

Developer Qualification: Process Improvement and Cost Reduction Proposals

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Background

- **NYISO has over 6 years of administering its Developer Qualification process under Attachment Y of the OATT**
- **NYISO initiated review of the Developer Qualification process in order to:**
 - Identify opportunities for process improvement by reducing administrative burdens on Developers and NYISO
 - Identify opportunities to reduce uncompensated expenditures by the NYISO in reviewing qualifications

Agenda

- **Current Process Overview**
- **Proposed Process Changes**
- **Cost Comparison**
- **Proposed Timeline**
- **Q & A**

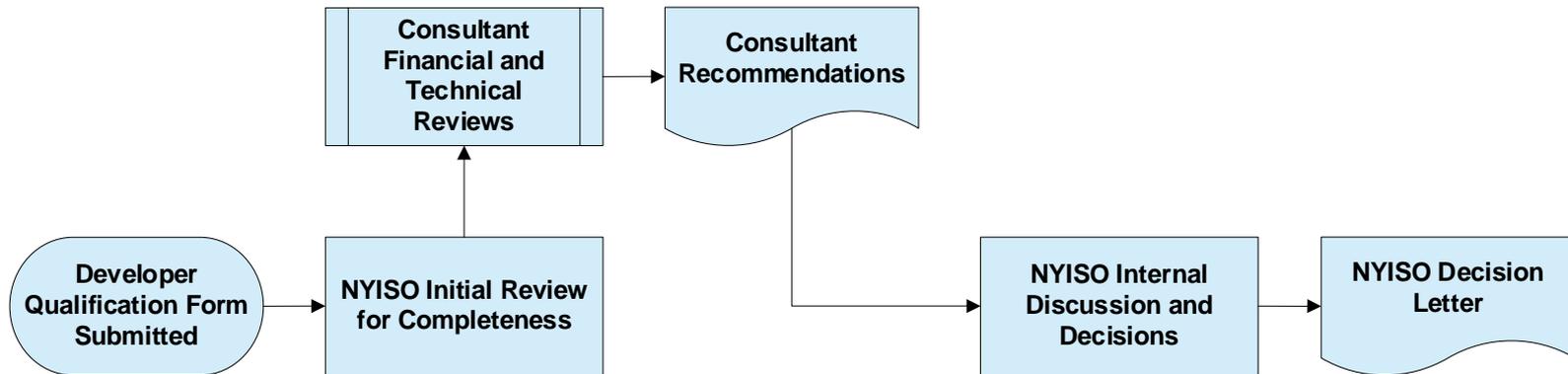
Current Process Overview

Current Process Overview

- **Entities must be qualified in order to submit transmission solutions in the NYISO's Comprehensive System Planning Process ("CSPP")**
- **The qualification process is set forth in:**
 - Section 31.2.4 for the Reliability Planning Process
 - Section 31.3.2.4.1 for the Economic Planning Process
 - Section 31.4.4 for the Public Policy Transmission Planning Process
 - Appendix H of the Reliability Planning Process Manual

Current Process Overview–Continued

- In order to become qualified, a Developer is required to submit a Developer Qualification Form and include information to demonstrate that it has the requisite experience in developing, financing, and operating a transmission facility.
- Application Process (Typically 30-60 Days)



Current Process Overview–Continued

- **A Developer is qualified for three years**
- **Obligations of Qualified Developers following qualification**
 - Submit annual financial statements
 - Notify the NYISO of any material change to information provided in the most recently submitted Developer Qualification Form
- **If a Developer wishes to remain qualified at the end of the three-year period, it must submit a new Developer Qualification Form prior to the end of the period**

Current Process Overview–Continued

- **Review of Qualified Developers Following Qualification**
 - NYISO performs reviews of audited annual financial each year
 - NYISO reviews notices of material change when notified by Qualified Developers
 - NYISO will also review the additional information on the Qualified Developer’s ability to develop, finance, and operate a proposed transmission solution submitted in response to a NYISO solicitation

Current Process Overview–Continued

- **If the Developer notifies NYISO of a material change that results in it no longer having the necessary qualifications, then NYISO will notify the Developer if it no longer qualified.**
 - Such Developer could reapply by submitting a new Developer Qualification Form demonstrating its experience to develop, finance, and/or operate a transmission facility in light of the material change.

