



**NY Power
Authority**



Via Email

September 26, 2017

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

Re: NYPA and NYSEG Comments on WPPR Report

Dear Committee Members:

NYPA and NYSEG appreciate the opportunity to provide the following comments regarding the Final Western New York Public Policy Transmission Planning Report ("Report") and the process leading to its preparation. NYPA and NYSEG acknowledge and appreciate NYISO staff's extensive efforts and resources that have gone into this inaugural Public Policy Requirement ("PPR") solicitation, evaluation and selection process and the preparation of the Report, and the very engaged participation of NYISO's market participants in this process.

In the interest of being constructive and productive, NYPA and NYSEG offer these comments to identify certain concerns with the process leading to the Report with the aim of improving the forthcoming PPR proceedings on the near horizon. We hope and expect that NYISO senior management and the NYISO Board will consider these concerns as they review and act on the Report, and that they implement the "lessons learned" before any new PPR proceeding begins, and, to the maximum extent possible, for any existing PPR proceedings in the pipeline.

1. Communication Deficiencies Undermine Analytical Confidence

The level of information and detail provided with the original draft Report (which appropriately did not include a project selection) was inadequate to provide participants meaningful opportunity to review and compare proposals. NYISO set an unreasonably short deadline for participants to prepare and submit comments on the original draft, and compounded the problem by issuing an updated Report that did include the project selection less than 48 hours after receiving initial comments, without having responded to information requests included in the initial round of comments. Examples of requested, necessary information that was not timely provided are described in the following sections. This created the perception that NYISO did not consider market participant comments and was committed to pushing the selection process forward without giving a meaningful opportunity for comment.

While NYISO eventually did release much (although by no means all) of the information requested by participants, its premature selection of a project prior to providing necessary information undermined confidence in the process and deprived participants the opportunity to meaningfully influence the selection analysis. Much of this could have been avoided had NYISO met with developers to review preliminary conclusions and analysis, as NYPA urged it to do numerous times since the beginning of this process, including during the last two NYISO sector meetings. We are encouraged that NYISO has indicated it plans to address these deficiencies in connection with the upcoming AC PPR process.

2. Property Acquisition:

Cost and schedule are impacted by the required regulatory filings and transaction costs, associated with transferring utility rights-of-way (“ROW”). Furthermore, cost is impacted if a developer is required to obtain additional property rights from underlying land owners for parcels that are held by the incumbent via an easement, or is required to undertake condemnation procedures. NYPA ROW has its own significant cost implications, as discussed below. NYPA and NYSEG repeatedly requested project gantt charts related to property acquisition to determine whether NYISO appropriately reflected the additional time required to acquire needed property and regulatory approvals required of projects lacking necessary property rights (T006, T014, T015) versus the NYPA and NYSEG project (T013), which possesses virtually all required property rights. Having not received this information, we remain concerned that NYISO appears to have failed to realistically account for the extent of additional time and cost that these competing projects must incur, thereby failing to account for a significant competitive advantage of T013.

Additionally, NYISO has not acknowledged the very significant challenges that will face any project that must acquire an interest in property owned or possessed by any public authority, including NYPA, that is subject to the Public Authorities Accountability Act (“PAAA”, see Public Authorities Law Section 2897). Having not received project ROW and substation property layouts in sufficient detail to independently verify whether any NYPA property is required by competitors’ projects, we accept NYISO’s representation that it is not required, in this proceeding.

However, it is critical that NYISO explain how these issues will be addressed in future PPR proceedings, such as the AC PPR process. For example, NYISO’s tariff requires that a developer that does not possess site control must provide NYISO a feasible plan for acquisition of required property. In the Report, NYISO states that such developers propose to negotiate for incumbent TO property and failing agreement to use condemnation authority. NYISO evidently concluded this is a feasible property acquisition plan, as required by the tariff. It failed to explain, however, how this represents a feasible plan if NYPA property is required, given that NYPA property cannot be acquired via condemnation.

