

August 18, 2017

By Electronic Delivery

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: New York Independent System Operator, Inc.'s Proposed Revisions to Its
Open Access Transmission Tariff Regarding Cost Recovery for Regulated
Transmission Facilities; Docket No. ER17-____-000

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act¹ and Part 35 of the Commission's Regulations,² the New York Independent System Operator, Inc. ("NYISO") respectfully submits proposed revisions to Section 6.10 ("Rate Schedule 10") and Attachment Y of its Open Access Transmission Tariff ("OATT") to establish a mechanism for the recovery of the costs of any regulated transmission project that is eligible for cost allocation and recovery in the NYISO's Comprehensive System Planning Process ("CSPP").³

The NYISO's proposed revisions replace the Reliability Facilities Charge ("RFC") in Rate Schedule 10 with a new Regulated Transmission Facilities Charge ("RTFC") pursuant to which the NYISO will recover and remit the costs associated with a regulated transmission project eligible for cost allocation and recovery in any one of the three planning processes in the CSPP (*i.e.*, reliability, economic, or public policy). In addition, the revisions incorporate into Rate Schedule 10 several enhancements that the Commission has accepted in more recently filed rate schedules in the OATT. The revisions also align the cost recovery requirements in Rate Schedule 10 with those in the CSPP rules located in Attachment Y. Finally, the proposed revisions clarify the manner in which the NYISO will allocate project preparation costs that certain Developers are eligible to recover in the NYISO's Public Policy Transmission Planning Process ("Public Policy Process") and specify the location in Attachment Y for any alternative cost allocation methodology for the Public Policy Process that is approved or accepted by the Commission.

¹ 16 U.S.C. § 824d.

² 18 C.F.R. § 35.13 (2016).

³ Capitalized terms not otherwise defined herein shall have the meaning specified in Section 31.1.1 of the OATT and, if not defined therein, in Section 1 of the OATT or Section 2 of the Market Administration and Control Area Services Tariff.

The proposed revisions were approved unanimously by NYISO stakeholders in its Management Committee.

I. Documents Submitted

The NYISO respectfully submits the following documents with this filing letter:

1. A clean version of the proposed revisions to the OATT (“Attachment I”); and
2. A blacklined version of the proposed revisions to the OATT (“Attachment II”).

II. Background

To comply with Order No. 890,⁴ the NYISO and the New York Transmission Owners jointly proposed, and the Commission accepted, Rate Schedule 10, entitled “Rate Mechanism for the Recovery of the Reliability Facilities Charge.”⁵ Rate Schedule 10 established the manner in which the Reliability Facilities Charge (“RFC”), and the Long Island Power Authority (“LIPA”) Reliability Facilities Charge (“LIPA RFC”) as applicable, would be developed, filed, and charged to a Load Serving Entity (“LSE”) for the recovery of costs associated with regulated transmission solutions eligible for cost allocation and recovery under the NYISO’s reliability planning process. In general, Rate Schedule 10 provided that Transmission Owners or Other Developers would have rate treatments on file with the Commission, which would be used to derive and determine the revenue requirement to be used in calculating the RFC.⁶ The NYISO would apply the RFC to collect revenues from each LSE based on its Actual Energy Withdrawals and would disburse such collections to the project’s Developer.⁷

Subsequent to the Commission’s acceptance of the current Rate Schedule 10, the NYISO implemented its Congestion Assessment and Resource Integration Study (“CARIS”) process for economic transmission planning and its Public Policy Process in accordance with Order No. 890 and Order No. 1000. However, the NYISO’s tariffs do not currently include a mechanism comparable to the RFC for the recovery and remittance of costs associated with regulated transmission projects eligible for cost allocation and recovery under CARIS or the Public Policy Process. Attachment Y provides that such costs will be recovered through a rate schedule filed with and accepted by the Commission, and no such schedule exists as the NYISO has not had a need for designated rate schedules to provide a cost recovery mechanism for transmission projects in those processes to date.⁸ The NYISO, however, is currently in the process of

⁴ Order No. 890, FERC Stats. & Regs. ¶ 31,241, at n.339 and P 586.

