

# Short Term Improvements to Planning Processes

---

**Yachi Lin**

Senior Manager, Transmission Planning

**TPAS/ESPGWG**

**September 6, 2018**

DRAFT – FOR DISCUSSION PURPOSES ONLY

©COPYRIGHT NYISO 2018. ALL RIGHTS RESERVED



# CSPP Improvements

- The NYISO's review seeks to improve the efficiency of the CSPP through tariff revisions that realign and/or streamline the various process
- Approach:
  - Short term process improvement: Section 205 tariff filing to address immediate process improvements; seeking November Board approval
  - Long term process improvement: Address process improvements in LTPP, RPP, CARIS and PPTPP. Q4 2018 presentation of design concept to stakeholders

DRAFT – FOR DISCUSSION PURPOSES ONLY

# Objectives for Today:

## Short Term Process Improvement

- Review the proposed tariff amendments to improve the transmission planning processes in a Federal Power Act Section 205 filing
- Review stakeholders' comments on cost containment

DRAFT – FOR DISCUSSION PURPOSES ONLY

©COPYRIGHT NYISO 2018. ALL RIGHTS RESERVED

# Issues to be Addressed in 2018 Tariff Amendments

# Short Term Process Improvement 1: Two-Stage PPTPP Project Proposals

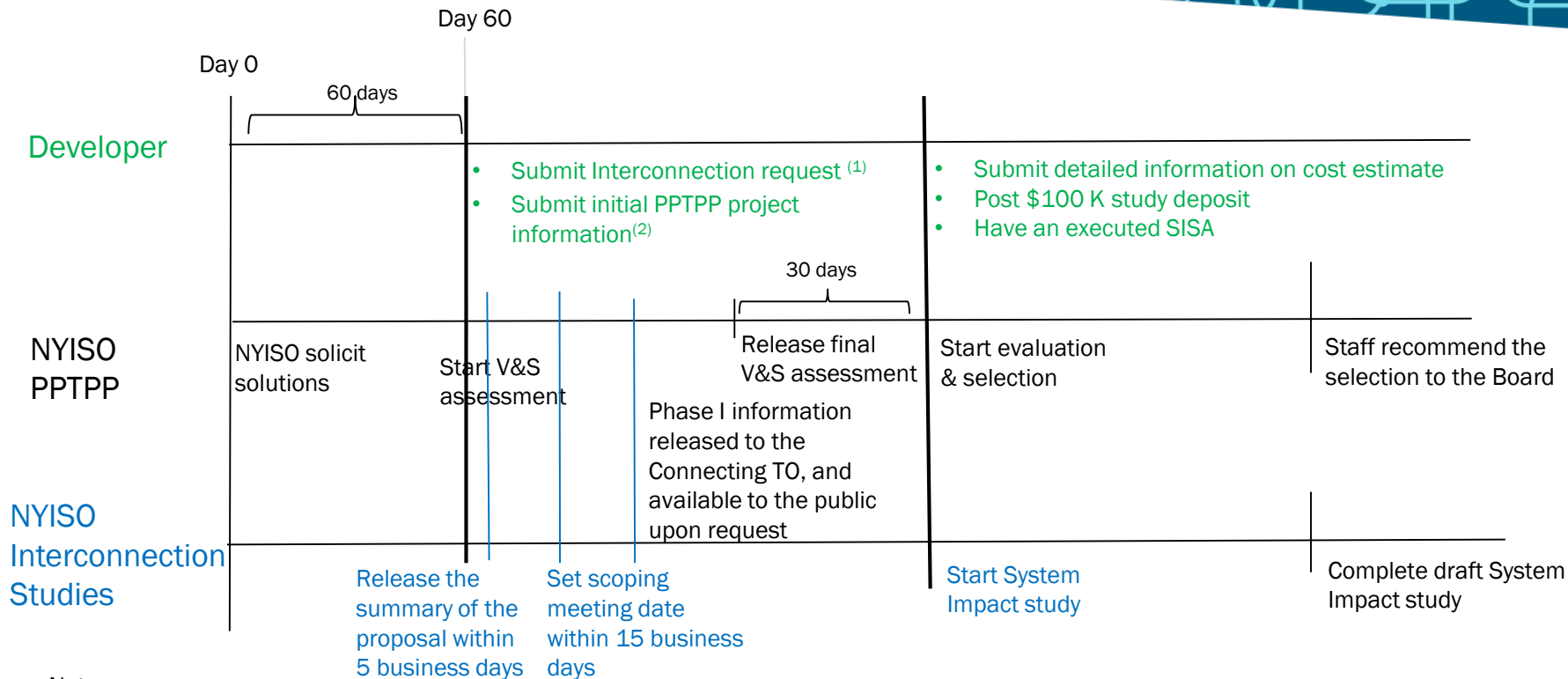
- **Proposal:**
  - Maintain an open and transparent process to all stakeholders
  - Electrical characteristics of the proposed project can NOT change between the stages.
  - Require a Developer of a Public Policy Transmission Project to provide the project information in two stages, based upon what is required for the analyses conducted by the NYISO.
    - Initial submission, within 60 days from the NYISO's solicitation: Developer qualification, certain electrical information, characteristics, and other targeted information necessary to conduct feasibility studies and determine a project's viability and sufficiency.
    - Second submission: Required project information for proposed transmission solutions for the purpose of conducting system impact studies, and project evaluation and selection.
  - Developers of Public Policy Transmission Projects need to provide the data in two formats, redacted and unredacted. Only Confidential Information, proposed to be defined in Section 31.4.15, should be redacted. CEII requested and provided under NYISO procedures.
  - NYISO will first compile a brief description of all proposals received and post for public information. Redacted project information of both the initial and second submission would be made available upon request after NYISO review.

