

**Comments of the New York Transmission Owners on
NYISO Master Plan
May 25, 2018**

The New York Transmission Owners (“NYTOs”)¹ submit the following comments on the New York Independent System Operator, Inc.’s (“NYISO”) Draft Master Plan – Wholesale Markets for the Grid of the Future (“Master Plan”). The NYTOs commend the NYISO for developing the draft Master Plan -- a five-year strategic plan for initiatives aimed at addressing the Integration of Public Policy. The NYTOs comment on (a) recommendations to maximize the efficacy and benefits of the Master Plan process; and (b) specific initiatives included in the Master Plan.

A. Recommendations on the Master Plan Process

1. The Master Plan should have a more comprehensive and inclusive scope of issues and initiatives impacting wholesale electric markets and not be so narrowly limited to projects which are selected through the NYISO Budget and Priorities Working Group (“BPWG”) process

In the draft Master Plan, the NYISO sets forth its strategic vision for market design to prepare for anticipated changes to the bulk power system, and proposes and prioritizes several projects to be implemented over the next five years (“Projects”). *See* Master Plan at 9. The NYISO indicates that projects must be selected through the NYISO’s BPWG stakeholder prioritization process in order to be included or remain in the Master Plan. *See* Master Plan at 7.

The NYTOs believe that the Master Plan should inform the BPWG project prioritization process, and therefore request that the NYISO confirm that matters that might not be prioritized in the annual BPWG prioritization process will still be eligible for inclusion in the Master Plan. Additionally, the NYTOs believe that the five-year strategic Master Plan should be broadened beyond the integration of public policy to include other areas where market improvements are needed. The NYTOs do not necessarily all agree at this point on what these other areas are, but do agree that looking at issues more strategically and on a broader basis over the five-year period would be a useful process for stakeholders.

¹ For purposes of these comments, the NYTOs include: Central Hudson Gas & Electric Corp.; Consolidated Edison Company of New York, Inc., National Grid; New York Power Authority; New York State Electric & Gas Corp., Orange & Rockland Utilities; Power Supply Long Island; and Rochester Gas & Electric Company.

2. The Master Plan should be a dynamic document updated periodically and reflecting stakeholder priorities and system and market policy and regulatory circumstances

The NYTOs recommend that the NYISO update the Master Plan semi-annually to reflect stakeholder priorities and any major changes resulting from such dynamic factors as changes in NYISO priorities, stakeholder input, changed circumstances and changes in policy or regulation. The Master Plan must be a living document in order for it to be useful. For example, changes in New York State (“NYS”) targets for renewable resources/storage or changes in FERC requirements applicable to distributed energy resources or other ancillary service or capacity markets may warrant significant changes in the Master Plan or it may become obsolete. The Master Plan should be updated in response to FERC/NYPSC-directed requirements, in consultation with stakeholders, to realign priorities.

Short of such major changes, the NYTOs expect the Master Plan will be updated in the ordinary course to reflect the annual project prioritization process, but NOT to exclude projects which have not yet been prioritized, but which should be considered over the five years.

Properly structured, the Master Plan can be used to identify changes in the rolling five-year priorities of the NYISO, its stakeholders and the NY market; and as a tool to help focus stakeholder and NYISO staff efforts on important issues which transcend one year. Of course, priorities and needs change, but the Plan can be updated to reflect this fact so the Master Plan is not static, and its usefulness diminished.

The Master Plan can and should identify the targeted timing of project-specific milestones, such as stakeholder committee vetting, circulation of draft tariff or manual changes, presentation to the NYISO Management Committee, presentation to the NYISO Board and any FERC filings.

Updates in the plan can be reviewed in stakeholder meetings so that the NYISO can benefit from multi-sector input and stakeholders will benefit from a better understanding of how the near-term projects fit into the overall objectives of the NYISO over the short and intermediate term.

To allow for an orderly and useful process, the NYTOs recommend that the NYISO identify the manner in which the Master Plan will be updated.