⁵ See generally, *New York Independent System Operator, Inc.*, Errata Compliance Filing, Docket No. OA08-13-002 (June 27, 2008); *New York Independent System Operator, Inc.*, 125 FERC ¶ 61,068 (2008).

⁶ See Section 6.10.2 of the OATT.

⁷ See Section 6.10.3 of the OATT.

⁸ See Sections 31.3.2.4.1.1.2 and 31.4.4.1.2 of the OATT.

evaluating and selecting the more efficient or cost effective solutions to two Public Policy Transmission Needs in its Public Policy Process. The selected Public Policy Transmission Projects would be eligible for cost allocation and recovery under the OATT. The NYISO has, therefore, developed the new RTFC to enhance and expand the applicability of Rate Schedule 10, so that it can be used for all regulated transmission projects that are eligible for cost allocation and recovery under the CSPP.

Rate Schedule 10 has remained largely unchanged since its acceptance by the Commission in 2008,⁹ and the NYISO has not yet used Rate Schedule 10 to recover the costs of any transmission projects. However, Rate Schedule 10 has served as a model for other rate schedules under the OATT for the recovery of regulated transmission costs, such as the New York Transco, LLC Transco Facilities Charge (“Rate Schedule 13”), the New York Power Authority (“NYPA”) Marcy South Series Compensation Facilities Charge (“Rate Schedule 15”), the Niagara Mohawk Power Corporation, d/b/a National Grid, Western New York Facilities Charge (“Rate Schedule 17”), and the Rate Mechanism for the Recovery of the Generator Deactivation Facilities Charge for a Regulated Transmission Solution in the Generator Deactivation Process (“Rate Schedule 16”).¹⁰ These subsequent rate schedules have included enhancements to the Rate Schedule 10 model, which the Commission has accepted for filing in Rate Schedule 13, Rate Schedule 15, and Rate Schedule 17.¹¹ The NYISO’s proposed revisions to Rate Schedule 10 incorporate these enhancements.

III. Description of Proposed Tariff Revisions

A. Revisions to Rate Schedule 10

As detailed below, the NYISO proposes to revise Rate Schedule 10 to expand its scope to encompass *any* regulated transmission project that is eligible for cost allocation and recovery under the CSPP. In addition, the NYISO proposes to incorporate in Rate Schedule 10 the enhancements previously accepted by the Commission in the similar rate schedules subsequently filed for inclusion in the OATT (*i.e.*, Rate Schedule 13, Rate Schedule 15, and Rate Schedule 17). These enhancements include: (i) re-ordering and consolidating provisions for clarity and

⁹ See *New York Independent System Operator, Inc.*, 125 FERC ¶ 61,068 (2008).

¹⁰ See *New York Power Authority*, Filing, Docket No. ER16-835-000 (January 29, 2016); *New York Transco LLC, et al.*, Filing, Docket No. ER15-592-000 (December 4, 2014); *New York Transco LLC, et al., Offer of Partial Settlement*, Docket No. ER15-592-000 (November 5, 2015); *Niagara Mohawk Power Corp. d/b/a National Grid, Western New York Facilities Charge Rate Schedule* under NYISO OATT Filing, Docket No. ER17-1629-001 (May 19, 2017); *New York Independent System Operator, Inc.*, Compliance Filing, Docket No. ER16-120-003 (September 19, 2016).

¹¹ See, *e.g.*, Section 6.13 of the OATT (Rate Schedule 13); Section 6.15 of the OATT (Rate Schedule 15); Section 6.17 of the OATT (Rate Schedule 17). These improvements were similarly proposed in Rate Schedule 16 as part of the NYISO’s proposed Generator Deactivation Process, which revisions were submitted in September 2016 and currently remain pending before the Commission. See *New York Independent System Operator, Inc.*, Compliance Filing, Docket No. ER16-120-003 (September 20, 2016).

reduction of redundancy, (ii) updating the description of the treatment of revenues received from Incremental Transmission Congestion Contracts (“TCCs”) and any applicable outage charges relating thereto, and (iii) providing greater detail regarding the application of the charge to projects developed by Unregulated Transmitting Utilities. Finally, the NYISO has relocated to Rate Schedule 10 certain cost recovery requirements that were previously located in Attachment Y of the OATT to consolidate the cost recovery requirements in one location and ensure consistency within the OATT.