3. Changes to Solicitation and Proposals:

The defined Transmission Need identified in the Request for Proposals (“RFP”) was effectively revised part way through the project due to the need to address certain lower voltage, non-Bulk Power Facilities (“BPF”), without affording an opportunity for respondents to revise their projects to respond to the revised definition. In effectively moving the target, NYISO skewed the competition between projects like T013 that incorporated means to address the non-BPF and others that did not. NYISO must provide clear rules going forward on how non-BPF facilities will be handled in future PPR processes to ensure a similar circumstance does not recur. If a new requirement emerges that forces NYISO to move the target, respondents should be allowed to revise their project proposals in response to the new target. Further, without consulting the developers, NYISO made unilateral changes to T013 and other proposals to address the non-BPF impacts.

NYISO’s charge of independence is critically important given its tariff obligation to make the project selection. NYISO must scrupulously avoid making changes to project proposals that alter competitive rankings, which it appears occurred here. For example, NYISO appears to have revised the substation design of a Tier 1 project to address a constructability problem, thereby affecting its feasibility and competitiveness. NYISO also selected T014, despite significant concerns with its use of wood poles, based

on its view that its alternative configuration using steel poles would be satisfactory. But NYISO appears to have based its evaluation of that project on the lower cost wood pole variant, which we contend inappropriately understated its cost and improved its competitive ranking.

4. Cost Estimate Concerns

Consistent Cost Format: Transparency and the ability to compare each project to the others requires that all estimates be developed and presented using a consistent format – this includes line items and units. Consistency provides assurance that the assumptions and elements used to develop each estimate are appropriate and it supports the integrity of those estimates. The estimate format for T013 is inconsistent with the format for the other Tier 1 projects. This renders it difficult, if not impossible, to make a comparison with the other Tier 1 estimates. As an example, review the line item on the Dysinger-Stolle Road transmission line. T006 and T013 both propose bundled 795 conductor for the same length. However the units in the estimate differ and the total differs. NYISO should present all projects in a consistent format and provide an explanation for any apparent inconsistencies in unit costs for similar type facilities.

System Upgrade Facilities (SUFs): SUF costs are a significant element of project expense, often accounting for more than ten percent (10%) of total project cost. Many metrics are tied to project cost and, therefore, a thorough review of expected SUF costs is required in a competitive evaluation of projects. This is particularly critical in the current context, where only T013 had a completed System Impact Study (SIS) at the time the selection reflected in the Report was made. The approach NYISO evidently has employed of extrapolating an estimate for a project lacking a completed SIS based upon an estimate prepared for a different project – rather than developing a specific SUF estimate for each specific project – is inappropriate.

Our concern with the NYISO approach is informed and strengthened by our review of similar projects addressed in recent proceedings on the New York State Public Service Commission.¹ As shown in the following table, the estimated cost of reconductoring 115 kV transmission facilities ranges from a low of \$1.6 million/mile to a high of \$2.2 million/mile. This range is significantly higher than the \$0.4 million/mile estimate prepared for the Swann Rd-Shawnee project included in T006, T014 and T015, and calls into question the reasonableness of that estimate.

Projects	Length (mi)	Estimate (M)	Cost/Mile (M)
GE-Geres Lock is a 115kV Reconductoring - shieldwire replacement	8	\$13	\$1.6
Rotterdam-Curry is a 115kV Reconductoring only	7	\$15	\$2.1
Mortimer-Pannell is a 115kV Reconductoring – shieldwire addition	16	\$35	\$2.2
Mohican-Battenkill 115kV Reconductoring/Rebuild	14	\$35.5	\$2.2

¹ Information obtained from Case 11-T-0068 Mohican-Battenkill Article VII Application, and National Grid 2017 Rate Case Filing,



The apparent lack of uniform assumptions concerning reconductoring costs appears to have harmed the competitiveness of T013 relative to its competitors.

Conclusion

Thank you for your consideration of the foregoing comments.