Proposed Process Improvements

Proposed Process Improvements

Overview

- NYISO incurs costs (*e.g.*, using consultants) in reviewing the technical and financial experience of Developers seeking qualification, and such costs are not currently covered by an application fee similar to other NYISO processes.
- NYISO also incurs costs in conducting an annual review of a Developer's audited financial statement

Proposed Process Improvements

Overview

- **Historic Budget Expenses for Technical and Financial Reviews**
 - 2021 estimate for current process--\$117,000
 - 2020 actual--\$86,000
 - 2019 actual--\$113,500
- **The annual costs vary from year to year**
 - Due to the three-year term, the annual costs differ depending on the number of re-applications the NYISO receives each year
 - First time applications can occur at any time

Proposed Process Improvements

NYISO proposes the following process improvements to reduce the administrative burdens on Developers and NYISO and to reduce the uncompensated costs incurred by NYISO in the process:

- 1. Replace the requirement to reapply every three years and to submit audited annual financial statements every year with a biennial recertification**
- 2. Require an application fee to cover the majority of the NYISO's expenses in reviewing applications going forward**

Require a Biennial Recertification

■ Proposed Process Improvement:

- Replace the requirement to reapply every three years and to submit audited annual financial statements with an attestation certifying that there have been no material changes to the information provided supporting the Developer's qualification once every two years
- This requirement would apply to new and existing Qualified Developers

Require a Biennial Recertification

■ Rationale for Proposal:

- Based on NYISO's experience to date, the need to reapply every three years and the annual review of the Developer's audited financial statements results in administrative burdens and costs that outweigh their benefits
 - Qualified Developers are already obligated to report potential material changes to the information submitted by the Developer, which NYISO will review
 - Current provisions in OATT Attachment Y require Developers submitting proposals in one of the NYISO's transmission planning processes to provide updates and additional information on its ability to develop, finance, and operate a transmission facility as a part of its proposed transmission solution

Require a Biennial Recertification

■ Rationale for Proposal:

- This improvement is intended to retain the value-adding aspects of the annual financial reviews and the three-year renewal requirement at a far lower cost for Qualified Developers and NYISO
- This improvement will also maintain a process control to ensure Developers are reporting material changes
- The requirement to report any material changes to the information provided in the Developer Qualification Form would capture changes to the annual financial statements without the annual requirement to submit and review them

Require an Application Fee

■ Proposed Process Improvement:

- When a new Developer submits a Developer Qualification Form, it must also submit a \$10,000 non-refundable application fee to the NYISO
 - A Developer Qualification Form will be required for:
 - New applicants
 - Developers wishing to reapply in the event that they become no longer qualified
- Current Qualified Developers will not be required to reapply unless they later become no longer qualified

Require an Application Fee

■ Rationale for Proposal:

- The application fee is intended to cover the reasonable costs of the application-related financial and technical reviews by the NYISO, as well as other administrative costs associated with the processing the Developer Qualification Form.
- NYISO will continue to budget for the following expenses, but at a reduced amount:
 - Day-to-day costs of administering the process
 - Consultant assistance in reviewing material changes
 - Costs in reviewing unique applications that exceed the application fee (*i.e.*, \$10,000)

Comparison of Developer Qualification Process in Other ISOs/RTOs

| ISO/RTO | Process Name | Application Fee | Qualification Period | Recertification Requirement |
|---------|---|--|----------------------|---|
| ISO NE | Qualified Transmission Project sponsor (QTPS) | None | One year | Submit QTPS Annual Qualification Form each January |
| PJM | Prequalification for Designated Entity Status | None | Three years | Confirm to PJM one every three years that pre-qualification information has not changed |
| MISO | Qualified Transmission Developer | \$20,000 one-time fee | Two year | Submit Qualified Transmission Developer Recertification Affidavit once every two years |
| SPP | Qualified RFP Participant (QRP) | \$6,000 (only required for non-members) | Five years | Submit a full application package six months prior to the end of the qualification period |
| CAISO | Qualifications are submitted along with proposed solutions in response to project solicitations | Included in \$75,000 project sponsor application fee | NA | NA |

Proposed Timeline

Proposed Timeline

- Presentation of initial proposed improvements
- Additional working groups discussions on proposed improvements
- BIC, OC & MC vote on tariff revision
- Board approval
- Federal Power Act Section 205 filing



Questions?

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- Maintaining and enhancing regional reliability
- Operating open, fair and competitive wholesale electricity markets
- Planning the power system for the future
- Providing factual information to policymakers, stakeholders and investors in the power system

