“Those Who Need It Pay”

- Last meeting – went into some of the process details of this “Beneficiaries Pay” alternative
- “Who benefits?” – this is obviously critical to any beneficiaries pay methodology
- For low voltage conditions – easy to determine who benefits from the “fix” - the load on the busses that had the low voltage
- For line or transformer overloads – a bit more tricky. Who benefits from fixes to these?

Overloads

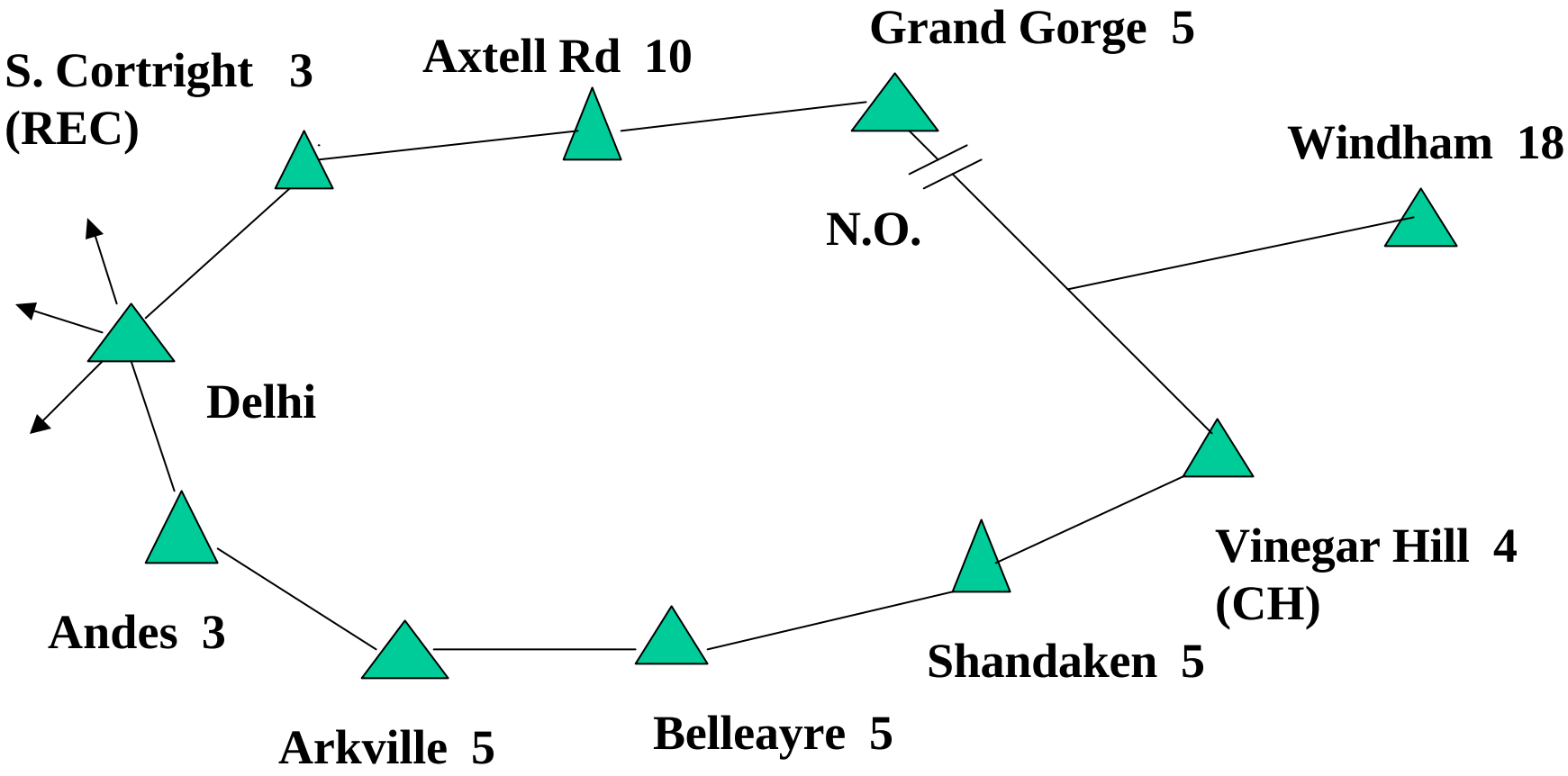
- Is there really a reliability violation when a line overload is forecast?
- The ISO can always direct that the line be taken out of service – no energized line, no overload.
  - Alternatively, the system can many times be operated in a manner to relieve the overload
- If an overloaded line is taken out of service, is there still a reliability problem in the system (or a worse one)?

