

Transmission Owner Funding of Interconnection Upgrades

New York Transmission Owners

February 2021

Introduction

- **The NYTOs support the clean energy goals in the CLCPA and are committed to working with the state to meet the goals and to leading and delivering the clean energy transition to our customers. This support includes:**
 - Local transmission upgrade proposals to integrate clean energy
 - Energy storage solicitations
 - Advocacy for reforms to remove market barriers to new technologies

Introduction (Cont'd)

- **The NYTOs are continuing to consider new ways to aid the state in meeting CLCPA goals and propose complementary reforms to the NYISO Interconnection Upgrade Funding Mechanism to better accommodate growing number and scale of interconnection requests.**
 - CY 2019 had four to five times the number of projects in CY 2017; Upgrades will represent growing parts of TO systems.
 - Changes are needed to properly align the costs of the risks associated with owning and operating interconnection upgrades while protecting TOs' ability to maintain affordable customer rates in the future.
 - We propose to achieve this without delay to the integration of new resources.

Background

- **The NYTOs seek changes to the funding mechanism for generator interconnection upgrades to align the process with recent judicial and FERC precedent.**
 - Applicable to only System Upgrade Facilities and System Deliverability Upgrades (“Upgrades”)
 - Does not change treatment of the Developer’s Attachment Facilities
 - While the NYTOs ultimately own and bear the risks associated with owning, operating, and maintaining Upgrades, they currently do not earn a return on their costs.
 - Recent precedent in the D.C. Circuit affirms the right of a TO to earn a return on, and of, these Upgrades.
 - And rejects forcing TOs to function as owners and operators of transmission facilities without recovering their cost of capital.

Overview of Proposal

- **Proposal would enable the TO to provide the initial funding for Interconnection Upgrades, and to recover that investment, with a regulated return, from the Developer over a reasonable recovery period.**
 - Would apply to Upgrades identified through the NYISO Interconnection Process.
- **Each TO must notify the NYISO of any Upgrades the TO will fund prior to the start of the NYISO Class Year decision period.**
 - Developer will have this information prior to accepting its cost allocation and posting security.
 - TO funding will **not** alter timing of Class Year process or change developer's Option to Build Stand Alone Upgrades.

Overview of Proposal (Cont'd)

- **TO will pay the costs of the Upgrades it is funding during construction, rather than the developer. Developers repay these costs to the TO over twenty (20) years.**
 - Developer security posting required on a declining basis until costs are fully paid.
 - A new *pro forma* Facility Service Agreement (FSA) will govern these payments.
 - FSA to be handled in tandem with IA.

Overview of Proposal (Cont'd)

- **TOs do not believe this change will have significant cost impacts.**
- **The proposal will prevent TOs from having to operate a growing part of their systems without the opportunity to earn a fair return.**

Next Steps

- Targeted implementation of the TO Funding Mechanism for Class Year 2021.
- The NYTOs are seeking stakeholder feedback on the proposal:
 - Send comments/feedback to Stu Caplan and Kat O’Konski of Troutman Pepper (stuart.caplan@troutman.com and katherine.okonski@troutman.com)
 - Additional stakeholder discussions planned:
 - March 1 TPAS
 - March 11 OC
 - March 31 MC