



August 26, 2019

**New York Power Authority Comments
Re: NYISO August 6 Public Policy Transmission Project (PPTP)
Cost Containment Proposal**

The New York Power Authority (NYPA) appreciates the opportunity to provide the following comments on the New York Independent System Operator's (NYISO's) August 6 Public Policy Transmission Project Cost Containment Proposal (PPTP Proposal) and proposed tariff amendments. NYPA commends NYISO for their responsiveness to the many recommendations NYPA and other stakeholders have suggested to bring consensus and optimize the effectiveness of this important proposal. The following are refinements that NYPA believes would improve implementation of the PPTP Proposal.

1. Identification of Environmental Mitigation Costs

Environmental mitigation costs are a significant percentage of an overall transmission project. The PPTP Proposal and proposed tariff amendments provide that "expected environmental site remediation and environmental mitigation costs" be included within the defined categories of Capital Costs to which a Cost Cap would apply. The proposed tariff amendments also treat "unforeseeable environmental remediation and environmental impact mitigation costs" as Excluded Costs, which are not to be included within the defined categories of Capital Costs (to which a Cost Cap would apply). The terms "unexpected" and "unforeseeable" are vague terms and could potentially open up the evaluation and selection process to the gaming of Excluded Costs. It is counter to the effectiveness of the Cost Containment paradigm, protecting rate payers, and NYISO administering a consistent PPTP evaluation and selection process if Developers are able to make low cost assumptions regarding the route or mitigation scope and later claim increases due to New York State Department of Public Service (NYSDPS) siting requirements.

NYPA suggests that in order to minimize any potential for gaming, the NYISO seek to ensure, to the greatest extent reasonably possible, a consistent baseline of expected and foreseeable environmental remediation and mitigation costs available to all potential Developers. NYPA believes this can be satisfied by the participation of two key New York State regulators in the NYISO's newly established pre-solicitation Developers Technical Conference: the New York State Department of Environmental Conservation (NYSDEC) and the NYSDPS. Inclusion of NYSDEC and NYSDPS to review and answer questions about environmental mitigation, construction plan conditions and issues involving Article VII siting requirements would serve to "level set" all Developers, NYISO and the NYISO Independent Consultant (SECO). This would serve to minimize the ability to game the chasm between "expected" and "unforeseeable" environmental remediation and mitigation costs and further promote the effectiveness of Cost Caps for transmission project.

2. Eliminate the “Alternative Adjustment” Proposal

NYPA, consumer groups, the vast majority of NYISO stakeholders and the NYISO support Cost Containment in the form of Hard and Soft Caps on identified categories of Capital Costs for PPTPs. NYPA also supports the pursuit of “Quantitative” and “Qualitative” Cost Containment evaluation metrics as contained in the PPTP Proposal and proposed tariff amendments. However, NYPA does not support the alternative adjustment methodology, as currently proposed, for evaluation purposes when they differ from the NYISO’s independent consultant cost estimate.

NYISO has determined that in Soft Cap bids, where risk is shared at some proposed level between rate payers and investors, there is an inflection point at which rate payer benefit outweighs a Developer’s profit motive – which is represented as being at least a 20% investor risk share. While the “alternative Adjustment” proposal incentivizes Developers to propose at least a 20% risk share, it also appears that given the proposed quantitative comparison of Developer bids, it could discourage Developers from proposing anything greater than a 20% risk share. In the August 20th ESPWG/TPAS meeting, NYISO staff indicated that the adjustment factor may be revised in the next iteration of the PPTP Proposal. Until a new adjustment factor is identified and its impact evaluated, NYPA seeks the elimination of the “Alternative Adjustment” from the final NYISO PPTP Proposal.

3. NYISO solicit additional information from Developers when cost contained proposal costs differ significantly from NYISO’s independent cost estimate

As discussed above, NYPA supports Cost Containment in the form of Hard and Soft Caps on identified categories of Capital Costs and the pursuit of “Quantitative” and “Qualitative” Cost Containment evaluation metrics for PPTPs.

However, for Soft Cap proposals, NYPA recommends revising the PPTP process to allow the NYISO to solicit additional supporting information from a Developer whose cost contained bid(s) significantly differ from the NYISO’s independent consultant cost estimate. Should NYISO have concerns with a Developers’ Soft Cap cost contained proposal, the NYISO should solicit additional supporting information from the Developer and provide the Developer the opportunity to address disparities in significant cost estimates. The response from the Developer may clarify or bring additional information forth regarding their project proposal, but in no case should the Developer be allowed to adjust or in any way revise its originally submitted bid.

We appreciate this opportunity to submit these comments.

Respectfully Submitted,

John Cordi

Senior Energy Market Advisor
New York Power Authority

(914) 287-6718

John.Cordi@NYPA.gov