

Planning Process For Economic Projects

Comments on Behalf of NYSEG/RGE, Central Hudson and Con Edison/O&R

- FERC is interested in seeing that RTOs and ISOs have planning processes in place that "... identify beneficial transmission needed for both reliability and economic reasons to support regional markets and reduce the effects of generation concentration." (SMD NOPR RM01-12)
 - FERC's thinking is apparently based on a pre-conceived notion that markets will occasionally fail to produce the economically efficient result, even with visible price signals. Or else why have an economic planning process at all?
 - However, we believe that FERC is premature in anticipating market failure. Markets fail only when they are flawed. In a well-designed market, market failure does not occur.
- We have created competitive markets in NY and need policies that do not interfere with market response
 - Market projects should not have to compete with regulated projects as economic solutions since this creates an uneven playing field and will have a chilling effect on market-based projects; regulatory risk becomes unquantifiable for market projects and will discourage market solutions from developing
 - If we are to have a market, the most important thing we can do is to give the market the confidence that it needs to work. It also needs a degree of certainty. To be confident, market participants should not have to worry that the market administrator is going to impose an administrative "solution" to a perceived problem. That gives rise to uncertainty, and leads to hesitancy in investment for infrastructure.
 - Only to solve reliability issues should regulated projects be considered as potential solutions. The stakeholder process, approved by the Board and filed with FERC, provides every opportunity for market-based projects to respond before regulated projects are considered and implemented.
 - Successful market responses can be deemed as the most economic solution
- The NYISO should perform studies, both historic and prospective, to provide results on congestion; for future time periods, the NYISO should state all assumptions used in their analysis and clearly point out that this is a forecast of congestion that may or may not reflect what would actually happens.
 - Point out that one lesson we have learned in determining historic congestion levels is that congestion is significantly impacted by outages that happened
 - NYISO's consultant POWERGEM's ongoing analysis of historic congestion shows that congestion when viewed on a "societal" basis has to date been de minimis. Furthermore, it shows that fixing to worst constraint does not result in a significant reduction in congestion because the next limit(s) are not too far away. The conclusion can be reached, at least for New York, that the problem may not be as large or urgent as the FERC thinks it is.
 - Congestion doesn't necessarily imply that there is a reliability problem.
- Who determines the threshold at which the cost of congestion is too high? RTOs/ISOs need to remain independent entities that only administer the markets, not interfere in the markets. The markets will view ISO intervention unfavorably. If the PSC is to determine the threshold for congestion cost, then aren't we moving backwards to a partially regulated environment?

A full-blown economic planning process with cost-benefit tests together with all the assumptions that go into them is not necessary in New York.