needs not only clarification but definition.

#1 and #2

Here there is an implied increase in the allowed import capability for ICAP from the current level of 950 Mws from NE to some value higher than that. We need confirmation from the ISO that that is the case.

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#4

This is a good place to bring up this issue. While the highly controllable CSC cable, being HVDC, is not as much of an issue, there is a concern for any AC improvements that may be made. Incremental transfer ability for AC is rarely at line capacity and additions of other lines or reactive devices (cap banks, SVCs) could alter the UDRs. This appears to lobby for a more comprehensive approach to such allocations along the lines of what is in the pipe for TCCs. Free rider ship and other issues need to be dealt with.

#7

Here we are bound to a project life allocation of UDRs. For TCCs, we haven't discussed anything beyond 20 years and with the issue raised immediately above, it is not appropriate to put in place any general proposal that may carry as yet undiscovered consequences.

#12

This may be the most important issue. In a narrow situation such as the CSC presents, having UDRs sold to one party and the energy deliverability/scheduling rights in another party's hands.

This raises a concern of what happens when the party with the ICAP bids into NY (by definition, in this case, it would have to be against DA Zone K prices every day) AND the party holding first right of refusal simultaneously decides to schedule energy? Since we don't have any scheduling protocols worked out with the ISOs (see Select's issue and motion for the May 2002 BIC meeting), it seems this issue would be difficult to resolve absent the party with the energy scheduling rights agreeing to yield to any energy scheduled due to the ICAP supplier's bids into the NY DAM.

Even if both sets of rights are held by the same party, this issue makes it difficult to support a generalized proposal such as the one before the BIC.

Select's Specific Requests:

- That BIC send this proposal, in its general form back to ICAP WG for further development.
- That BIC consider an interim award of the ability to import ICAP over the CSC based on appropriate ISO studies and limit the awards to a capability year.
- That if anyone buys the import rights, that they be assured of their ability to schedule energy over the CSC can be given highest priority given the requirement to bid into NYISO's DAM.