1. Applicability of the Regulated Transmission Facilities Charge

The NYISO proposes to replace the existing RFC with a new RTFC (or a LIPA RTFC or NYPA RTFC, as applicable)¹² that will enable the NYISO to recover from LSEs and remit to Developers the costs approved or accepted by the Commission that are associated with any regulated transmission project that is eligible for cost allocation and recovery pursuant to the CSPP. Specifically, the RTFC will apply to all “Eligible Projects,” which include the following:¹³

- Regulated backstop solutions proposed by a Responsible Transmission Owner in the reliability planning process,
- Alternative regulated transmission solutions that the NYISO has selected as the more efficient or cost-effective solution to a Reliability Need in the reliability planning process,
- Regulated transmission Gap Solutions proposed by a Responsible Transmission Owner,
- Alternative transmission Gap Solutions that have been determined by the appropriate state regulatory agency(ies) as the preferred solution(s) to a Reliability Need,
- Regulated economic transmission projects that have been approved in CARIS,
- Public Policy Transmission Projects that the NYISO has selected as the more efficient or cost-effective solution to a Public Policy Transmission Need in the Public Policy Process,
- Public Policy Transmission Projects proposed by a Developer in the Public Policy Process in response to a request by the New York State Public Service Commission (“NYPSC”) or LIPA, and

¹² For Eligible Projects proposed and developed by NYPA and LIPA, the proposed revisions provide for billing and collection of applicable project costs under a separate LIPA RTFC and NYPA RTFC as set forth in proposed Section 6.10.5 of the OATT.

¹³ In addition to specifically detailing an exclusive list of Eligible Projects, proposed Section 6.10.1.2 of the OATT lists types of projects that will not be eligible to recover their costs under Rate Schedule 10 because cost recovery is provided elsewhere in the NYISO’s tariffs or the project does not otherwise qualify for rate recovery under the OATT.

- The portion of an Interregional Transmission Project selected by the NYISO in the CSPP that is allocated to the NYISO region pursuant to Section 31.5.7 of the OATT.

2. Calculation and Recovery of the RTFC

The NYISO will use a separate RTFC for each Eligible Project that will be billed to a Responsible LSE.¹⁴ The establishment of separate RTFCs for each Eligible Project will provide transparency in the NYISO's billing and settlement procedures. The NYISO will calculate and bill the RTFC (or LIPA RTFC or NYPA RTFC, as applicable) to each Responsible LSE across all applicable Load Zones or Subzones in the New York Control Area ("NYCA").

The NYISO will calculate the applicable RTFC charges for each Responsible LSE in a manner largely consistent with the current formula in Rate Schedule 10.¹⁵ The NYISO will first allocate the total charge associated with each Eligible Project to the applicable Load Zones or Subzones. To do so, the NYISO will use the revenue requirement accepted or approved by the Commission for the project for the appropriate Billing Period, as adjusted to account for payments related to any Incremental TCCs awarded to the Eligible Project and any applicable outage charges relating thereto.¹⁶ This amount will be allocated to the applicable Load Zone or Subzone using the cost allocation methodology for the project prescribed in Section 31.5 of the OATT or as otherwise accepted or approved by the Commission.¹⁷ The NYISO will then determine the per-megawatt-hour ("MWh") rate for each applicable Load Zone or Subzone. The NYISO will calculate the charge for each applicable Responsible LSE in each Load Zone or Subzone using the MWh rate and the Responsible LSE's Actual Energy Withdrawals for the relevant Billing Period. Lastly, the NYISO will calculate the total charge for each Responsible LSE by summing all of the zonal or subzonal charges for the Responsible LSE for the relevant Billing Period.

The proposed revisions to the RTFC calculation requirements in Section 6.10.3 of the OATT incorporate the enhancements already accepted by the Commission in Rate Schedule 13,

¹⁴ The "Responsible LSEs" are those Transmission Owners, competitive LSEs, municipal systems, and any other LSE serving Load in the Load Zones or Subzones that have been allocated costs of the eligible transmission project pursuant to the applicable cost allocation methodology under Attachment Y to the OATT.

