

Con Edison Comments on NYISO's Proposed Short-Term Improvements to Planning Processes: CARIS 20-Year Evaluation Period

Con Edison provides these comments to NYISO on its proposed Short-Term Improvements to Planning Processes. As part of its proposed short-term improvements, NYISO is proposing to extend the CARIS evaluation period from 10 to 20 years. Con Edison objects to this proposal moving forward at this time.

Background

The Congestion Assessment and Resource Integration Study (CARIS) is NYISO's economic planning process. NYISO completes the CARIS study every two years. In CARIS Phase 1, NYISO performs a study to estimate historic and projected congestion under various scenarios, and conducts a cost-benefit analysis of generic transmission, generation, demand-response, and energy efficiency solutions. NYISO provides the study results to stakeholders. In CARIS Phase 2, developers may propose projects to address congestion, and the NYISO analyzes proposed solutions to: (i) determine if the project is eligible for cost recovery under the NYISO Tariff; and (ii) identify the project's beneficiaries. If a project's savings exceed its costs (i.e., meet a cost-benefit ratio of 1), the project may proceed to seek cost recovery under the NYISO Tariff, subject to beneficiary voting. For both CARIS 1 and CARIS 2, the period for evaluation of project benefits is 10 years.

On April 30, 2018, NYISO proposed to extend the CARIS evaluation timeframe to 20 years, reportedly to align with the evaluation period used in NYISO's public policy transmission planning process. The New York Transmission Owners (NYTOs) submitted responsive comments, urging NYISO to consider the CARIS evaluation timeframe as part of its overall Comprehensive System Planning Review, which contemplates broader CARIS reforms.¹ The comments also noted concerns of some of the NYTOs about the accuracy of forecasts extending twenty years. However, in its September 5, 2018 presentation to ESPWG, NYISO indicated that it plans to move ahead with its proposal to extend the CARIS evaluation timeframe.

Future Forecast Uncertainty

Con Edison is not convinced that extending the evaluation period to 20 years is warranted. The current 10-year CARIS evaluation period is consistent with the timeframe of the Reliability Needs Assessment (RNA) and the Comprehensive Reliability Plan (CRP). While the public policy planning process uses a 20-year evaluation period, the purposes of the two processes are different. In public policy planning, the decision to proceed with a transmission project solicitation has already been made by the NYPSC based on a Public Policy Requirement (i.e., a societal benefit that may not be quantifiable). In contrast, under CARIS, projects must be justified based on their economic benefits alone. The longer the forecast period, the less certain it becomes that the economic benefits modeled by NYISO will materialize for customers.

There has been no demonstrable evidence that forecasting over a 20-year period provides additional value when looking at system congestion, since there are likely to be substantial changes to transmission and generation over that time. As recently as September 2018, Con Edison and other stakeholders expressed concerns over certain assumptions used in CARIS 2, and how they may impact the analysis of congestion in New York State. NYISO has acknowledged that it can do further work to improve its long-term

¹ Available at www.nyiso.com/public/webdocs/markets_operations/committees/bic_espwg/meeting_materials/2018-04-30/FINAL%20NYTO%20Comments%20on%20Short%20Term%20Planning%20Process%20Improvements.pdf.

forecasts and is pursuing a study in 2019 to expand its load forecasting ability.² The results of this study could inform whether there is a need to make any changes to its planning study evaluation periods.

In addition, when forecasting over longer time horizons, scenario analysis becomes more important in determining whether a new transmission project will be cost effective for customers under a range of potential future scenarios. Looking at additional scenarios may provide more value to the CARIS process than extending the evaluation period.

NYISO should also consider whether changes to the cost-benefit ratio requirement for economic projects are warranted under a longer evaluation timeframe. A higher cost-benefit ratio would recognize the inherent uncertainty associated with forecasts over longer periods. In some other RTOs that study longer timeframes for economic projects, the cost-benefit ratio threshold requirement is greater than one. For example, PJM uses a cost-benefit ratio requirement of 1.25 over a 15-year time horizon in its economic studies.³ Similarly, MISO's Market Efficiency Projects require a cost-benefit ratio of 1.25 over a 20-year time horizon.⁴

NYISO needs to provide stronger justification for change

NYISO has not presented any analysis to stakeholders supporting this change or weighing the pros and cons of different evaluation timeframes for CARIS. Given the potential risk to customers, this analysis must be performed to justify changing the CARIS evaluation period. By comparison, PJM is also currently re-evaluating the number of years included in its cost-benefit calculation for economic projects, in combination with other parameters used in the calculation. PJM's project to address its Market Efficiency Process has met twelve times since January 2018, and, importantly, PJM has provided considerable information to stakeholders on its proposed changes.⁵ Con Edison urges NYISO to perform analysis to support its proposal and provide a more robust justification to stakeholders.

CARIS evaluation period should be studied as part of holistic review

Con Edison is opposed to changing the CARIS evaluation period as a stand-alone change. Contrary to the NYISO's claims, this is not a simple or "surgical" revision. The elements of CARIS are interrelated, and changes to the evaluation timeframe need to be considered in light of the other components and assumptions of CARIS. Con Edison, therefore, urges NYISO to defer this change until its broader vision for CARIS process reforms is discussed with stakeholders so that the changes can be viewed holistically.

Given NYISO's planned schedule for presenting its longer-term Comprehensive System Planning Process Review to stakeholders by the end of the year, deferring consideration of this change would not result in significant delay. The 2018 CARIS process is already underway and would not be impacted by this change. Given the timing of implementing any changes, there is no reason to expedite the stakeholder process with respect to this issue. Doing so presents an unreasonable risk to customers, who would pay the costs of economic projects whose benefits may not ultimately materialize.

² Climate Impact and Resilience Study. Description available at http://www.nyiso.com/public/webdocs/markets_operations/committees/mc_bpwg/meeting_materials/2018-08-17/2019%20Project%20Prioritization%20Process%20-%20MP%20Descriptions.pdf.

³ See PJM Manual 14B: PJM Region Transmission Planning Process. Available at <https://www.pjm.com/~media/documents/manuals/m14b.ashx>.

⁴ See MISO Business Practice Manual 020: Transmission Planning. Available at <https://www.misoenergy.org/legal/business-practice-manuals/>.

⁵ PJM Market Efficiency Process Enhancement Task Force. See <https://www.pjm.com/committees-and-groups/task-forces/mepetf.aspx>.