NORTH AMERICA TRANSMISSION

September 5, 2017

Business Issue Committee
Operating Committee
Management Committee
New York Independent System Operator
10 Krey Boulevard
Rensselaer, NY 12144

Dear Committee Members:

I am writing regarding the draft Western New York ("WNY") Public Policy Transmission Need ("PPTN") Planning Report ("Draft Report") and recommendation of Proposal T014 as the selected proposal.

The top three proposals (T006, T014 and T015) involve the same core scope – a new Dysinger 345 kV switchyard and a new 345 kV transmission line from Dysinger connecting at or near the Stolle Road 345 kV substation. Each proposal involves slight differences in the remainder of the scope or plan for implementation. Proposal T006 has the smallest scope, and correspondingly has the lowest estimated cost and the shortest estimated schedule[1] to implement. Proposal T015 has an incrementally larger scope with an expanded Dysinger station and a new East Stolle Road 345 kV station near Stolle Road. Proposal T014 has the largest scope with the addition of a Phase Angle Regulator ("PAR") on top of the Proposal T015 scope. While the technical differences are small they result in key differences in cost, schedule, and performance that all favor the smallest proposal, Proposal T006.

The Draft Report recommends selection of Proposal T014. Yet, a comparison of the primary categories of cost, schedule and cost per MW of transfer all favor Proposal T006.

Category	Draft Report Statement on Selection of Proposal T014	Proposal T006
Capital Cost	"… estimated overnight capital cost for T014 is among the lowest…"[2]	Lowest overnight capital cost: $24 million to $62 million lower than Proposal T014.[3]
Schedule[4]	Independent anticipated duration estimate at 49 – 53 months.	Shortest independent anticipated duration estimate at 43 months: 6 to 10 months shorter than Proposal T014.
Cost per MW Ratio	"… T014 demonstrates relatively lower cost per MW ratio among the projects.."[5]	Lowest cost per MW ratio at $109k/MW versus $113k/MW to $137k/MW for Proposal T014.[6]

[1] The Draft Report summary table includes the minimum duration. The anticipated duration is listed in Table 3-33.
[2] Draft Report at Page 84.
[3] $157 million for Proposal T006 versus $181 million for Proposal T014 and $219 million for Proposal T014_Alt (Draft Report at Page 42).
[4] Draft Report at Page 72.
[5] Draft Report at Page 84.
[6] $157 million / 1,440 MW for Proposal T006 versus $181 million to $219 million / 1,604 MW for Proposal T014 (Draft Report at Page 45).

The recommended selection of Proposal T014 is largely based on the modeled production cost savings of Proposals T014.[7] The relatively higher ranking of Proposal T015 over Proposal T006 is also based on modeled production cost savings. However, a close examination of the differences in all of the modeling results show the suggested production cost savings of Proposals T014&T015 is tied to increased congestion, increased CO_2 emissions, and increased load payments for WNY compared to Proposal T006. Each of these results is contrary to the WNY PPTN, which is to reduce congestion and provide significant environmental benefits through the dispatch of incremental Ontario and renewable generation (i.e., reduce CO_2 emissions). The direct economic beneficiary, in terms of load savings, will be load in WNY, and the recommendation results in lower economic benefits for the beneficiaries.

The table below provides a comparison of these metrics in order of increasing project scope.[8] As shown, Proposal T006 performs better in all categories aside from production cost savings. It provides the most congestion reduction; it provides the highest CO_2 emissions reduction; and it provides the largest WNY load savings. The increased production cost savings provided by Proposals T014&T015 does not overcome the disadvantages in these other important metrics. Nor should it be given so much weight that it overcomes the lower cost, shorter schedule and lower cost per MW of Proposal T006.

Proposal	NYCA Production Cost Savings (2017 M$)	NYCA Demand Congestion Reduction (2017 M$)	System CO_2 Emissions Reduction (1000 tons)	West Zone Load Payment Savings (2017 M$)
T006	$209	**$713**	**11,390**	**$275**
T015 (+East Stolle)	$225	$647	10,681	$252
T014 (+PAR)	**$275**	$582	7,362	$229

Congestion relief should be given significant consideration as the stated purpose of the PPTN is relieving transmission congestion identified in WNY.[9] Proposal T006 has the greatest reduction in Demand Congestion - $131 million lower than the recommended Proposal T014.