DRAFT – FOR DISCUSSION PURPOSES ONLY

# Short Term Process Improvement 2: Identical and Simultaneous Transmission Interconnection Application

## ■ Proposal

- Based on the proposed two-stage project information submittal (see Issue No. 1), the NYISO proposes that a Developer must demonstrate that it submitted a Transmission Interconnection Application or Interconnection Request, as applicable, at the time of its initial submission of project information.
- Clarify in the tariff that the project description in the Transmission Interconnection Application or Interconnection Request, if applicable, must be the same as the project description in the Public Policy Transmission Project proposal.
- If project descriptions are not the same, the NYISO will reject the project proposal.
- Need to meet the timeline set forth in OATT Att. P Transmission Interconnection Process



Note:

1. TIP project descriptions needs to be identical to PPTP submission
2. Same items as required in the current Section 31.4.5.1, but modified into two phases.

# Requested Information in the Current Process:

## Initial Submission (in blue) Second Submission (in green)

1. contact information;
2. the lead time necessary to complete the project, including, if available, the construction windows in which the Developer can perform construction and what, if any, outages may be required during these periods;
3. a description of the project, including type, size, and geographic and electrical location, as well as planning and engineering specifications as appropriate;
4. evidence of a commercially viable technology;
5. a major milestone schedule;
6. a schedule for obtaining any required permits and other certifications;
7. a demonstration of Site Control or a schedule for obtaining such control;
8. status of any contracts (other than an interconnection agreement) that are under negotiations or in place, including any contracts with third-party contractors;
9. status of ISO interconnection studies and interconnection agreement;
10. status of equipment availability and procurement;
11. evidence of financing or ability to finance the project;
12. capital cost estimates for the project;
13. a description of permitting or other risks facing the project at the stage of project development, including evidence of the reasonableness of project cost estimates all based on the information available at the time of the submission; and
14. any other information requested by the ISO.



# Two-Stage Project Information Submission: Data Required for the Initial Submission

1. contact information;
2. a description of the project, including type, size, and geographic and electrical location, as well as planning and engineering specifications, as appropriate, **and overall cost**;
3. evidence of a commercially viable technology;
4. a major milestone schedule and **expected In-Service Date**;
5. **proposed routing and a general plan for acquiring the property rights necessary to implement the project**;
6. status of ISO interconnection studies and interconnection agreement, if available,
7. evidence of financing or ability to finance the projects; and
8. **any other information required by ISO Procedures or requested by the ISO.**

