

# **NYISO BOARD OF DIRECTORS' DECISION**

ON

## **APPROVAL OF WESTERN NEW YORK PUBLIC POLICY TRANSMISSION PLANNING REPORT AND SELECTION OF PUBLIC POLICY TRANSMISSION PROJECT**

**OCTOBER 17, 2017**

### **INTRODUCTION**

NYISO Staff submitted to the NYISO Board of Directors (“Board”) for its review and action the Public Policy Transmission Planning Report for the Western New York Public Policy Transmission Need (“Western NY Report”). The Western NY Report presents the results of the NYISO’s first Public Policy Transmission Planning Process (“Public Policy Process”). NYISO Staff evaluated numerous projects proposed to address the need for new transmission in Western New York to realize greater utilization of renewable energy from the Niagara hydroelectric facility and imports from Ontario (“Western NY Need”). As detailed in the Western NY Report, NYISO Staff recommends that the Board select the Empire State Line Proposal 1 (“Project T014”) proposed by NextEra Energy Transmission New York, Inc. (“NextEra”) as the more efficient or cost-effective transmission solution to address the Western NY Need.

The Board exercised its discretion under the ISO Agreement to provide all interested parties with the opportunity to submit comments and to make oral presentations for the Board’s consideration prior to its taking action concerning the Western NY Report.<sup>1</sup> Stakeholders and developers submitted comments through the stakeholder committee process, written comments, and oral presentations made to the Board on October 16, 2017.<sup>2</sup> The Board carefully considered these comments in making its determination.

For the reasons set forth below, we approve the Western NY Report and select NextEra’s Project T014 as the more efficient or cost-effective transmission solution to address the Western NY Need.

### **BACKGROUND**

The Public Policy Process is the means by which the NYISO addresses transmission needs that are driven by public policy requirements identified by the New York Public Service

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<sup>1</sup> ISO Agreement Section 5.07 (“The ISO Board also may review any matter, complaint, or Committee action on its own motion.”)

<sup>2</sup> The following entities submitted comments and/or made oral presentations to the Board: Consolidated Edison of New York, Inc., New York Association of Public Power, New York State Electric and Gas Corporation, NextEra Energy Transmission of New York, Inc., Niagara Mohawk Power Corporation d/b/a National Grid, North America Transmission, LLC, and Power Authority of the State of New York.

Commission (“PSC”). In a July 2015 order, the PSC identified the relief of congestion in Western New York, including access to 2,700 MW from the Niagara hydroelectric facility and additional imports of renewable energy from Ontario, as a Public Policy Transmission Need.

NYISO Staff solicited and evaluated the viability and sufficiency of proposed solutions to address this Western NY Need. On May 31, 2016, the NYISO issued the Western New York Viability and Sufficiency Assessment and filed it with the PSC for its consideration and action. The NYISO identified ten viable and sufficient projects to address the Western NY Need.<sup>3</sup> On October 13, 2016, the PSC issued an order confirming the Western NY Need and determining that the NYISO should evaluate and select a transmission solution.

NYISO Staff, in coordination with its independent consultant, Substation Engineering Company (“SECO”), conducted a detailed evaluation and ranked the ten proposed solutions based on each project’s performance under the selection metrics established in the OATT. These quantitative and qualitative metrics include the project’s cost, cost per MW, expandability, operability, performance, property rights and routing, schedule, and other metrics (e.g., production cost savings, LBMP savings, emissions savings, congestion, etc.). NYISO Staff used a multitude of scenarios in evaluating the proposed projects’ performance under these metrics.

NYISO Staff determined that NextEra’s Project T014 is the more efficient or cost-effective transmission solution to address the Western NY Need based on its total performance across the selection criteria and scenarios. Project T014 includes a new Dysinger 345 kV substation, a new East Stolle 345 kV switchyard, and a 345 kV line connecting Dysinger and East Stolle substations, with a 700 MVA 345 kV phase angle regulator (“PAR”) at the Dysinger end of the line.

NYISO Staff developed a draft Western NY Report detailing the results of its analysis. The draft report was reviewed with stakeholders in five Electric System Planning Working Group (“ESPWG”) and Transmission Planning Advisory Subcommittee (“TPAS”) meetings and was revised and clarified based on stakeholder and developer feedback. In addition, the Market Monitoring Unit (“MMU”) reviewed and considered the impact on the NYISO-administered markets and concluded that the NYISO’s selection of Project T014 was reasonable and would not adversely affect the NYISO’s wholesale electricity markets. The Business Issues Committee and Management Committee subsequently reviewed and recommended Board approval of the Western NY Report through unanimous advisory votes with abstentions. Pursuant to Section 31.4.11.2 of the NYISO OATT, NYISO Staff then submitted the Western NY Report to the Board for its review and action.

At the Board’s direction, NYISO Staff invited stakeholders and developers to submit comments to the Board for its consideration prior to its taking action concerning the Western NY Report. A number of stakeholders provided input in the stakeholder committees, which input

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<sup>3</sup> The NYISO also recommended in its Viability and Sufficiency Assessment certain non-bulk transmission facility upgrades that are needed to fulfill the objectives of the Western NY Need. The PSC subsequently directed National Grid to undertake the necessary upgrades on the non-bulk transmission facilities, and stated that the costs of these non-bulk transmission facilities should not be a distinguishing factor in the NYISO’s selection process for addressing the Western NY Need.

was submitted to the Board. In addition, seven stakeholders and developers provided written comments in the committee process and following the Management Committee meeting, which comments were publicly posted and provided to the Board. Finally, three entities made oral presentations to the Board on October 16, 2017. NYISO Staff and the Board reviewed and carefully considered this input.

