

Long Island PPTN: Qualitative Cost Cap & Economic Benefits

Public Policy & Economic Planning Teams

Electric System Planning Working Group (ESPWG)

May 5th, 2023

Qualitative Cost Cap Assessment

Qualitative Cost Cap Assessment Criteria

- The tariff identifies three criteria to be used in the qualitative assessment of Cost Caps
 1. Developer's Profit Motive – “The effectiveness of the proposed Cost Cap in providing an incentive to the developers to contain their Included Capital Costs”
 - How well aligned is the developer's incentive to maximize profits with cost minimization for consumers?
 - Generally tied to the percentage of the proposed Cost Cap

Qualitative Cost Cap Assessment Criteria

2. Consumer Risk, Exposure & Uncertainty – “The effectiveness of the proposed Cost Cap in protecting ratepayers from Included Capital Cost overruns”

- Principally looking at the likelihood and magnitude of identified project risks in light of the protection from those overruns afforded to consumers by the developers’ proposed Cost Cap
- A comfortable buffer between the developer-submitted Cost Cap and independent cost estimates can help to alleviate concerns associated with identified project risks by ensuring adequate funding to overcome challenges during construction
- This criterion needs to be considered in relation to the expected costs of the project and the absolute dollar risk a project may pose for consumers

Qualitative Cost Cap Assessment Criteria

3. Expected Costs vs. Developer's Cap – “The magnitude of the difference between the Cost Cap and the independent cost estimate”

- Where a Cost Cap provided by a developer is significantly below the independent cost estimate, the developer's financial and technical qualifications and the severity of the cost cap inform the NYISO about the likelihood that the project can be constructed
- Conversely, where the developer's cost-contained estimate is significantly above the independent cost estimate, it must be considered whether the proposed Cost Cap will meaningfully contain capital costs
- This criterion needs to be considered in relation to the expected costs of the project and the absolute dollar differential

Qualitative Cost Cap Assessment

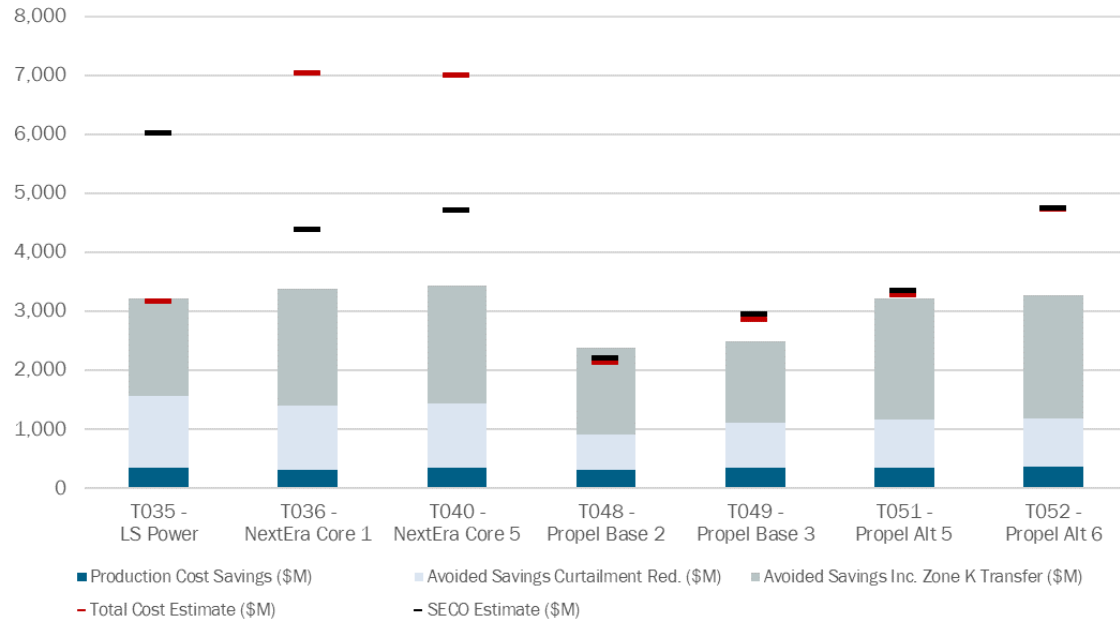
	Cost Cap %	Qualitative Criterion I	Qualitative Criterion II	Qualitative Criterion III
T035 - LS Power	100	Excellent	Good	Poor
T036 - NextEra Core 1	50	Fair	Fair	Poor
T040 - NextEra Core 5	50	Fair	Fair	Poor
T048 - Propel Base 2	20	Poor	Fair	Excellent
T049 - Propel Base 3	20	Poor	Fair	Good
T051 - Propel Alt 5	20	Poor	Poor	Excellent
T052 - Propel Alt 6	20	Poor	Poor	Good