Small Lines

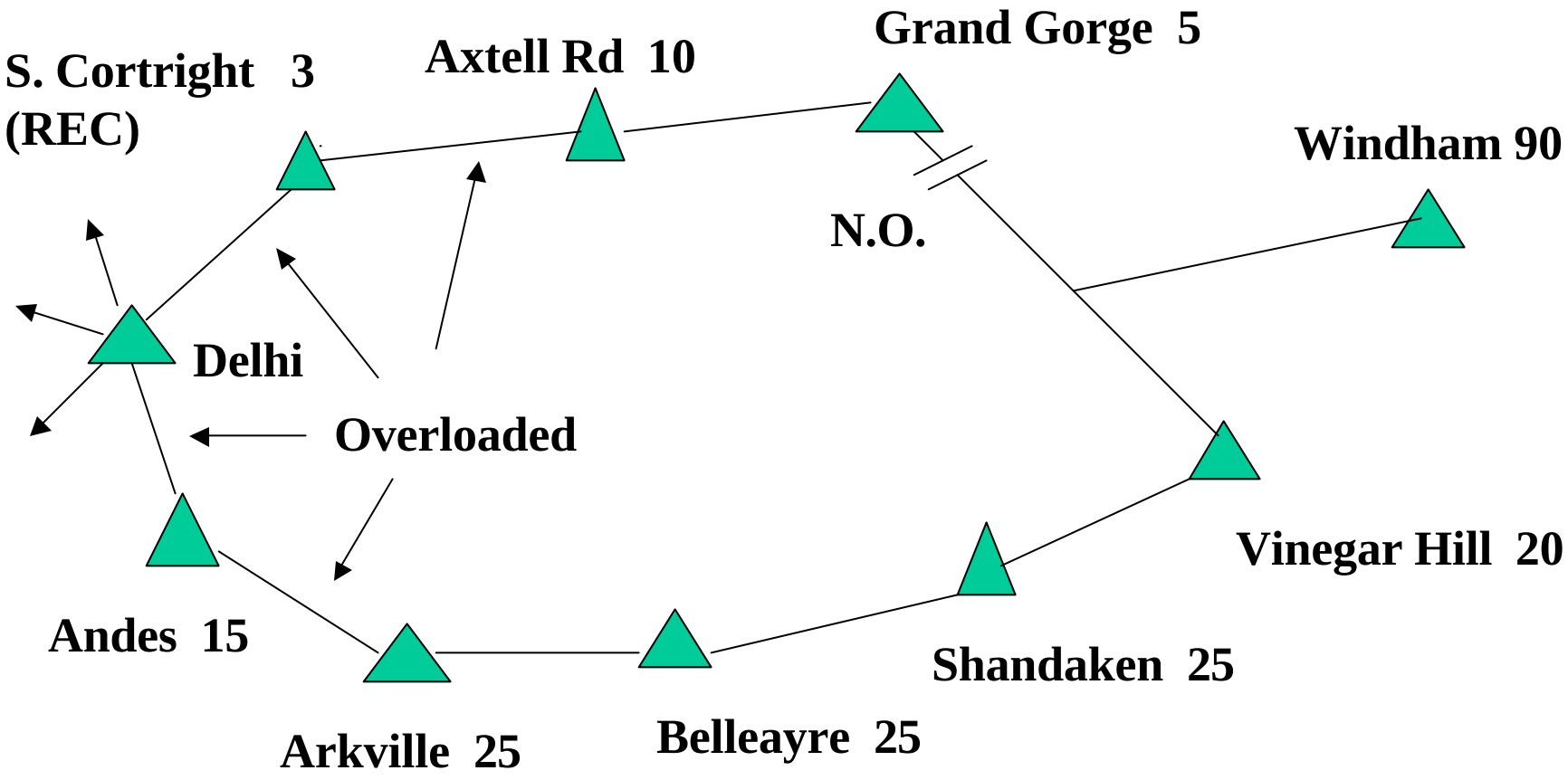
- Lower voltages (34.5 - 69 KV sub-transmisson) - beneficiaries are obvious because the downstream load is readily identifiable
- Besides, the ISO won't even be looking at reliability concerns at this level
- 115/138 KV system
  - For the most part, the beneficiaries will be obvious
  - But will need rules for those cases where it is not

Example – Catskill Loop

115 KV



Lets say load increases by 5 times on the southern branch, so that the line is overloaded (normal) between Delhi and Arkville and, for a contingency, between Delhi and Axtell



- The line in these sections must be rebuilt
- Who pays?