### **BOARD DECISION**

We appreciate the significant work performed by NYISO Staff in administering the NYISO's first Public Policy Process and the participation of the developers, stakeholders, and the PSC, including the extensive time and resources they have dedicated to this process and the valuable feedback they have provided.

Based on our review and consideration of the Western NY Report, stakeholders' and developers' comments, and the analysis of the market impacts provided by the MMU, we approve the Western NY Report without modification and select NextEra's Project T014 to address the Western NY Need. We agree with NYISO Staff's conclusion that NextEra's Project T014 is both the more efficient and more cost-effective transmission solution to address the Western NY Need based on its total performance across the selection metrics and scenarios. As the selected developer, NextEra will be eligible to allocate and recover the costs associated with its Project T014 to the extent permitted under the NYISO OATT.

North America Transmission, LLC ("NAT") argues that we should select its project over NextEra's Project T014.<sup>4</sup> NAT asserts that its project is substantially similar to NextEra's, but with a lower capital cost and with better performance under certain metrics. We do not agree. As detailed in the Western NY Report, while NAT's project performed well under certain selection metrics, including a lower overall capital cost for the smaller project, NYISO Staff reasonably concluded that Project T014 is the superior project across the full range of metrics and scenarios, particularly with respect to operability, cost per MW ratio, and production cost savings. Project T014's design provides key operability benefits to the grid. The proposed Dysinger substation will become the new 345 kV hub in Western New York where seven 345 kV lines are connected, and will electrically reduce the distance for the existing Niagara to Rochester 345 kV transmission corridor. In addition, the proposed PAR at the Dysinger substation will provide additional operational flexibility by providing a new level of controllability to power flows on the 345 kV network.<sup>5</sup> Project T014's higher capital costs correlate to these greater benefits to the electric system, making it the more efficient and more cost-effective project. Moreover, Project T014 provides more production cost savings on a statewide basis than NAT's project.

We also reject NAT's assertion that the NYISO's cost estimate determinations are flawed because they did not take into account NAT's proposed cost containment measure. We have selected Project T014 based on its superior performance across the range of selection metrics and scenarios, not simply the cost-based metrics. The NYISO is required to select the more efficient

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<sup>4</sup> North America Transmission was afforded the opportunity to raise its concerns directly with the Board through an oral presentation, but elected not to do so.

<sup>5</sup> Even when the proposed PAR is bypassed, Project T014 still demonstrates significant benefits.

or cost effective solution, not the least cost solution.<sup>6</sup> Furthermore, the Federal Energy Regulatory Commission (“FERC”) rejected proposals to require the NYISO to consider cost containment as a selection metric,<sup>7</sup> and the NYISO’s tariff does not currently require consideration of cost containment measures. However, based on feedback from the PSC, stakeholders, and developers, NYISO Staff has informed stakeholders that it will consider potential tariff changes that could take into account cost containment measures for future planning cycles.

Stakeholders and developers have praised NYISO Staff’s work in administering this first Public Policy Process. They have also identified in their comments certain elements of the Public Policy Process that may benefit from further enhancement or clarification going forward, including the length of the process, the data provided for stakeholder review and the timeframe for that review, the consideration of cost containment measures, the treatment of non-bulk transmission facilities, the role of the MMU in the process, and other matters. NYISO Staff will perform a “lessons learned” review to consider process enhancements and clarifications based on its experience administering this first Public Policy Process and stakeholder and developer feedback. We direct NYISO Staff to consider the concerns raised by stakeholders and developers as part of this “lessons learned” process.

Finally, Con Edison raised concerns regarding the NYISO’s potential application of the default load ratio share cost allocation methodology established in its OATT to allocate the project costs associated with the Western NY Need. As acknowledged by Con Edison, the NYISO OATT establishes a process by which the PSC or the selected developer may propose for FERC’s acceptance an alternative to the load ratio share cost allocation methodology. The NYISO will allocate the costs of NextEra’s Project T014 in accordance with this tariff process.

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<sup>6</sup> See *New York Independent System Operator, Inc.*, 151 FERC ¶ 61,040 at P 116 (2015) (“2015 FERC Compliance Order”) (“Furthermore, if the Commission were to accept LS Power’s arguments, we would essentially be directing NYISO to consider cost as the primary factor in its evaluation of proposed transmission solutions for selection in the regional transmission plan for purposes of cost allocation; however, Order No. 1000 does not include such a requirement. Rather, Order No. 1000 requires NYISO to consider the relative efficiency and cost-effectiveness of proposed transmission solutions.”) (internal citations omitted).

<sup>7</sup> See *2015 FERC Compliance Order* at P 117 (“[W]e disagree with LS Power that the Commission should have required NYISO to include specific cost containment commitments among the evaluation metrics.”); *New York Independent System Operator, Inc.*, 148 FERC ¶ 61,044 at P 251 (2014) (“We also reject NextEra’s proposed revision to include an additional cost metric based on a transmission developer’s willingness to accept cost risks since NYISO’s evaluation and selection process is not a rate making proceeding, and a transmission developer has the opportunity to recover its prudent costs in a proceeding before the Commission.”)