

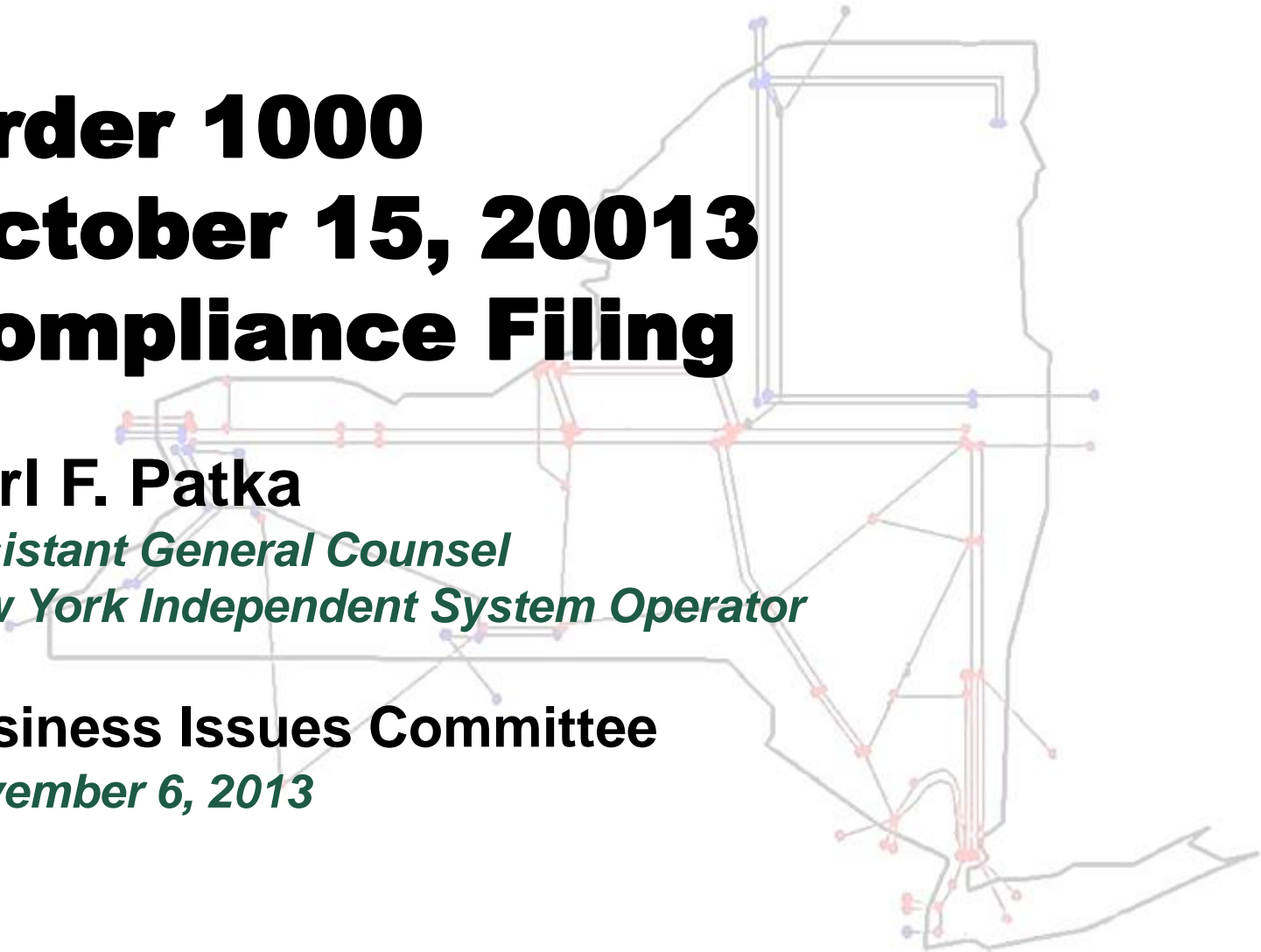
Order 1000 October 15, 2013 Compliance Filing

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Regional Planning for Reliability and Public Policy Requirements

NYISO/TO Compliance Filing

- ◆ **October 2012; NYISO, TOs, after collaboration with NYDPS Staff and stakeholders, filed tariff amendments to implement Public Policy Requirements (PPR) planning process**
- ◆ **April 18, 2013; FERC Order conditionally accepted regional planning compliance filing, but required significant changes**
- ◆ **October 15, 2013 compliance filing; following extensive stakeholder review at 12 meetings**