¹⁵ Compare Rate Schedule 10 of the OATT with Proposed Rate Schedule 10 of the OATT; see also *New York Independent System Operator, Inc.*, Errata Compliance Filing, Docket No. OA08-13-002, at p 12 (June 27, 2008).

¹⁶ See Proposed Section 6.10.3.5 of the OATT.

¹⁷ The Commission-approved cost allocation methodologies are set forth in Attachment Y of the OATT. See, e.g., Section 31.5.3 of the OATT (reliability planning process cost allocation methodology); Section 31.5.4 of the OATT (CARIS cost allocation methodology); Section 31.5.5 of the OATT (Public Policy Process cost allocation methodology); Section 31.5.7 of the OATT (Interregional Transmission Project cost allocation methodology).

Rate Schedule 15, and Rate Schedule 17¹⁸ and as proposed by the NYISO in its new Rate Schedule 16.¹⁹ Specifically, the revisions clarify the treatment of revenues for Incremental TCCs associated with an Eligible Project and any applicable outage charges relating thereto.

Proposed Section 6.10.3.3 of the OATT requires a Developer of an Eligible Project to request Incremental TCCs in accordance with Attachment M to the OATT. To the extent that Incremental TCCs are awarded as a result of the implementation of an Eligible Project, the Developer will be required to offer such Incremental TCCs in all rounds of the six month Sub-Auction of each Centralized TCC Auction conducted by the NYISO.²⁰ The NYISO will disburse any revenues resulting from auction sales to the Developer. To the extent that Incremental TCCs are not sold in the Centralized TCC Auctions conducted by the NYISO, the NYISO will provide congestion payments to the Developer for any unsold Incremental TCCs in accordance with Section 20.2.3 of Attachment N to the OATT. The NYISO will adjust the otherwise applicable revenue requirement for the Eligible Project to account for these settlements related to Incremental TCCs.²¹

The proposed revisions also account for certain outage charges specific to Incremental TCCs for Eligible Projects in calculating the RTFC rate. Any applicable outage charge related to Incremental TCCs awarded for the Eligible Project shall be determined and assessed to the Developer pursuant to Section 19.2.4 of Attachment M to the OATT.²² The NYISO will adjust the otherwise applicable revenue requirement for the Eligible Project to account for any applicable outage charges assessed to the Developer for any hour in the Day-Ahead Market during which the Eligible Project is modeled as wholly or partially out of service.

3. Determining the Revenue Requirement for Calculation of the RTFC

The annual revenue requirement for an Eligible Project, used in calculating the RTFC rate, will be determined in accordance with proposed Sections 6.10.4 and 6.10.5 of the OATT. The proposed revisions clarify and consolidate in Rate Schedule 10: (i) the description of the costs, rate of return, and incentives, as applicable, that may be included in the revenue requirement; (ii) the period of cost recovery; and (iii) the manner in which the revenue requirement will be filed with the Commission.²³ As revised, Rate Schedule 10 will ensure consistent treatment of the revenue requirement for Transmission Owners and Other Developers, while respecting the differences in the revenue requirement for a project developed by an Unregulated Transmitting Utility.

¹⁸ Sections 6.13, 6.15, 6.17 of the OATT.

¹⁹ See *New York Independent System Operator, Inc.*, Compliance Filing, Docket No. ER16-120-003, at Attachment I (September 19, 2016).

²⁰ See Proposed Section 6.10.3.3 of the OATT.

²¹ See Proposed Section 6.10.3.5 of the OATT.

²² See *id.*

²³ See Proposed Sections 6.10.2, 6.10.4, and 6.10.5 of the OATT.