- Criterion I: Developer's profit motive
- Criterion II: Consumer Risk, Exposure & Uncertainty
- Criterion III: Expected Costs vs Developer's Cap

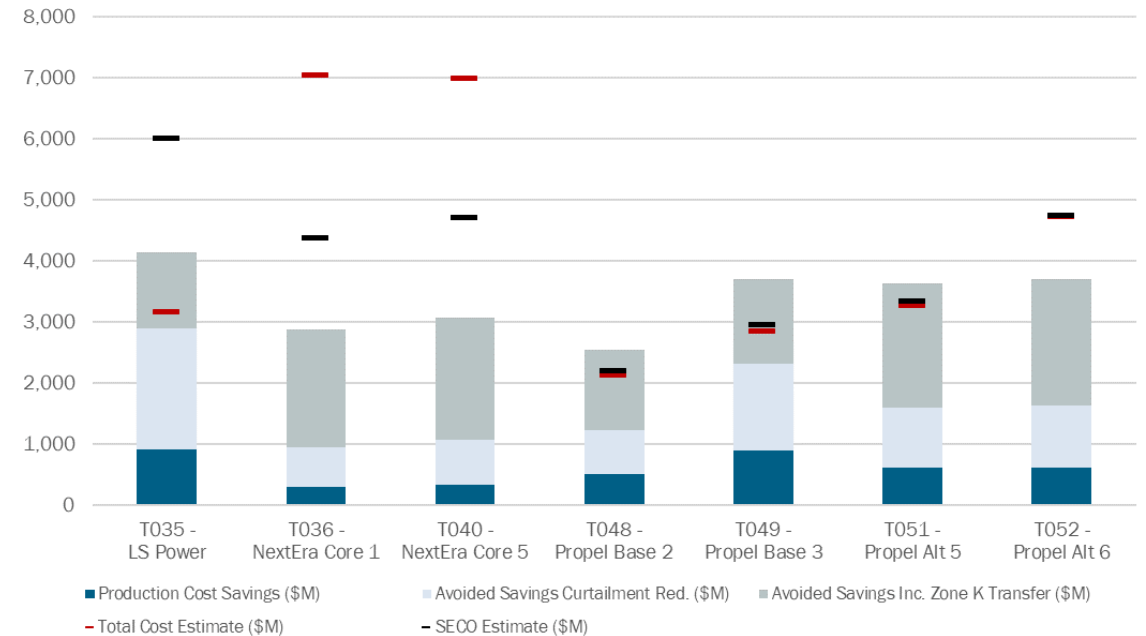
Production Cost & Avoided Cost Assessment

Summary of Project Cost Estimates vs Economic Benefits

Policy Case



Policy Case + Barret – VS Constraint



Production Cost and Avoided Cost Appendices

- **Results Added to Production Cost & Performance Appendix**
 - Zonal curtailment
 - Most limiting transmission constraints
 - SO₂ and NO_x emissions
- **Avoided Cost Appendix**
 - Description of methodology
 - Details on results of capacity expansion buildout (i.e., zonal location of reduced or moved resources)

Next Steps

Draft Report Next Steps

- Add results of the qualitative evaluation of Cost Caps and sensitivities conducted for top-tier projects
- Include recommended ranking for all proposed projects
- Identify the “Designated Public Policy Projects” for the recommended project, as well as the Required Project In-Service Date and other in-service dates for the Designated Public Policy Projects, as applicable
- Review process:
 - May: ESPWG/TPAS review
 - May 18: OC review (for information)
 - May 24: BIC advisory vote
 - May 31: MC advisory vote (including MMU’s review and consideration)
 - Board review and action

Comments

- **Further questions and comments regarding these results can be sent to PublicPolicyPlanningMailbox@nyiso.com**
 - Comments are requested as soon as they are available, but no later than May 10, 2023
- **Comments will be posted for stakeholder consideration**

Questions?

Our Mission & Vision



Mission

Ensure power system reliability and competitive markets for New York in a clean energy future



Vision

Working together with stakeholders to build the cleanest, most reliable electric system in the nation