Changes Required

- ◆ **NYISO evaluation and selection of transmission projects to meet needs driven by PPRs and for Reliability Needs. No changes to economic planning.**
- ◆ **Comparable evaluation of transmission and non-transmission solutions.**
- ◆ **Clarify timing and mechanics of PPR cost allocation**
- ◆ **NYISO must justify load ratio share as default PPR cost allocation**
- ◆ **Begin new process at start of next planning cycle**
- ◆ **Clarify enrollment of new TOs in NYISO planning region**

Definition of Public Policy Requirement

- ◆ In response to April 18 Order, definition has been expanded:
 - *Local laws and ordinances can lead to the need for transmission*
 - Cost allocation for transmission projects added in response to local laws
 - *Laws do not have to call for transmission to be developed to create a need for it*
 - NYISO definition drops requirement that law, regulation or order must “drive the need” for transmission

Evaluation and Selection - Reliability

- ◆ **Under Order 890:**
 - *NYISO reliability planning process had PSC evaluate and select transmission and non-transmission projects to meet Reliability Needs*

- ◆ **Under Order 1000:**
 - *Prior process rejected in April Order*
 - *NYISO must evaluate and select transmission*
 - *No change required to economic planning because selection occurs through stakeholder vote*

Evaluate and Selection - PPR

- ◆ **October 2012 Filing proposed:**
 - *DPS /PSC identifies transmission needs driven by public policy requirements (federal, state and local laws and regulations, including PSC orders)*
 - *DPS/PSC identifies criteria for evaluating projects against the need*
 - *NYISO solicits solutions*
 - *NYISO study and report*
 - *DPS/PSC selection of transmission project to meet PPR need*

April 18 FERC Ruling on PPR

- ◆ **FERC accepted State identification of needs and evaluation criteria, *but***
- ◆ **NYISO must evaluate and select transmission project under federal tariff that is “more efficient or cost effective” to meet PPR need**

October 15, 2013 Filing

- ◆ **NYISO/TO Joint Compliance filing on all issues (TOs reserved right to comment)**
- ◆ **Enhanced entity qualification and project information requirements**
- ◆ **Two-phase approach**
 - *1. Comparable evaluation of viability and sufficiency of solutions to meet Reliability Need or PPR Need*
 - *All resources included – transmission, demand response, generation*
 - *2. Selection from transmission of “more efficient or cost effective solution”*

Evaluation and selection criteria

◆ Detailed review:

- *Capital cost estimates*
- *Cost per MW ratio of transmission*
- *Expandability/Operability/Performance*
- *Developer property rights to complete project*
- *Potential for delay in construction – overlaps viability*
- *Criteria from DPS/PSC*

◆ Requires much more information

- *Detailed entity qualification criteria; project development experience, financing, ability to obtain rights of way*
- *Detailed project information; engineering specifics, cost estimates; review by NYISO consultants*

Evaluation and Selection, cont'd

- ◆ **Qualitative ranking of projects**
- ◆ **NYISO did not propose weighting and mathematical formula**

Reliability Solution Triggering/Halting

- ◆ **Due to transmission emphasis, NYISO now requires firm plans for 10 year study period**
 - *Prior first five years specific, second five years conceptual – eliminated*
 - *TOs – MPs wished to avoid developing and NYISO triggering solutions that may not be needed – market based solutions preferred*
 - *NYISO agreed to conduct detailed evaluation only if trigger date of a backstop solution occurs within 36 months of analysis*
 - **36 month period assures that regulated solution will be available if needed**

Non-incumbent developer

- ◆ **If NYISO selects and triggers a non-TO transmission project, it will enter into a non-incumbent transmission developer agreement**
- ◆ **NYISO already has an agreement with TOs to develop regulated backstop solutions at request of NYISO Board**

Cost Recovery Eligibility

- ◆ Reliability T projects – upon NYISO triggering and as determined by FERC on developer rate filing
- ◆ Public Policy T projects – upon NYISO selection and as determined by FERC
- ◆ Transmission only
- ◆ Rate schedule 10 amendments filed for reliability
- ◆ No PPR rate schedule to date
 - *Not a compliance requirement*