Minimization of CO_2 *emissions* is a goal of the State of New York reflected in many policy initiatives including the State Energy Plan. Proposal T006 results in an incremental reduction of 4 million more tons of CO_2 emissions as compared to the recommended Proposal T014. Valuing the incremental CO_2 emissions at the Social Cost of Carbon,[10] Proposal T006

[7] The production cost savings of Proposal T014 may be overstated due to limitations on operation of the PAR identified in the draft System Resource Impact Study.

[8] Production cost savings from WNY PPTP Report Table 3.19, demand congestion from Table 3-29, load payment from Table 3-27, CO_2 emissions from Table 3-30

[9] WNY PPTP Report at 4, 14, 21, etc.

[10] The New York Public Service Commission ("PSC") supported the use of the Social Cost of Carbon in decision making in Case 14-M-0101: *Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision.* Order Establishing the Benefit Cost Analysis Framework. (Jan. 21, 2016). The PSC used the Social Cost of Carbon as the starting point for the value of a Zero Emission Credit in Case 15-E-0302: *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, Order Adopting a Clean Energy Standard (Aug. 1, 2016). The Chairman of the PSC and the CEO of the NYISO described the Social Cost of Carbon as "a widely recognized regulatory Standard" in the joint cover letter to the Brattle Report (Aug. 11, 2017).

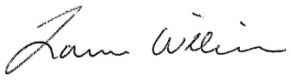
provides $152 million more benefit than Proposal T014.[11] This cannot be dismissed as simply a byproduct of the analysis – rather it is an output of the modeling. The increased production cost savings relied upon in the selection is directly tied to increased reliance on fossil-fired generation and results in increased CO_2 emissions. Put another way, Proposal T014 does not achieve the increased production cost savings without also increasing CO_2 emissions relative to Proposal T006. This is contrary to the State Energy Plan and the stated purpose of the PPTN to provide significant environmental benefits.[12]

Load payment savings should be a key consideration, as it is in other NYISO planning initiatives such as the CARIS process. In the CARIS process, production cost savings is the metric in the first phase of analysis, but load payment change is what determines beneficiaries. The NYISO analysis in the Draft Report identifies the beneficiaries to be in the West zone. However, the recommendation of Proposal T014 over Proposal T006 is asking those beneficiaries to pay the higher relative cost of Proposal T014 ($24 million-$62 million) and also have higher load payments over time ($46 million on a net present value basis) – a total increased cost of $70 million-$108 million. If there were a beneficiary vote in the process, surely the beneficiaries would not vote to approve the recommendation.

One final important point is that the estimated costs do not consider all elements of the proposals – specifically cost containment. Proposal T006 included a hard construction cost cap and other commitments, which provide cost certainty and risk mitigation benefits for ratepayers. The details of the cost containment for Proposal T006 have been publicly disclosed.[13] The independent cost estimate for Proposal T006 should be no more than $130 million after consideration of the cost containment proposal, a reduction of more than $27 million.[14] The fact that the evaluation does not consider cost containment is a significant flaw.

Under Section 31.4.11.2 of the tariff, the Draft Report is to be forwarded to the ISO Board with Business Issues Committee and Management Committee input for final action. For the reasons set forth above, we respectfully request that the BIC and MC approve an alternative motion that recommends Proposal T006 for selection as the more efficient or cost effective proposal.

Thank you for consideration of these comments,



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[11] This estimate assumes constant difference in CO_2 emissions, on an NPV basis at a discount rate of 6.843%.
[12] See NAT July 31, 2017 comments posted with other "Round 2 Comments" at http://www.nyiso.com/public/committees/documents.jsp?com=bic_espwg&directory=2017-08-28 ("NAT July 31 Comments") at page 3 for additional analysis related to the CO_2 emissions in the modeling.
[13] See Attachment A to NAT July 31, 2017 comments for details of NAT's cost containment proposal.
[14] Ibid.