NYSEG Load - 195 MW

CH Load - 20 MW

By load ratio share:

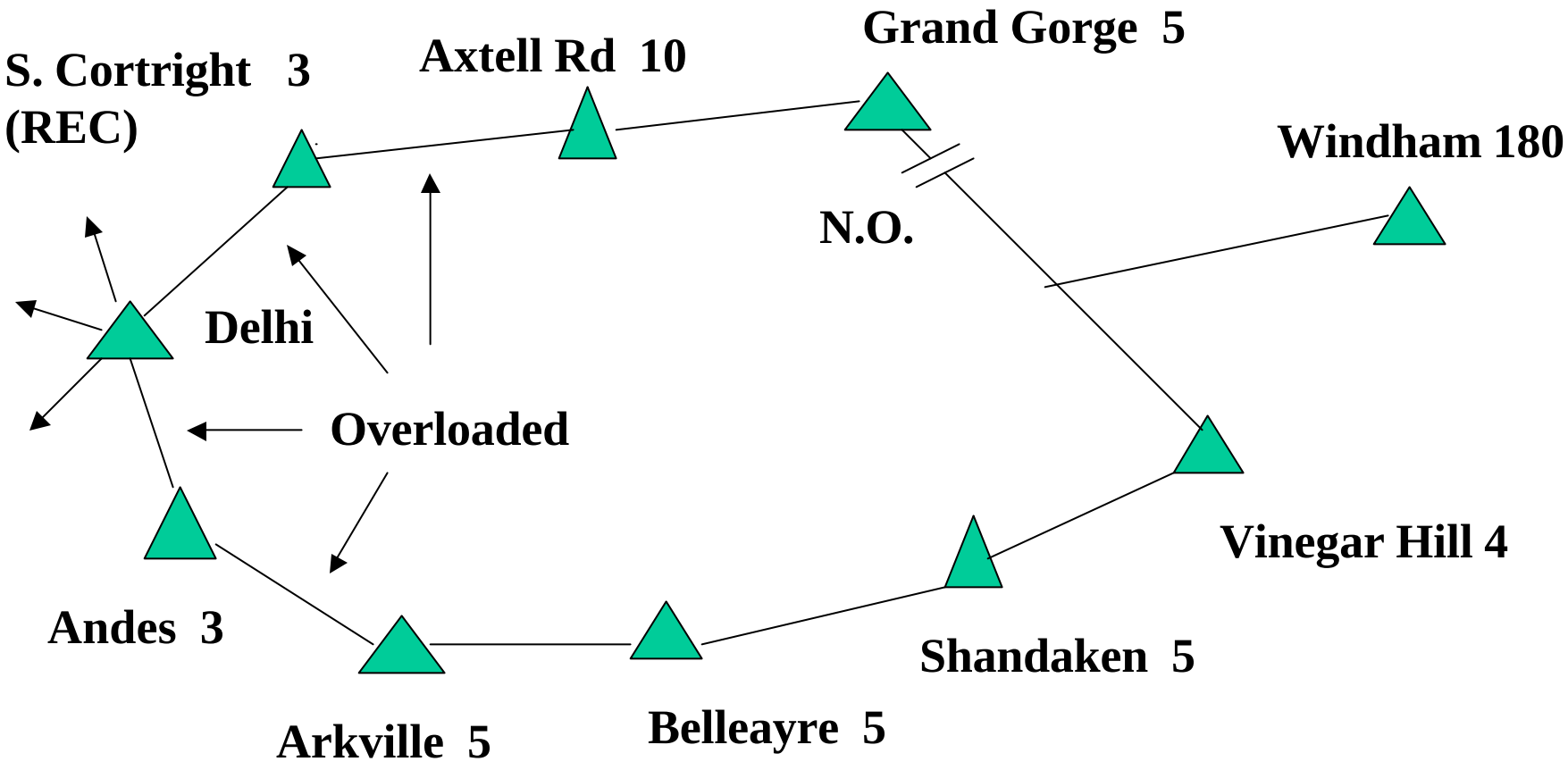
CH pays 20/215 = 9.3%

NYSEG pays 90.7%

How about the REC? Should they pay?

What about a block load addition?