# Two-Stage Project Information Submission: Data Required in the Second Submission

1. updates to the information from the initial submission, provided that the electrical characteristics of the project cannot be changed;
2. the lead time necessary to complete the project, including the construction window and outages may be required during these periods;
3. a **detailed** major milestone schedule;
4. the schedule for obtaining any required permits and other certifications;
5. **A transmission routing study (or studies) and demonstration that the developer already possesses the rights of way or has specified a detailed plan/schedule for acquiring property rights;**
6. status of equipment availability and procurement;
7. status of any contracts (other than an interconnection agreement) that are under negotiations or in place, including any contracts with third-party contractors;
8. evidence of financing or ability to finance the project;
9. capital cost estimates for the project;
10. a description of permitting or other risks facing the project at the stage of project development, including proposed mitigation of the identified risks and evidence of the reasonableness of project cost estimates all based on the information available at the time of the submission; and
11. **any other information required by ISO Procedures or requested by the ISO.**

DRAFT – FOR DISCUSSION PURPOSES ONLY

©COPYRIGHT NYISO 2018. ALL RIGHTS RESERVED

# Short Term Process Improvement 3: Eliminate Pause Point

- **Proposal**

- Eliminate the requirement for a PSC order for the NYISO to proceed with its evaluation of transmission solutions following the viability and sufficiency assessment.
- In the Western NY PPTN, the pause was approximately 5 months before the NYISO could proceed with evaluation and selection.
- The NYISO would begin the evaluation and selection of the more efficient or cost-effective transmission solution following the completion of the viability and sufficiency assessment and receipt of additional project information from the Developers (see Issue No. 1).
- PSC would retain the ability to cancel or modify the identified Public Policy Transmission Need prior to the NYISO Board of Director's selection of the more efficient or cost-effective solution, which would halt the NYISO's evaluation or result in an out-of-cycle process to address the modified need.

- **Tariff revision**

- Section 31.4.6.7

# Short Term Process Improvement 4: Interest on Study Deposits

## ■ Proposal

- For purpose of the NYISO study deposit requirement, the NYISO will refund the deposit and the actual amount of interest accrued on the deposits held to the extent those exceed amounts owed to the NYISO. The interest rate will be the actual interest earned on the deposits rather than interest accrued at the FERC rate.
- This will apply to the interest owed to the NYISO or the Developer as applicable.

## ■ Tariff revision:

- Section 31.2: update re: the proposed solutions for Reliability Needs
- Section 31.4: update re: the proposed solutions for Public Policy Transmission Needs

# Additional Summary of Revisions to Project Information Requirements for Public Policy Transmission Projects

- Relocated the project information requirements for Public Policy Transmission Projects from an existing Section 31.4.5.1 to a new provision with the same numbering that is located earlier in Section 31.4.
- Split and revised the description of the project information requirements in existing Section 31.4.5.1.1 into two new provisions for the two submission phases, which are included in new Sections 31.4.5.1.1 and 31.4.5.1.2.
- Retained the additional project information requirements that detail the information that a developer must submit concerning contracts, permits, evidence of financing, and interconnection studies. These requirements were previously located in Section 31.4.5.1.2 through 31.4.5.1.5 and are now located in new Sections 31.4.5.1.5 through 31.4.5.1.8. The only change to these provisions is the insertion of a cross-reference to the confidentiality requirements in Section 31.4.15 as part of the requirements for submitting contracts.
- Relocated from Section 31.4.8.1.1 to new Section 31.4.5.1.3 the description of the information concerning capital cost estimates that developers must submit.
- Relocated from Section 31.4.8.1.6 to new Section 31.4.5.1.4 the description of the information concerning transmission routing studies that a developer may submit.

# Additional Summary of Revisions to Project Information Requirements for Other Public Policy Projects

- Relocated the project information requirements for Other Public Policy Projects from an existing Section 31.4.5.2 to a new provision with the same numbering that is located earlier in Section 31.4.
- The only revisions to these requirements were including “if available” for item 6 (schedule for obtaining any required permits and other certifications), item 9 (the status of interconnection studies and interconnection agreement, as applicable), and item 10 (the status of equipment availability and procurement, as applicable). In addition, the NYISO updated item 12 to require any other information “required by ISO Procedures.”
- Retained the additional project information requirements that detail the information that a developer must submit concerning contracts, permits, evidence of financing, and interconnection studies. These requirements were previously located in Section 31.4.5.2.2 through 31.4.5.2.5 and are now located in new provisions with the same numbering that are earlier in Section 31.4. The only change to these provisions is the insertion of a cross-reference to the confidentiality requirements in Section 31.4.15 as part of the requirements for submitting contracts.

