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To: Mr. Kirk Dixon, Committee Support, NYISO
From: Chris LaRoe
Date: 7/17/12
Re: NYISO Order 1000 Compliance

IPPNY is submitting these comments in response to the NYISO's solicitation of feedback concerning the NYISO Order 1000 compliance efforts, particularly concerning the public policy requirement component of that order. Contained within the redlined proposed tariff changes to Attachment Y (as presented on July 10), NYISO outlines a process in which public policy needs are identified, potential solutions to those needs are solicited and studied, and ultimately projects are selected to meet those needs. IPPNY's comments concerning aspects of the proposed tariff changes are below.

NYISO Proposed Tariff Change:

Public Policy Requirements: a federal or New York State statute or regulation, or order issued by the NYPSC, that drives the need for expansion of upgrades to the New York State Bulk Power Transmission Facilities.

IPPNY Comment:

The NYISO's initial straw proposal included governor's executive orders as a driver of a public policy requirement. IPPNY supports the NYISO's decision to remove executive orders from the above definition within the tariff as it goes beyond what was required within Order 1000. Additionally, executive orders require no public input and, therefore, are subject to instantaneous and unpredictable change. The other identified drivers of public policy allow for public input prior to implementation and, therefore, are more appropriate.

NYISO Proposed Tariff Change:

31.4.2 ISO and Interested Party Identification and Posting of Proposed Transmission Needs

At the start of each Public Policy Planning cycle, the ISO will provide a 90-day period to allow any stakeholder or interested party to submit to the ISO, or for the ISO on its own initiative, to identify, a proposed transmission need that it believes is being driven by a Public Policy Requirement and for which transmission solutions should be requested and evaluated.

Each submittal will identify the Public Policy Requirements that the party believes is driving the need for transmission and describe how the construction of transmission will fulfill the Public Policy Requirement(s).

After the end of the 90-day period, the ISO will submit to the NYDPS/NYPSC the transmission needs proposed by stakeholders, other interested parties, and any additional transmission needs identified by the ISO. The ISO shall post all such proposed transmission needs on its website.

31.4.2.1 Identification and Determination of Transmission Needs Driven By Public Policy Requirements

The NYDPS will review proposed transmission need(s) and, with input from the ISO and interested parties, identify the transmission needs, if any, for which transmission solutions should be requested and evaluated. In addition, the NYDPS may, on its own motion, identify a transmission need driven by a Public Policy Requirement.

IPPNY Comment:

IPPNY supports the NYISO solicitation and compilation of recommended transmission needs, and IPPNY does not necessarily object to the NYDPS identifying transmission needs subsequent to such a process. IPPNY is interested, however, in gaining an understanding of what process will be undertaken by the NYDPS in its review of proposed transmission needs. The results of the process will be open to the public, but it is not known if there will be public input as part of the NYDPS review process. Since the NYISO tariff is deferring the responsibility of public policy need determinations to NYDPS, it is important to better understand what NYDPS's process will be.

In this determination of public policy needs, it is important for both DPS and NYISO to consider projects that may already be advancing for non-public policy reasons, such as through the reliability and economic components of Attachment Y, which may also provide public policy benefits, although it was not their original intent.

NYISO Proposed Tariff Change:

31.4.4 Evaluation and Preparation of ISO Report on Transmission Solutions Driven by Public Policy Requirements

The ISO will evaluate proposed transmission solutions with input from stakeholders and within its available resources and modeling capabilities. The ISO shall apply the criteria provided by the NYDPS/NYPSC and the analysis requested by the NYDPS/NYPSC, to the extent compliance with such criteria and analysis is feasible. The ISO will also use its existing reliability, economic, and interconnection planning process tools, databases and models, as applicable. Tools used in the planning process that may be used in the evaluation include power flow, stability and short circuit models for system planning

analysis, probabilistic models of generator availability for resource adequacy and production cost simulation models for economic and environmental analysis. The ISO's evaluation will identify benefits of the proposed transmission solution in accordance with the methodology, if any, specified by the Public Policy Requirement or the NYDPS/NYPSC. The type of metrics reported may include the following, as applicable to the Public Policy Requirement: change in production costs; LBMP; losses; emissions; ICAP; TCC; congestion; impact on transfer limits; and deliverability.

IPPNY Comment:

While the content of this report may vary based upon the identified public policy needs and proposed solutions, it is imperative that one of the deliverables of this report be the anticipated cost to the beneficiaries of the project being studied. As indicated below, IPPNY believes that since the NYISO is proposing a beneficiary pay approach for cost allocation, it is only fair that the beneficiaries be able to decide if such a project should advance. To do so, it is imperative that the beneficiaries are provided with all the necessary information to make such a decision, and cost is certainly one essential piece of information.

Additionally, public policy projects are not driven by economics but can certainly affect the economics of other projects advancing through means other than the public policy component of Attachment Y. Therefore, NYISO should evaluate the impact that such proposed public policy projects would have on the competitive market, and IPPNY supports a review, at a minimum, of the examples provided within the proposed tariff language above. Furthermore, to the extent that there may be projects being developed under CARIS procedures at the time that NYISO and DPS are considering public policy projects, the NYISO should examine what impact the addition of public policy projects would have on the benefit/cost ratio of those projects advancing under CARIS. It is possible that projects driven by public policy could change system conditions and, therefore, the economics that potentially carry CARIS projects forward.

NYISO Proposed Tariff Change:

Projects which are proposed as solutions for transmission needs driven by a Public Policy Requirement and that are evaluated by the ISO, and approved by the NYPSC, are eligible for Cost Allocation under this tariff. Such eligibility begins when: (i) The Transmission Owner or Other Developer petitions the NYPSC for an order to allow such project to proceed to request necessary local, state, and federal authorizations for construction and operation; or (ii) the NYPSC determines, based on relevant factors, including the extent to which such project would advance the identified Public Policy Requirement, whether the project should proceed to a more detailed project proposal and application under PSL Article VII.

IPPNY does not agree that approval of cost allocation for public policy projects should be left to the sole discretion of the Public Service Commission. Instead, IPPNY believes that

the process utilized under CARIS, in which “beneficiaries” vote on whether the project should be entitled to cost recovery through the NYISO tariff is most appropriate. The CARIS section of the tariff states, “The costs of a [regulated economic transmission project] RETP shall be allocated under this Attachment Y if eighty percent (80%) or more of the actual votes cast on a weighted basis are cast in favor of implementing the project.” This concept links the decision as to whether the project should receive regulated rate recovery to those parties that are going to be required to cover those costs. The NYISO’s proposal for public policy projects keeps the beneficiaries pays concept but rejects the beneficiaries’ ability to determine whether such projects should go forward.