Suppose Windham load increases from 18 to 180 MW



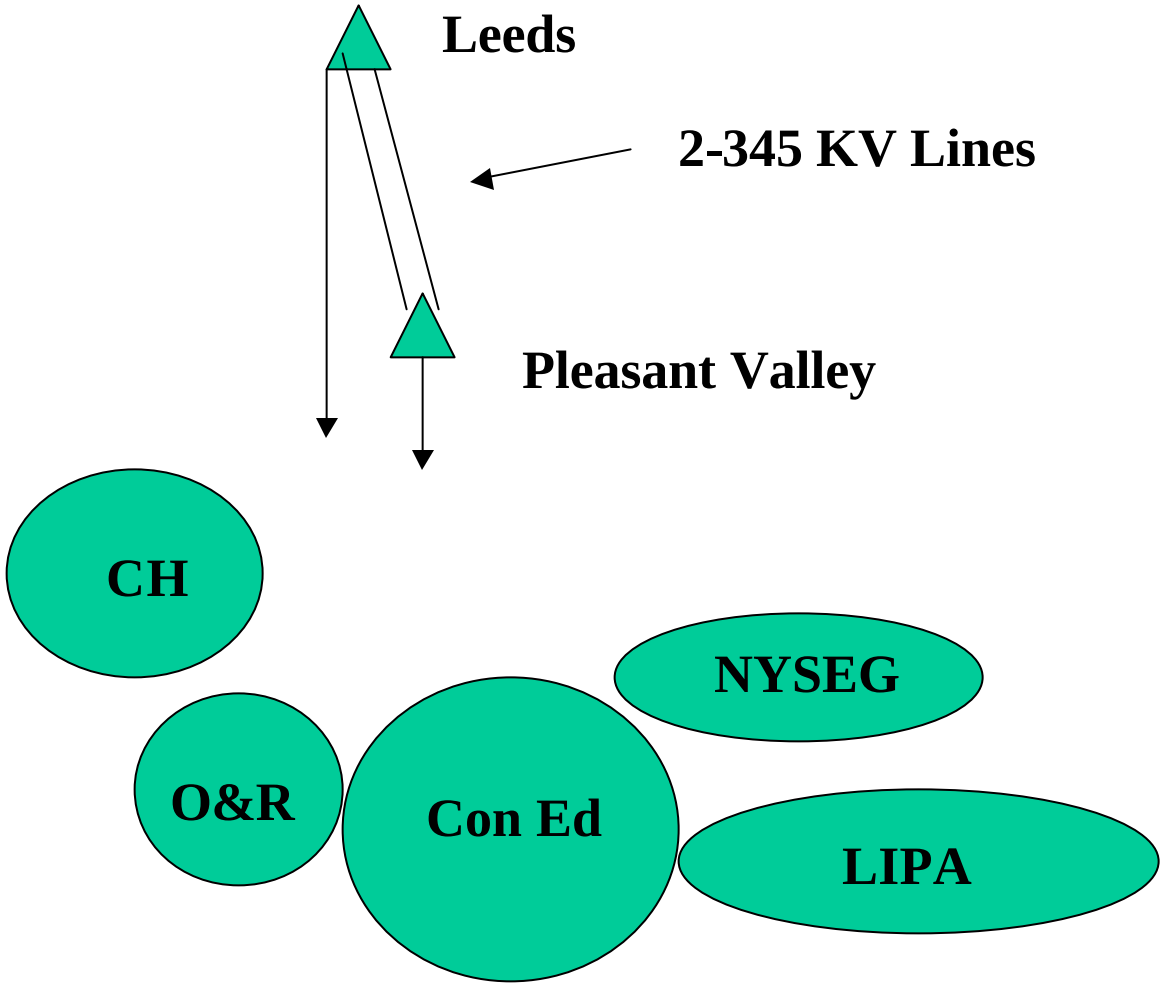
- Cost Causation principles:
  - NYSEG should pick up 100% of the cost

- Conversely, if the block load addition were at Vinegar Hill, Central Hudson would pick up the costs