For all Eligible Projects, the revenue requirement may include all reasonably incurred costs related to the preparation of proposals for, and the development, financing, construction, operation, and maintenance of, an Eligible Project, including those explicit costs set forth in Attachment Y of the OATT and a reasonable rate of return on investment.²⁴ With the exception of an Eligible Project developed by LIPA, a reasonable rate of return may also include any incentives for the construction of transmission projects approved by the Commission under Section 205 or Section 219 of the Federal Power Act and associated implementing regulations.²⁵

a. Transmission Owner or Other Developer

Revised Section 6.10.4 of the OATT provides that a revenue requirement for a project developed by a Transmission Owner or Other Developer may be based on either a formula rate on file with the Commission or pursuant to a Section 205 filing with the Commission.²⁶ The Transmission Owner or Other Developer (or, at its request, the NYISO)²⁷ shall make either a Section 205 filing or an informational filing under a previously approved formula rate proposing a revenue requirement for each Eligible Project. The revenue requirement must be consistent with the Eligible Project as it was proposed to and evaluated by the NYISO pursuant to Attachment Y.²⁸ The revenue requirement and the period of recovery will be determined by the Commission, and cost recovery will begin at the time the project enters service, is halted, or as otherwise determined by the Commission, including for the recovery of construction work in progress (“CWIP”) or other permissible cost recovery.²⁹

b. Unregulated Transmitting Utilities

Revised Section 6.10.5 covers the revenue requirements for the LIPA RTFC or NYPA RTFC for Eligible Projects developed by LIPA or NYPA, respectively.³⁰ This section accounts for the differences related to the recovery of costs by an Unregulated Transmitting Utility and details the Eligible Project’s revenue requirement to be used in the calculation and recovery of

²⁴ See Proposed Sections 6.10.4.1 and 6.10.5.1 of the OATT.

²⁵ See Proposed Sections 6.10.4.1 and 6.10.5.3 of the OATT.

²⁶ Rate Schedule 10 previously divided the requirements applicable to Transmission Owners and Other Developers into separate sections. As revised, the consolidated requirements are consistent for both Transmission Owners and Other Developers as included in proposed Section 6.10.4 of the OATT. The previous Transmission Owner and Other Developer-specific sections have been deleted.

²⁷ Where the NYISO makes the filing, the Transmission Owner or Other Developer bears the burden of resolving all concerns about the contents of the filing that might arise in that proceeding. See Proposed Section 6.10.4.2 of the OATT.

²⁸ See Proposed Section 6.10.4.2 of the OATT.

²⁹ See *id.*

³⁰ Rate Schedule 10 previously described general rules applicable to Unregulated Transmitting Utilities with more detailed requirements for LIPA, but did not specify specific revenue requirement rules applicable to NYPA. As proposed, Rate Schedule 10 includes specific rules for a NYPA RTFC.

the LIPA RTFC and NYPA RTFC, the period of recovery, the special considerations in filing and determining the revenue requirement for LIPA and NYPA, and the roles of the NYISO in the billing and settlement of the LIPA RTFC and NYPA RTFC.

The NYISO proposes to retain the provisions governing an Eligible Project developed by LIPA but expands upon them to include any regulated transmission project proposed and/or selected under the CSPP and to incorporate other enhancements. Notably, Rate Schedule 10 retains the distinction between billing and recovering the costs of an Eligible Project undertaken by LIPA from LIPA customers within the Long Island Transmission District and from Responsible LSEs in other Transmission Districts. Section 6.10.5.2.1 provides that for costs to LIPA customers, LIPA will bill and charge each responsible entity within the Long Island Transmission District using a rate recovery mechanism that it approves and over a period of cost recovery established by the LIPA Board of Trustees.³¹

For costs to Responsible LSEs outside of the Long Island Transmission District, LIPA will inform the NYISO of its costs incurred in undertaking an Eligible Project that are allocable to such Responsible LSEs.³² These costs shall constitute the revenue requirement that the NYISO will file, at LIPA's request, with the Commission. That revenue requirement must be consistent with LIPA's project proposed to and evaluated by the NYISO under Attachment Y, and LIPA shall bear the burden of resolving all concerns about the revenue requirement filing submitted on its behalf by the NYISO.³³ Once accepted or approved by the Commission, the NYISO will (i) use that revenue requirement to calculate a separate LIPA RTFC over the period of cost recovery determined by the Commission; (ii) bill Responsible LSEs outside of the Long Island Transmission District; and (iii) remit the revenues collected to LIPA in accordance with the NYISO's billing and settlement procedures.³⁴