# Additional Summary of Revisions

## Application Fee

- The \$10,000 application fee requirement for transmission projects was relocated from Section 31.4.4.4 to Section 31.4.6.1.1, which establishes the requirements for developer's phase 1 submission for purposes of the viability and sufficiency assessment.

## Study Deposit

- The \$100,000 study agreement and study deposit requirement for transmission projects were relocated from Section 31.4.4.4 to Section 31.4.7.1.4, which establish the requirements for developer's phase 2 submission for purposes of the evaluation and selection process. The requirements were revised to indicate that the study deposit would be “held in an interest-bearing account for which the interest earned will be associated with the Developer . . . .”
- The details concerning developer's cost responsibility for the NYISO' study costs and the billing and payment of such costs were relocated from Section 31.4.4.4 to Section 31.4.7.2. The requirements were revised to provide that interest owed to the Developer or to the NYISO under the provisions would be accrued at the actual interest the NYISO earns or the Developer earns, respectively, rather than interest at the FERC rate.

# Additional Summary of Revisions

## Determination to Proceed

- The requirements that developers make a determination to proceed in Section 31.4.6.6 were deleted with the removal of the pause point. The requirement that a developer demonstrate it has an executed SIS or SRIS agreement was relocated to the phase 2 project information requirements in Section 31.4.7.1.

## Timeline

- Update the deadlines eligible for extensions for the initial and second information submission in Section 31.1.

## Study charge

- Section 31.4.7.2: Clarify that the scope of work by the NYISO to evaluate transmission projects for which developers pay is the work specified in Sections 31.4.7 through 31.4.11, and any supplemental evaluation or re-evaluation of the proposed projects.

## Confidentiality of Solutions

- Developers of a proposed Public Policy Transmission Project will submit two versions: (i) unredacted, and (ii) “Confidential Information” redacted. The definition is clarified in Section 31.4.15. CEII must be requested and provided in accordance with NYISO procedures.



# Short Term Process Improvement:

## 20-year CARIS evaluation period

### ■ Proposal

- Adjust the length of the evaluation period for proposed CARIS projects to conform to the length of the evaluation period for PPTPP projects
- Change the ten-year evaluation period for proposed CARIS projects to a twenty-year evaluation period

### ■ Tariff revisions

- 31.3
- 31.5.4.3 Project Eligibility for Cost Allocation

# Short Term Process Improvement: Operating Agreement

- **Proposal**

- As indicated to FERC in the NYISO's filing of the TransCo Operating Agreement, the NYISO is revising the *pro forma* Operating Agreement in the tariff to conform with TransCo's Operating Agreement approved by FERC

- **Tariff revision:**

- Section 31.11 Appendix H – Form of Operating Agreement

DRAFT – FOR DISCUSSION PURPOSES ONLY

# Short Term Process Improvement 6:

## Cost Containment

- The NYISO seeks to address stakeholder requests for cost containment for Public Policy Transmission Projects.
- The NYISO plans to address cost containment in the Reliability Planning Process and in the CARIS as part of the market design concept proposal for overall reformulation of the CSPP later this year.

# Timeline

- Apr. 30: ESPWG/TPAS, review the straw proposal
- May 22: ESPWG/TPAS, review the timeline
- **Sep. 6: ESPWG/TPAS: review the proposed tariff revisions and stakeholder comments**
- **Sep. 25: ESPWG/TPAS: review the proposed tariff revisions**
- **Oct. 10: BIC, review and vote on the proposed tariff revisions**
- **Oct. 11: OC, review and vote on the proposed tariff revisions**
- **Oct. 31: MC, review and vote on the proposed tariff revisions**
- **Nov: BOD review and approval, followed by FERC filing**

DRAFT – FOR DISCUSSION PURPOSES ONLY

©COPYRIGHT NYISO 2018. ALL RIGHTS RESERVED

# Summary of Stakeholder Comments on Cost Containment

# COST CONTAINMENT

- Stakeholders had various comments in response to NYISO's 4/30/18 CSPP Review Presentation
- Many comments were made during the ESPWG meeting
- In addition, written comments were submitted by:
  - North America Transmission (NAT)
  - Next ERA
  - NY TRANSCO
  - NY Transmission Owners
  - NY Utility Intervention Unit (UIU)
  - NYS Department of Public Service (NYSDPS)
- All written comments are posted at:  
[http://www.nyiso.com/public/committees/documents.jsp?com=bic\\_espwg&directory=2018-04-30](http://www.nyiso.com/public/committees/documents.jsp?com=bic_espwg&directory=2018-04-30)