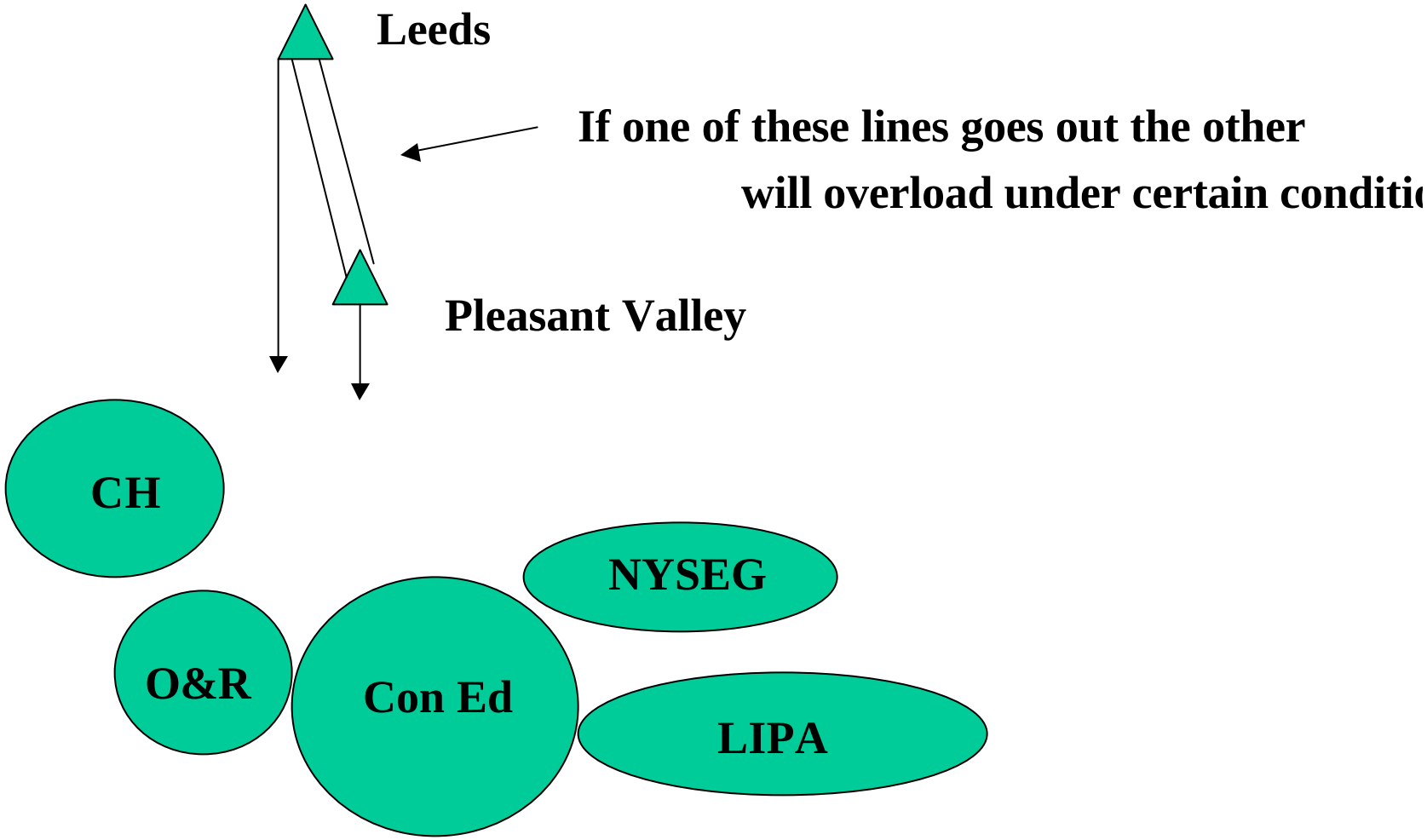
Big Lines

- 345 KV and most 230 KV lines – hard to imagine that they will ever be overloaded (except maybe some NYC cables)
- Why? – can always back off transfers and change the generation mix to solve the overload, while maintaining security
- This effects the economics of the system, not its reliability