The NYISO also proposes to add Section 6.10.5.3 of the OATT to address the recovery of costs incurred by NYPA in developing an Eligible Project. Specifically, NYPA will inform the NYISO of any costs incurred for an Eligible Project, which may include a reasonable rate of return on investment and any incentives for construction of transmission projects available under Section 205 and Section 219 of the FPA and the Commission's associated implementing regulations.³⁵ The incurred costs will constitute the revenue requirement, provided it is consistent with NYPA's project as proposed to and evaluated by the NYISO under Attachment Y.³⁶ The revenue requirement will then be filed as an informational filing under NYPA's already existing formula rate approved by the Commission. NYPA will bear the burden for resolving all concerns raised in the proceeding before the Commission related to such

³¹ See Proposed Sections 6.10.3.6 and 6.10.5.2 of the OATT.

³² See Proposed Section 6.10.5.2.2 of the OATT.

³³ *Id.*

³⁴ *Id.*

³⁵ See Sections 6.10.5.1 and 6.10.5.3 of the OATT.

³⁶ See Section 6.10.5.3.1 of the OATT.

informational filing. Once the filing is accepted or approved or otherwise allowed to go into effect pursuant to NYPA's formula rate, the NYISO will (i) calculate a separate NYPA RTFC for the period of cost recovery determined by the Commission; (ii) bill Responsible LSEs; and (iii) remit collected revenues to NYPA in accordance with the NYISO's billing and settlement procedures.³⁷

4. *Consolidation of Cost Recovery Requirements from Attachment Y*

Attachment Y to the OATT currently includes certain cost recovery requirements for regulated transmission projects developed under the CSPP. The NYISO proposes to relocate certain provisions from Section 31.5.6 to Rate Schedule 10 that address the costs eligible to be recovered, the period of recovery, the filing of a revenue requirement, and the awarding of Incremental TCCs on a regulated transmission project under the CSPP.³⁸

B. Conforming Tariff Revisions to Attachment Y to the OATT

Attachment Y to the OATT currently contains numerous requirements and references concerning the recovery of costs associated with regulated transmission projects under the CSPP. The NYISO proposes to align certain provisions of Attachment Y concerning cost allocation and recovery with the revised Rate Schedule 10 to ensure consistency in the OATT and reduce unnecessary repetition. The revisions provide the necessary linkages across the planning processes, cost allocation provisions, and the cost recovery requirements, while consolidating the core cost recovery requirements in Rate Schedule 10.

Section 31.5.6 of the OATT contains cost recovery requirements for the regulated solutions under the CSPP. As discussed above, the NYISO proposes to relocate certain cost recovery requirements from Section 31.5.6 to Rate Schedule 10. To reduce redundancy and ensure consistency between Rate Schedule 10 and Attachment Y, the NYISO proposes to update Section 31.5.6 to be consistent with the revised scope of Rate Schedule 10 and eliminate those provisions that have been relocated to Rate Schedule 10.³⁹

³⁷ See Proposed Sections 6.10.5.1 and 6.10.5.3 of the OATT.

³⁸ See Proposed Section 6.10.

³⁹ See, e.g., Proposed Section 31.5.6.1 (regulated project to address a Reliability Need); Proposed Section 31.5.6.2 (regulated economic transmission project); Proposed Section 31.5.6.3 (regulated transmission project to address a Public Policy Transmission Need); Proposed Section 31.5.6.4 (Interregional Transmission Project selected by the NYISO in the CSPP).

The NYISO also proposes the following conforming revisions to Attachment Y:

