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**To: NYISO**

**From: Marc D. Montalvo on behalf of the NY UIU**

**Cc: Erin Hogan**

**DATE:** December 11, 2018

**SUBJECT:** NYISO's public policy transmission cost containment proposal carbon pricing design

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Thank you for the opportunity to submit these comments.

The NY UIU supports NYISO's efforts to build cost containment into its public policy transmission process. The overall approach that NYISO has taken is a conservative, but appropriate first step. We support NYISO's incremental approach to addressing the cost containment issue and advise introducing additional containment measures such as might be applied to the capital structure and ROE as we gain experience executing the proposed cost containment provisions.

Regarding the particulars of the proposal, NYISO has offered several categories of costs that will be subject to containment and others that are excluded. As a general matter, the costs that fall into each category are reasonable. However, the details in the tariff language will be critical to preserve the competitive nature of the process. Therefore, we recommend that the implementing tariff language be drafted in a way that draws the included costs as broadly as possible and the excluded costs as narrowly as possible. This structure will benefit those bidders with a competitive advantage and thus to the maximum extent possible, should result in the superior selection for the consumers who will be paying for the investment.

Additionally, while likely implied, for clarity's sake we believe it useful to state explicitly that nothing in the cost containment proposal changes the underlying FERC process under which all prudently incurred costs are recoverable, with the exception that the proposed provisions would limit the maximum recoverable amount to the cost contained values. Consequently, for costs subject to containment, the winning bidder would be eligible to recover the lesser of actual costs (as prudently incurred) or the cost containment amount established per the tariff. For costs excluded from cost containment, the winning bidder would be eligible to recover only prudently incurred costs irrespective of whether they were less than or greater than the bid value.