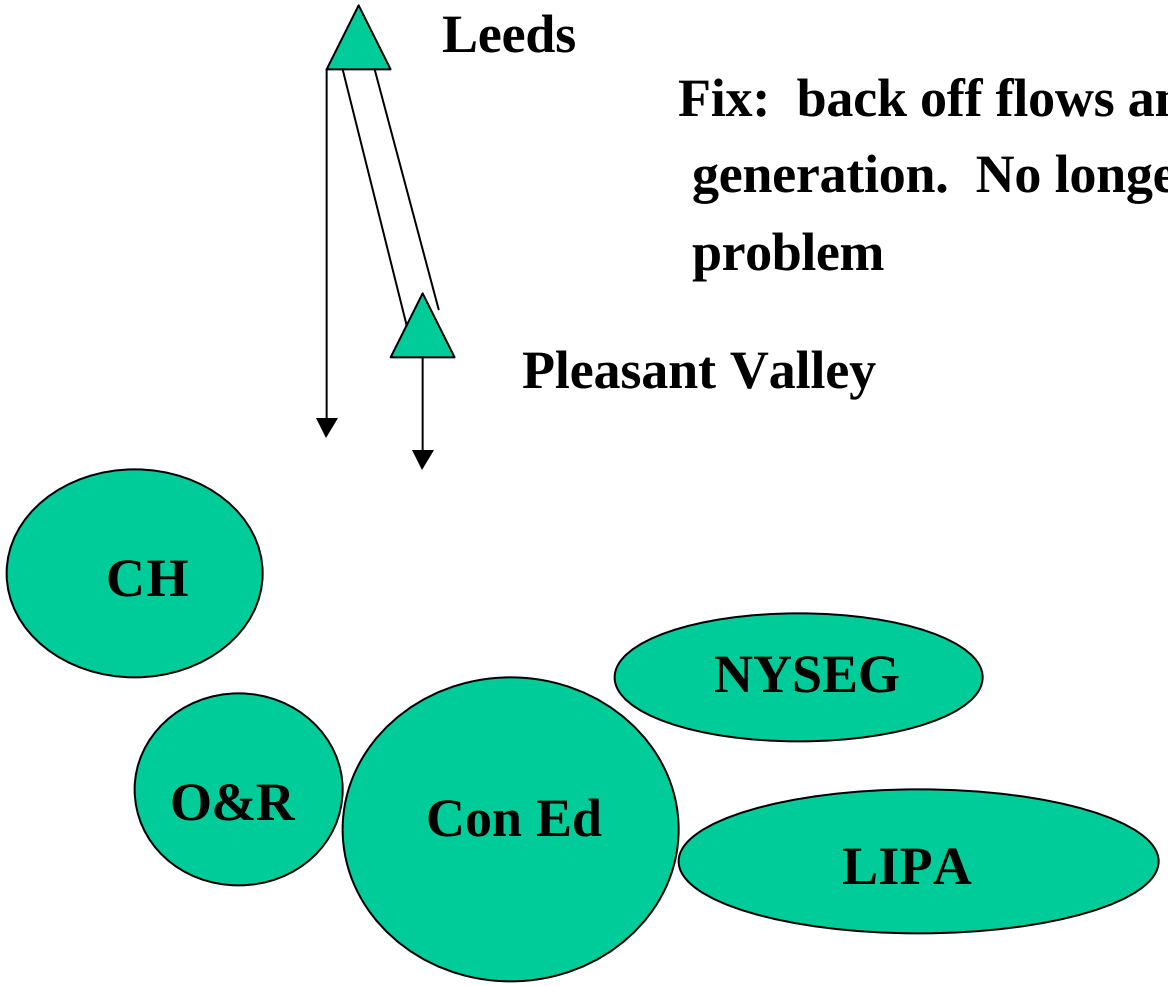
Example: Leeds-Pleasant Valley



Leeds – Pleasant Valley

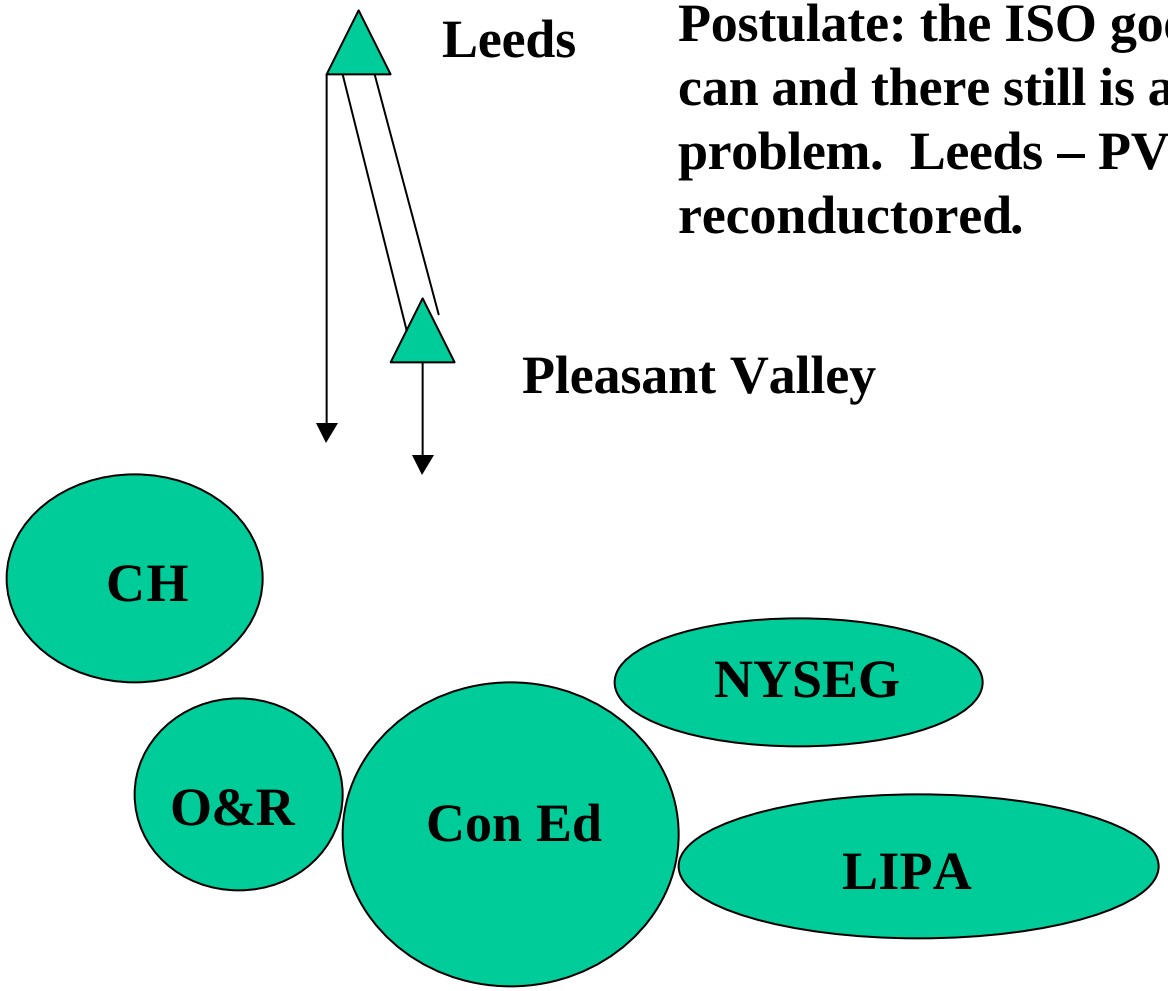


Leeds – Pleasant Valley



Fix: back off flows and bring up SE generation. No longer a reliability problem

Leeds – Pleasant Valley



Postulate: the ISO goes as far as it can and there still is an overload problem. Leeds – PV must be reconductored.

Leeds – Pleasant Valley

- What is the contribution of each Company to the line flows on the overloaded line?
    - Recognize terms in any grandfathered contracts
- Allocate on this basis

NYISO Electric System Planning Working Group Meeting

February 9, 2004
9:30 am – 3:30 pm

NYISO – Washington Ave
Albany, NY

Draft Minutes

Of the thirteenth meeting of the New York Independent System Operator Electric System Planning Working Group held February 9, 2004 at the NYISO in Albany, NY.

Welcome and Introductions

Mr. Bill Palazzo, Chairman of the Electric System Planning welcomed the Electric System Planning Working Group to the meeting and stated the agenda.

Approval of the Meeting Minutes

The minutes from the January meeting were approved and will be posted on the NYISO/MDEX website.

Phase II: Comprehensive Planning Process Development

Cost Allocation/Cost Recovery - Stakeholder presentations of detailed proposals

Stakeholder proposals were submitted and discussed at the meeting. ESPWG will continue to discuss the various stakeholder proposals in an attempt to reach a agreed upon proposal for the Operating Committee to review.

Con Edison Proposal

Mr. Mayer Sasson reported on the proposal submitted on behalf of the New York Transmission Owners. Noting that this proposal is for transmission upgrades only, Mr. Sasson explained that the concept of the proposal is such that a reliability project is required to offload existing facilities that exceed reliability requirements, mostly under contingency conditions. The objective of this proposal is to explore the development of a methodology for the determination of beneficiaries on a case by base basis. The proposal does not address Attachment S generation interconnection upgrades.

The Transmission Owners are in the process of identifying a variety of test cases to analyze their concepts and will keep ESPWG updated. An additional study would need to be done to

account for benefits. Mr. Buechler questioned how the methodology would work pertaining to short-circuit impacts.

