nationalgrid

September 29, 2014

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

RE: Response to NYISO Solicitation of Transmission Needs Driven by Public Policy Requirements

Dear Mr. Chao:

On August 1, 2014, the NYISO issued a letter soliciting interested parties to identify transmission needs driven by Public Policy Requirements. In response to the NYISO's request, and pursuant to the NYISO Public Planning Process, National Grid hereby submits the following Public Policy Requirement. In addition, National Grid asks the NYISO to provide a copy of our response to the New York Public Service Commission ("the Commission") for their approval and in accordance with procedures used to identify transmission needs driven by public policy requirements.

As the principal transmission owner and operator of the western New York ("WNY") transmission system, National Grid has a comprehensive understanding of the region's electric system. Based on our examination of operational data and based on several extensive reliability studies in the area, National Grid has concluded that the New York State Regional Greenhouse Gas Initiative (RGGI)[1] is a Public Policy Requirement[2] that drives the need for transmission in WNY. Increasing WNY transmission capability will be a crucial element in achieving the state's goals of reducing carbon dioxide emissions under RGGI, whereas further degradation in WNY transmission capability would put this important environmental goal at significant risk.

Increased transmission capability in WNY will reduce greenhouse gas emissions by relying less on fossil fueled generation that would otherwise be needed to reliably secure WNY transmission. In addition, the lack of WNY transmission capability has simultaneously caused reductions in the generation of clean renewable energy from the area's hydroelectric fleet and economic energy imports from Canada. The "bottling" of these resources can be particularly acute after the retirement of generation in the area. National Grid therefore recommends that any transmission solution used to meet the state's goals under RGGI should ensure WNY's hydroelectric output is maintained at 2700 MW under a variety of system conditions. An appropriate transmission solution would maintain maximum hydroelectric output while simultaneously supporting the import of 1000 MW across the Canadian-WNY intertie, under forecast

[1] RGGI was enacted pursuant to state regulations and in support of current and proposed Federal statutes and regulations. *See* 6 NYCRR Parts 242 and 200. The New York State CO2 Budget Trading Program is designed to stabilize and reduce emissions of carbon dioxide (CO2), a greenhouse gas, in an economically efficient manner.
[2] NYISO Open Access Transmission Tariff (OATT), Section 31.1, Attachment Y. Public Policy Requirement: A federal or New York State statute *or regulation*, including a Commission order adopting a rule or regulation subject to and in accordance with the State Administrative Procedure Act, any successor statute, or any duly enacted law or regulation passed by a local governmental entity in New York State, that may relate to transmission planning on the BPTFs. (Emphasis added).

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peak load operating conditions,[3] and assuming a large WNY fossil fueled generation station is out of service. In addition to its direct public policy benefits, increased transmission capability also has ancillary economic and reliability benefits.

Should the Commission determine there is not a Public Policy Requirement under RGGI driving the need for transmission in WNY, National Grid would request that the Commission issue an order that would establish a Public Policy Requirement to resolve several important public policy issues that are attributable to the lack of transmission capability in the area. The Public Service Law establishes as public policy that the electric corporations owning, operating, or managing transmission facilities must provide safe and adequate service and that the rates for the service provided must be just and reasonable.[4] The Commission may require utilities to implement improvements to their systems that will best promote the public interest.[5]

Along with reducing statewide CO2 and other power plant emissions, there is other good cause for the Commission to establish a Public Policy Requirement for additional WNY transmission capability. The cost of environmental regulations, combined with low natural gas prices and more efficient generation additions in other parts of the state, challenges the economic viability of WNY's aging fossil fueled plants. There has been a noticeable increase in coal generation retirements over the past few years and market conditions referenced above make it likely that this trend will continue. The loss of some of these units in the area could cause significant degradation in WNY transmission performance.[6] This fact and the identification of a multitude of reliability impacts that are associated with the loss of generation in the area point to a lack of a robust transmission system. It is important to note that WNY has sufficient generating and import capacity to meet the area's peak electric demand, even after the loss of its fossil fueled generation. While the degradation of transmission capability can fluctuate with system topology changes, there is ample justification for the area to host "no regrets" transmission projects that can improve deliverability of existing and any additional renewable energy resources (*e.g.*, wind generation) regardless of generator retirement decisions.

As previously stated, the lack of transmission capability in WNY can limit deliverability of clean renewable resource capacity in the area. The risk of bottling significant resource capacity due to potential unit retirements that are currently unaccounted for during the normal planning process would immediately threaten statewide electric reliability. Moreover, alternative solutions, such as out of market Reliability Support Service Agreement, create additional costs to consumers and adversely impact wholesale markets until permanent transmission solutions can be put in service. The NYISO, the Commission, elected officials, and consumers are also aware of the cost impact transmission congestion has on energy bills. As shown by the NYISO, significant economic benefits can be obtained by "relaxing" the 230 kV transmission constraints in the area.[7]

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[3] Peak load and secured to N-1 pre contingency.
[4] NY PSL § 65(1).
[5] NY PSL § 66(2).
[6] For example, a recent news report regarding a proposed water pollution permit issued by the NYS Department of Environmental Conservation cited a spokesperson from NRG as stating the proposed permit conditions "may curtail the [Huntley] plant's ability to provide reliable electricity to the grid when needed." *DEC permit limits Huntley's output, raising questions about future*, BUFFALO NEWS, Sept. 25, 2014; *see* http://www.buffalonews.com/city-region/environment/dec-permit-limits-huntleys-output-raising-questions-about-future-20140925.
[7] See http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={B11CFD84-0F6A-4819-A341-EDD6EE22DD7B}. Relaxing constraints on the 230 kV system would increase the aggregate Niagara/IESO "output" by 1,500 GWh annually compared to running of four Dunkirk units as "must-run" which would increase the aggregate Niagara/IESO "output" only by 300 GWh annually.

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For all the environmental, economic, and reliability reasons stated above, National Grid encourages the Commission to establish a Public Policy Requirement that would drive the need for transmission in WNY and make use of the NYISO's public policy planning process. National Grid also recommends that any transmission solution be capable of simultaneously delivering 1000 MW of imports across the Canadian-WNY intertie and 2700 MW of WNY hydroelectric output under forecast peak load operations and assuming a large fossil unit is out of service.

Sincerely,

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National Grid

cc: Zach Smith
Carl Patka
Steve Whitley

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