| Tariff Section | Reason for Proposed Revision |
|-------------------------|---|
| OATT Section 31.2.6.5.2 | Clarified and ensured consistency with the proposed revisions to Rate Schedule 10 related to the time period of a regulated transmission project's cost recovery— <i>i.e.</i> , when the project enters into service, is halted, or as otherwise determined by the Commission. |
| OATT Section 31.2.8.2.1 | Clarified that the recovery of costs incurred in connection with a regulated backstop solution that has been halted is subject to the Commission's regulations on abandoned plant recovery. The Commission previously directed the NYISO to amend the cost recovery requirements for halted projects in its Public Policy Process to expressly reference the Commission's regulations on abandoned plant recovery. ⁴⁰ The proposed revision in Section 31.2.8.2.1 aligns the cost recovery requirements in the reliability planning process concerning halted projects with the related requirements in the Public Policy Process. |
| OATT Section 31.2.8.2.2 | Clarified that the recovery of costs incurred in connection with an alternative regulated transmission project that has been triggered and subsequently halted is subject to the Commission's regulations on abandoned plant recovery to align this provision with the Commission's directive for the Public Policy Process to expressly reference its regulations on abandoned plant recovery. ⁴¹ |
| OATT Section 31.2.8.2.5 | Clarified that the recovery of costs incurred in connection with a regulated backstop solution or a triggered alternative regulated transmission project that does not receive the necessary federal, state, or local agency(ies) authorizations is subject to the Commission's regulations on abandoned plant recovery, to align this provision with the Commission's directive for the Public Policy Process to expressly reference its regulations on abandoned plant recovery. ⁴² |
| OATT Section 31.2.8.2.6 | Clarified that the recovery of costs incurred in connection with a regulated backstop solution or a triggered alternative regulated transmission project that has its necessary federal, state, and local authorization subsequently withdrawn is subject to the Commission's regulations on abandoned plant recovery, to align this provision with the Commission's directive for the Public Policy Process to expressly reference its regulations on abandoned plant recovery. ⁴³ |

⁴⁰ *New York Independent System Operator, Inc.*, 155 FERC ¶ 61,037 at P 22 (2016).

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

| Tariff Section | Reason for Proposed Revision |
|-----------------------------|---|
| OATT Section 31.2.11.4 | Incorporated the requirement that a Responsible Transmission Owner shall be eligible to recover its costs related to developing a Gap Solution proposal and seeking necessary approvals to align this provision with the cost recovery requirements in Section 31.5.6 of Attachment Y and Rate Schedule 10. |
| OATT Section 31.2.11.6 | Clarified that an implemented transmission Gap Solution is entitled to cost recovery under Section 31.5.6 of Attachment Y and Rate Schedule 10. |
| OATT Section 31.3.2.4.1.1.2 | Clarified that the cost recovery mechanism for a regulated transmission project under CARIS is set forth in Rate Schedule 10. |
| OATT Section 31.4.3.2 | Clarified that the cost recovery mechanism for a regulated transmission project under the Public Policy Process is set forth in Rate Schedule 10. |
| OATT Section 31.4.4.1.2 | Clarified that the cost recovery mechanism for a regulated transmission project under the Public Policy Process is set forth in Rate Schedule 10. |
| OATT Section 31.4.8.2 | Clarified and ensure consistency with the proposed revisions to Rate Schedule 10 related to when the costs of the regulated transmission project are recoverable— <i>i.e.</i> , when the project enters into service, is halted, or as otherwise determined by the Commission. |
| OATT Section 31.4.12.1 | Clarified that the cost recovery mechanism for a regulated transmission project under the Public Policy Process is set forth in Rate Schedule 10. |
| OATT Section 31.5.1.7 | Replaced the generic reference to an applicable rate schedule with a reference to Rate Schedule 10. |
| OATT Section 31.5.4.4.6 | Incorporated clarifying references to Rate Schedule 10. |
| OATT Section 31.5.5.3 | Incorporated references to Rate Schedule 10 and added a clarifying reference related to cost recovery for the costs of proposing a Public Policy Transmission Project submitted by a Developer at the request for the NYPSC or LIPA pursuant to Section 31.4.3.2 of the OATT. |
| OATT Section 31.7 | Added a cross-reference to Rate Schedule 10 under Article 8 of the <i>pro forma</i> Development Agreement with regard to cost recovery in the event of termination of the Development Agreement. |

C. Proposed Revisions Related to Cost Allocation in the Public Policy Process

The NYISO also proposes revisions to: (i) clarify the cost allocation methodology for certain costs incurred by Developers in preparing proposed solutions to Public Policy

Transmission Needs at the request of the NYPSC or LIPA in the Public Policy Process and (ii) to reference the location in the OATT where an alternative cost allocation methodology for a particular Public Policy Transmission Project will be located once accepted or approved by the Commission.⁴⁴

As part of the Public Policy Process, Section 31.4.3.2 of the OATT provides that a Developer that proposes a transmission solution to a Public Policy Transmission Need in response to a request by the NYPSC or LIPA may recover its “[c]osts incurred . . . in preparing a proposed transmission solution.”⁴⁵ Attachment Y, however, does not specify how the NYISO should allocate these costs for projects that it has not selected as the more efficient or cost-effective project in its Public Policy Process.