Ms. Doreen Saia stated that this proposal would work if a transmission upgrade is needed but would not work for demand response or generation upgrade. Mr. Tim Bush brought up localized effects vs. global effects. Mr. Roy Shanker questioned how the cost allocation would match the revenue allocation in the TCC auction.

The Transmission Owners will better define their proposal for discussion at the next two ESPWG meetings.

NYSEG Proposal

Mr. Bob Reed reported on the NYSEG proposal, noting that he is still considering the alternative proposals discussed. The process for this proposal is as follows:

- ISO does a study that reveals a reliability violation
- The study will identify low voltage and/or overloads on specific facilities
- Determine whose load is on the facilities
- Split the cost by load ratio share

Examples of low voltage and overload were provided. Mr. Reed stated that if a line is overloaded and needs fixing and the fix solves a load or reliability situation downstream then this is a case-by-case basis.

National Grid Proposal

Mr. Ed Kremzier reported on National Grid's proposal. Under cost allocation, National Grid recommends participant funding when a transmission upgrade is a private, market-based investment or when there is participant agreement as the to upgrade's beneficiaries. To the extent that participant agreement fails they are proposing a default mechanism.

- Direct assignment facilities – costs for sole use/beneficiary facilities are assigned directly to the entity requiring such facilities.
- Regional Benefit Upgrade – Transmission upgrades that are 115kV or above, provide parallel path carrying capability, and are included in the NYISO transmission plan. Costs of RBU's would be allocated region wide on a load-share basis with the exception of localized costs determined to be unreasonable to be allocated on a regional basis (i.e. incremental costs of "gold-plating" or construction of transmission lines underground when not justified).
- Local benefit upgrade's – Transmission upgrades that are below 115KV or do not provide parallel path capability would be allocated to the locality where they are located.

Ms. Saia expressed concern on the footnote of National Grid's proposal (*Wholesale and retail rate recovery mechanisms would been to be revisited under this proposal*). This issue needs to be revisited and a default mechanism to get things off the ground was discussed.

Mr. Buechler stated that there is a need to have a process in NY for meeting reliability needs. The first piece is to have a market based solution come forward. This would be a voluntary participant funding process. In the event that this didn't work, the regulated backstop solution would be implemented.