B. Recommendations on Specific Initiatives in the Master Plan or for Inclusion in the Master Plan

1. The Master Plan is deficient in its failure adequately to consider capacity and ancillary service market changes which go in tandem with some of the other objectives of the Plan

In the draft Master Plan, the NYISO does not identify capacity market initiatives, rather stating the capacity market does not need “a comprehensive redesign at this time.” The NYISO focuses primarily on energy market rules rather than major capacity market changes. *See* Master Plan at

6. The NYTOs do not believe a strong Master Plan can omit consideration of capacity and ancillary service market issues.

The NYISO is working with the NYDPS on carbon pricing (a subject discussed below). In the absence of carbon pricing which addresses subsidies for specific resources, such as ZECs, FERC will have to address the pending complaint seeking to apply Buyer Side Mitigation rules to existing resources which receive out-of-market subsidies. Irrespective of FERC regulation, the NYS CES may result in substantially diminished energy market revenues in many hours, which will impact demand curves and capacity market participation in some cases. These dynamics, in turn, will impact incentives to invest in new generation or to keep aging units in service. There is no way to divorce the capacity market and its function from other initiatives which the Master Plan must address.

The Master Plan should prioritize those projects that best enable efficient market products, and the NYISO should undertake an assessment of which projects have the potential to achieve appropriate price signals and to avoid out-of-market solutions in favor of market solutions. The NYISO must also consider as part of the Master Plan's broader strategic analysis and objectives impacts on the capacity market and improvements or adaptations to provide for an efficient market. Among the issues which should be considered in this context are: (i) the role of new transmission to achieve public policy objectives or to maintain reliability while achieving such objectives, (ii) achieving a greater mix of renewable resources; (iii) considering the value that different types of resources bring to the market while ensuring there are appropriate price signals to optimize use of market solutions and to avoid out of market solutions or unnecessary reliance of Reliability Must Run-type agreements; (iv) the importance of price formation for retaining the generation necessary to reliably serve the system; (v) ensuring the NYISO's rules do not eliminate capacity zones too early or too late or create them before they are needed, *i.e.* replacing the current reliance on a static deliverability test; (vi) alignment of costs and reliability beneficiaries; and (vii) creation of capacity deliverability rights for new transmission. The NYTOs are not of a uniform view on how to address certain of these issues, but agree that a credible Master Plan process should provide for consideration of these issues.

2. Carbon Pricing

The NYTOs believe that the Master Plan must integrate contingency planning for different carbon pricing outcomes, recognizing, as noted above, that a failure to address carbon pricing may result in other required market changes. Moreover, the NYISO will have to consider the following issues as they affect potential outcomes of the Integrating Public Policy Task Force ("IPPTF") process: (i) limiting transfer payments to generators from loads where abatement below the social cost of carbon is possible; (ii) addressing beneficial electrification; (iii) recognition of transmission's role in integrating renewables; (iv) impacts of carbon pricing on the wholesale markets; and (v) the likelihood that the straw proposal would be approved by FERC.² Any newly-identified market needs associated with accommodating public policy may impact the functioning of the capacity market, and the energy, ancillary services and capacity markets should be considered in a coordinated manner.

² Individual NYTOs believe that the NYISO should conduct a thorough review of whether there are alternative solutions to the straw proposal which will provide for more efficient wholesale market outcomes.

3. RTC-RTD Convergence Improvements

The Master Plan currently indicates that the real-time commitment (“RTC”) and real-time dispatch (“RTD”) Convergence Improvement project will not be deployed until 2023. The MMU has repeatedly identified that convergence will improve the efficient operation of the markets through lower prices, lower need for out of market commitments, and fewer resources incorrectly committed. The NYTOs are concerned that the analysis used to justify the low priority the NYISO assigned to this project was based on a correlation analysis, and not an analysis of the economic inefficiencies caused by the current divergence between RTC and RTD. Moreover, this project appears to be limited to addressing timing inconsistencies between RTC and RTD, when the analysis conducted by the MMU, and reported in the 2017 State of the Market Report, cites several other sources for divergence between RTC and RTD, the most significant of which is differences in network modeling between RTC and RTD, including the modeling of PAR-controlled lines. The NYISO and MMU should identify for stakeholders the potential efficiency gains which may be achieved through greater convergence before relegating this initiative to the slow track. If the efficiency gains are meaningful, then the convergence project should be elevated in priority.

The NYTOs look forward to a robust discussion of how best to proceed with the Master Plan process for the benefit of the markets.