MMU Review and Board Selection of PPR Projects

- ◆ Reliability T projects built to keep the lights on.
 - *MMU review limited to whether market failures led to need for regulated solutions*
- ◆ PPR Projects may undermine competitive market signals
- ◆ MMU to report to MC before vote and Board before action
- ◆ Board retains right not to select any transmission project if harmful to NYISO competitive markets

Study Agreements

- ◆ **NYISO evaluation and selection of reliability and public policy transmission projects will require new personnel and resources**
- ◆ **Developers should pay for study costs rather than all MPs via RS 1**
 - *Required from TOs and Other Developers*
- ◆ **NYISO requires \$10K application fee and \$100K deposit; invoiced and refunded like interconnection study**

Cost Allocation for Public Policy T Projects

- ◆ In October 2012, NYISO and TOs filed, with DPS support, a cascading four-tiered approach, all based on beneficiaries-pay
 1. *PPR itself defines methodology*
 2. *Developer proposes methodology for regulatory approval*
 3. *PSC defines methodology*
 4. *Default methodology in tariff – load ratio share – everyone benefits from public policy*

FERC April 18 Order

- ◆ **Clarify timing of four-step PPR cost allocation methodology.**
 - *Concerned that transmission developers would experience undue delay in determining cost allocation methodology to be applied to their projects*

- ◆ **Further justify load ratio share cost allocation methodology**
 - *Explain why transmission built to satisfy PPR needs benefits all ratepayers or propose an alternative*

Modified PPR Cost Allocation

- ◆ **NYISO will file any cost allocation methodology contained in a PPR – federal, state, local law or regulation (PSC order issued after SAPA) for FERC’s consideration**
- ◆ **TO/Developer wanting to use a different methodology has burden of proving is just, reasonable and in compliance with Order 1000 principles**
- ◆ **General reservation of Section 205 tariff filing rights of TOs/Developers**

Modified PPR Cost Allocation, Cont'd

- ◆ **TO/ Developer can propose their own methodology – e.g. Transco agreement**
 - *Must consult with DPS/PSC.*
 - *If DPS/PSC agrees TO/Developer files its methodology with FERC*
 - *If DPS/PSC disagrees, 60 day dispute resolution period with TO/Developer*
 - *TO/Developer must file its methodology with FERC*
 - *Must include DPS/PSC preferred methodology with its own for FERC's consideration*
 - *TO/Developer bears burden of proving methodology is just, reasonable, and in compliance with Order 1000 Principles*
 - *DPS/PSC can intervene at FERC*

PPR Cost Allocation, Cont'd

- ◆ **NYISO will apply the cost allocation methodology approved by FERC**
- ◆ **If no alternative methodology is approved by FERC per above process, NYISO will allocate costs of transmission project based upon a load ratio share cost allocation methodology**

Load Ratio Share Cost Allocation

- ◆ **NYISO/TOs argued that load ratio share is just and reasonable because:**
 - *FERC and courts have accepted load ratio share for high voltage projects benefiting entire region (e.g., MISO Multi-Value Projects and PJM Reliability Transmission Expansion Process)*
 - *NYISO bulk power system is New York's energy highway*
 - *Improvements to energy highway to meet public PPR needs benefits all ratepayers by upgrading transmission service along the grid's backbone*

LIPA's Role in PPR Planning

- ◆ FERC's April 18 Order left open possibility for parties to resolve LIPA's role on planning transmission to meet PPRs in the Long Island Transmission District
 - *LIPA role in defining PPRs for Long Island*
 - *LIPA role in cost allocation of transmission – on and off of Long Island*
- ◆ LIPA states that it is close to agreement with PSC/TOs
- ◆ Filing reserves LIPA's right to proposed tariff revisions to address its issues during the comment period

Enrollment of New TOs

- ◆ **April 18 Order directed NYISO/TOs to clarify how a new Developer is able to enroll in the NYISO planning region**
- ◆ **October 15 Filing:**
 - *Any interested entity can participate in the NYISO’s planning processes without enrolling*
 - *An entity may enroll in the NYISO’s planning region by becoming a “Party” to the NYISO Agreement.*
 - *An entity can become a Transmission Owner either by signing the NYISO/TO Agreement or a separate agreement under terms comparable to that agreement ,and by turning over operational control of its facilities to the NYISO*

Local Transmission Planning for PPRs

- ◆ In response to April 18 Order, the TOs offered an expanded process for considering transmission needs driven by PPRs in their Local Transmission Plans