DRAFT – FOR DISCUSSION PURPOSES ONLY

©COPYRIGHT NYISO 2018. ALL RIGHTS RESERVED

# Wide Range of Comments

- Both the oral and written comments cover a wide range of views/positions on the NYISO's proposals
- The cost containment comments address two principal aspects of the proposal:
  - Process Issues
  - Substantive Issues

# Comments on Process Issues

- **There was general support for the inclusion of cost containment as a consideration in NYISO's competitive solicitation planning process**
  - Recognition that this is a complex issue and is “not easy”
- **Differing Views on Timing for Implementation:**
  - Immediately – some support for a short term filing
  - No need to rush – issue too complex and important and deserves a thorough vetting with stakeholders
- **Mandatory vs. Voluntary – No consensus**



# Comments on Process (Cont'd)

## ■ Scope

- Some support for addressing PP process first
- Need to address all 3 planning processes at one time
  - There is no justification for different treatment

## ■ Standardization of Data

- A fixed template/format should be used for all proposals
- Give developers the flexibility to submit customized proposals to address risks which may change on a project-by-project basis

# Comments on Process (Cont'd)

## ■ Transparency vs. Confidentiality

- NYISO to define all elements of cost and exclusions
- NYISO to define how cost containment proposals will be evaluated
  - A cost contained bid should be considered as a fixed cost
- Need for complete transparency of bid data
- Confidentiality should be respected
  - Detailed cost information should not be disclosed

# Comments on Substantive Issues

## ■ Scope

- Some support for NYISO's proposal to focus on construction costs only
  - Perhaps as a first step?
- Others support considering “all elements” of lifecycle cost, including:
  - Development and construction costs
  - ROE – including incentives/penalties
  - Capital Structure
  - Depreciation
  - Recovery period

# Comments on Substantive Issues (Cont')

## ■ Elements of Cost

- Some expressed support for NYISO's proposal
- Others suggested that NYISO should develop a more comprehensive "menu" of costs and exclusions with "standard definitions" for each category

## ■ Penalties/Incentives

- Some support for PSC 80%/20% over/under cost sharing proposal
- With a binding cost cap, penalties are not needed
- Incentives (e.g. – ROE) could be used for cost reduction below the cap

# Comments on Substantive Issues (Cont')

- **Filing & Enforcement**
  - General agreement with NYISO proposal that enforcement will be by contract (e.g. – under the Development Agreement) and by FERC

# Other Comments

- A “third submission” should be required to obtain the best cost containment estimate
- Any exclusions should be limited and narrowly defined
- An overly prescriptive approach may infringe on competition.
- The time, cost and risk for NYISO’s evaluation and selection process should be considered

# Alternative “Simple” Approaches

## ■ NAT

- Modify Section 31.4.8.1 to include cost containment as *one* of the attributes that NYISO *could* consider in its evaluation & selection process

## ■ NextEra

- Limit initial focus to development & construction costs
- Developers may submit a cost cap and a “Risk Share %”
- NYISO to continue an independent estimate, but would evaluate the cost of a project based on the amount proposed for the Risk Share
- Continue in parallel to develop standardized measures with stakeholders

# Alternative Approaches (Cont'd)

## ■ NYSDPS

- In lieu of requiring a binding bid, NYISO could include, as a qualification requirement, that the developer must have an applicable tariff approved by FERC
  - The tariff rate, in conjunction with an independent cost estimate, could be used to compare with any binding cost proposals
- NYISO should also consider the cost containment proposal recently approved by PJM stakeholders



# Next Steps

- Please submit comments on the proposed tariff changes and additional comments on cost containment by September 13 to [lbullock@nyiso.com](mailto:lbullock@nyiso.com)
- The NYISO will return at the next ESPWG/TPAS at September 25 for further discussion.

# Questions?

We are here to help. Let us know if we can add anything.

# The Mission of the New York Independent System Operator, in collaboration with its stakeholders, is to serve the public interest and provide benefits to consumers by:

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



[www.nyiso.com](http://www.nyiso.com)

DRAFT – FOR DISCUSSION PURPOSES ONLY

©COPYRIGHT NYISO 2018. ALL RIGHTS RESERVED