

# National Grid Comments to ESPWG on Straw Proposal for Economic Planning Process (1-10-05)

## ADDITIONS NEEDED in Straw Proposal to Define an Economic *Planning* Process

1. Mechanism for NYISO to **define** potential economic problems
  - a. Options identified but not implemented even though projected benefits exceed costs by a significant margin
  - b. No options identified, but market prices indicate an economic problem (by significantly exceeding some threshold)
  - c. Inefficient market price signals imply the need for market rule modifications
2. Mechanism for NYISO to **identify** economic problems (based upon definitions)
3. More definitive **evaluation/certification process** for regulated economic projects [by PSC?]
4. **Cost recovery/cost allocation** mechanisms for certified/approved regulated economic projects
  - a. Cost allocation calculated by NYISO
  - b. Cost recovery through NYISO tariff
  - c. PSC cost recovery/cost allocation at the retail level

Issues/Concerns with Above		
	Issue	Comments
A.	Assertion that the market will solve economic problems	This presumption is not a “planning process.” It’s a belief that problem solutions need not be planned because they will take care of themselves.
B.	Regulated economic projects will have a chilling impact on market-based solutions <ul style="list-style-type: none"> <li>• Regulated projects may have an unfair advantage</li> <li>• Threat of potential regulated projects altering market dynamics</li> </ul>	<ul style="list-style-type: none"> <li>• Economic problem <u>definition</u> and <u>identification</u> should aid the overall market</li> <li>• Presumably regulated economic solutions are allowed anyway</li> <li>• Concern for “unfair advantage” needs to be addressed rather than offered as a rationale for not having an economic planning process.</li> </ul>
C.	Regulated economic projects may be built which turn out not to be needed	We need a balanced process <ul style="list-style-type: none"> <li>• Protection against building unnecessary regulated economic projects</li> <li>• Give Market ample opportunity to work</li> <li>• Can’t make it unduly difficult for regulated economic solutions being built so that they are essentially precluded</li> </ul>