- *MPs can propose local transmission needs driven by PPRs*
- *Proposed needs posted for comment on NYISO website*
- *TOs choose and post PPR needs on their websites*
- *MPs can propose solutions to LTP PPR needs*
- *TOs evaluate and choose “more efficient or cost effective” solutions in conjunction with DPS/PSC*
- *MPs can comment on proposed selections*
- *TOs select T solutions and report them in their LTPs*

Identifying Regional Solutions to Local Transmission Needs

- ◆ **NYISO evaluates TO LTPs to determine if a regional transmission solution (across multiple service territories) would be more efficient or cost effective in meeting local transmission needs than the local solutions chosen by the TOs**
- ◆ **TOs can choose whether to adopt regional solutions proposed by NYISO**
 - *No cost allocation or recovery of TO local transmission projects through NYISO tariff*
 - *Regional solution cost allocation and recovery by NYISO if included in a reliability, economic or PPR plan*

Cost Allocation to Meet Transmission Security Needs

- ◆ **NYISO may provide cost allocation and recovery only for transmission in its tariff**
 - *Non-T projects recovered under state law*
- ◆ **Current tariff provides for recovery only for resource adequacy violations**
 - *Transmission security violations (thermal) cannot be paid for through NYISO tariff unless it manifests as a resource adequacy violation*
 - *Current cost recovery for transmission security is through local TO*
- ◆ **Tariff amendment to be filed by August 2014 – in time for 2014 CRP**

Compliance with Reliability Rules

- ◆ **Tariff requires all transmission developers to register for applicable NERC/NPCC functions and to comply with all applicable reliability criteria**
- ◆ **April 18 Order sought justification of this requirement as a project selection criterion**
- ◆ **October 15 filing clarifies that registration/compliance is not a criterion to exclude projects**
 - ***Important for all T projects, incumbent and non-incumbent, to adhere to reliability standards/rules***

Defining “Upgrade”

- ◆ Order 1000 requires open and transparent planning for new transmission, not replacements /upgrades
- ◆ In response to April 18 Order, the TOs can make their own “upgrade” without NYISO cost allocation/recovery for:
 - *an improvement to, addition to, or replacement of an existing transmission facility or any part thereof” – but not an entirely new T facility*
- ◆ “local” requirement removed

Other Key Revisions

- ◆ **NYISO revised monitoring requirements to include T and non-T projects proposed by TOs or non-incumbents**
- ◆ **“Entity” is now defined to include “affiliates” and affiliates must provide a written commitment of their resources to projects offered in the NYISO’s planning processes**

Other Key Revisions, Cont'd

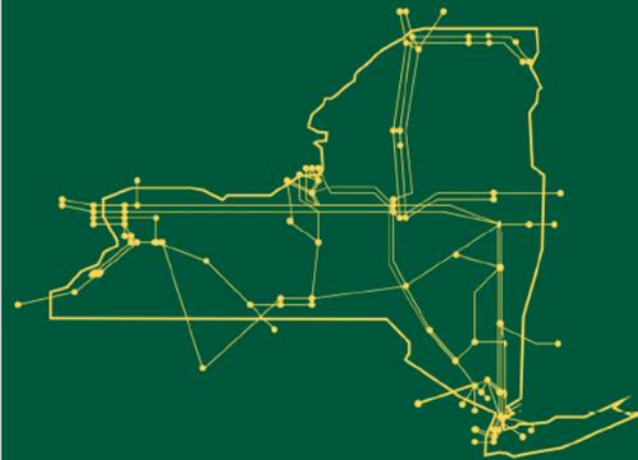
- ◆ **Protection for confidentiality of developers' solutions added**
 - *Maintaining ownership in engineering/interconnection analysis is an open issue*
- ◆ **Developers of alternative regulated solutions to a Reliability Need, whether TO or non-incumbent, may be considered in all circumstances, not only when market-based solutions are insufficient**

Transition Period/Effective Date

- ◆ 2015 originally proposed as effective date for PPR planning; first two-year cycle starting after tariff amendments accepted
- ◆ April 18 Order ruled NYISO should not wait for approval but should commence new processes at start of next planning cycle
- ◆ Filing states that NYISO will begin in January 2014 with next RNA – leads to reliability and public policy planning – 1/1/2014 effective date
 - *CARIS runs in parallel*
 - *No pending transmission projects to transition from old to new tariff structure*

Questions?

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.



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