Central Hudson

Mr. John Watzka reported on Central Hudson's proposal. The basic premise of this proposal is that the planning process be based on the same "pool" approach as the current NYISO energy, ancillary services, and ICAP Markets.

Under Cost Recovery:

- NYISO OATT for "pool" projects
- Individual TO tariffs for local projects
- Bright line – 115kV and above (looped) are pool facilities
- Incentives should be considered
- Regulated solutions for pool projects limited to transmission only

Under Cost Allocation:

- Socialization should be rebuttable presumption for pool projects
- Exceptions to allocate costs locally as provided for in the ISO-NE model
- No "hold harmless" provisions

A question was raised regarding incentives for transmission providers investing in reliability projects. Mr. Watzka reported that these incentives have already been described by FERC.

Ms. Saia commented that this premise was along the lines of National Grid's proposal with the Management Committee having the final say.

Mr. Nachmias asked who owns the NYISO pool projects – the NYISO or the TO's. Mr. Watzka responded that one or more Transmission Owner would own them.

NYS DPS Proposal

Ms. Diane Barney reported on the PSC's proposal. Under cost recovery:

- Cost recovery of regulated transmission solutions should be through the utility's Open Access Transmission Tariff (OATT). FERC would approve the revenue requirement and possibly the rate design for recovery. The PSC approved retail tariffs would then reflect that rate design approved by FERC. Ms. Barney stated that there is no need for the NYISO to have a "rate base".
- Cost recovery of regulated generation, demand-side management or any other non-transmission solutions should be through the utility's PSC approved retail tariffs.

Under cost allocation:

- PSC supports the principal of beneficiary pays – this at times could be the whole system. Looking at only reliability benefits when determine beneficiaries.
- A bright line voltage test should not be used to determine local versus regional beneficiaries. This determination should be made on a case-by-case basis. There could be instances when a 345kV upgrade would benefit a very localized area, in this case, the bright- line approach would have improperly assigned the costs on a regional basis.
- If a reliability project is revised to capture economic benefits, the incremental costs and benefits related to economics should be dealt with under a separate process

Mr. Tom Rudebusch asked for clarification under cost recovery – FERC approving revenue requirements – the PSC approved retail tariff. What if the utility has a retail rate freeze in place?

The PSC has not decided upon a specific methodology for the determination of beneficiaries for a reliability upgrade.

Framework for Reliability Planning Process

ESPWG members discussed the Reliability Planning process. Mr. Buechler pointed out that at the FERC Technical Conference it was clear the FERC expects both reliability and economic needs addressed. He further indicated that the Pat Wood letter was the first formal indication to New York from FERC on their positions regarding economic and reliability concerns in the Planning Process. The group discussed a phased in filing; addressing the reliability process separately followed by the economic process. The group was receptive to a reliability filing as a Phase I approach.

Mr. Palazzo stated that the current scope is vague on whether this will be filed as one or two packages. Mr. Fromer stated that he supports the phased approach. Mr. Palazzo indicated that he intends to bring this recommendation to the OC at the February meeting. The timing of the initial letter (reliability portion) will be discussed more at the March 1st ESPWG meeting.

Initial Planning Process Implementation Issues

Mr. Bill Lamanna provided a status update on the initial planning process implementation issues. The existing reliability assessments are complete; baseline has been set for first five years. The 2003 ATR has been completed and are currently in review. Need to identify plans outside of the normal processes and finalize TO plans and inputs. An email request was sent to the TO's asking them to identify constraints leading to load pockets or bottled generation. Mr. Fromer asked for clarification on the TO data request; particularly if this was an issue of authority to request data and why the ISO's request has not been responded to. Ms. Liz Grisaru will report back on to the group on further details.

The group discussed input stage issues.

Northeastern ISO/RTO Planning Coordination Protocol

Mr. John Adams reported on the "Northeastern ISO/RTO Planning Coordination Protocol". The purpose of this document is to coordinate stakeholder process in each of the ISO's to:

- Resolve seams issues.
- Enhance coordinated performance of the systems.
- Support and supplement (not replace or supercede) each ISO's planning procedures.

Mr. Adams reported that the proposal would be sent out to stakeholders in each of the ISO's to get feedback. Based on feedback from stakeholders, the intent is to move forward and implement this process.

Mr. Adams reported that the proposed Protocol has a placeholder for cost allocation.

TPAS and ESPWG will provide written comments by Feb 25th and this will be included on the next ESPWG agenda.

Other Business

Mr. Palazzo will report to the Operating Committee on the staged filing recommendation.

Mr. Jim Mitcske will be meeting with NYISO Operations staff regarding PROBE modeling changes and will provide feedback at the next ESPWG.

Next Meeting

The next ESPWG meeting will be held on March 1st at the NYISO on Washington Ave.