The NYISO proposes to revise Sections 31.4.3.2 and 31.5.5.3 of the OATT to provide that, unless otherwise determined by the Commission, costs Developers incur in preparing a proposed transmission solution, which is prepared at the request of the NYPSC or LIPA but not selected by the NYISO, will be allocated among all LSEs in the NYCA using the load ratio share methodology contained in Section 31.5.5.4.3 of the OATT.⁴⁶ Allocating these project preparation costs across all LSEs in the NYCA, using the load ratio share methodology accepted by the Commission, is just and reasonable because all ratepayers throughout the State of New York benefit from having a robust transmission project solicitation and selection process to satisfy transmission needs driven by Public Policy Requirements.⁴⁷

The NYISO also proposes to revise Section 31.5.5.4 of the OATT to provide a cross-reference to the alternative cost allocation methodologies that are accepted or approved by the Commission for a particular Public Policy Transmission Project, which methodologies will be located in Appendix E (Section 31.8) of Attachment Y.⁴⁸ Currently, Attachment Y does not specify a specific place in the OATT where such alternative cost allocation methodologies for

⁴⁴ See Proposed Sections 31.4.3.2 and 31.5.5.4 of the OATT

⁴⁵ This requirement does not apply to a Developer whose project is ultimately selected by the NYISO as the more efficient or cost-effective transmission solution because that Developer will recover its project costs that are accepted or approved by the Commission through the cost allocation methodology applicable to that Public Policy Transmission Need, as set forth in Section 31.5.5.4 of the OATT.

⁴⁶ See Proposed Section 31.4.3.2 of the OATT.

⁴⁷ Section 31.5.5.4.3 establishes a load ratio share methodology to allocate the costs of projects selected in the NYISO’s Public Policy Process. The Commission has accepted this methodology as a just and reasonable default methodology, which methodology the NYISO will apply to projects selected in the Public Policy Process if no alternative methodology is proposed or determined to be just and reasonable by the Commission.

⁴⁸ See Proposed Section 31.5.5.4 of the OATT.

Public Policy Transmission Projects will be located. This clean-up revision sets aside a specific location and, therefore, will increase the ease of locating such methodologies in Attachment Y.⁴⁹

IV. Effective Date

The NYISO respectfully requests that the Commission make the tariff revisions proposed in this filing effective on the day following the end of the statutory sixty-day notice period—*i.e.*, October 18, 2017.

V. Stakeholder Approval

The NYISO presented on the proposed revisions to Rate Schedule 10 and Attachment Y at meetings of its stakeholder Electric System Planning Working Group on March 23, 2017 and April 19, 2017. The proposed revisions were unanimously approved by the NYISO Business Issue Committee and Operating Committee on May 17, 2017 and May 18, 2017, respectively. Thereafter, the NYISO Management Committee unanimously approved the proposed revisions on May 31, 2017. The NYISO Board of Directors approved the filing of these proposed revisions on June 19, 2017.

VI. Communications and Correspondence

All communications and service in this proceeding should be directed to:

Robert E. Fernandez, General Counsel
Raymond Stalter, Director, Regulatory Affairs
* Carl F. Patka, Assistant General Counsel
* Brian R. Hodgdon, Attorney
10 Krey Boulevard
Rensselaer, NY 12144
Tel: (518) 356-6000
rfernandez@nyiso.com
rstatler@nyiso.com
cpatka@nyiso.com
bhodgdon@nyiso.com

*Ted Murphy
Hunton & Williams LLP
2200 Pennsylvania Ave, NW
Washington, DC 20037
Tel: (202) 955-1500
tmurphy@hunton.com

*Michael J. Messonnier⁵⁰
Hunton & Williams LLP
Riverfront Plaza, East Tower
951 East Byrd Street
Richmond, VA 23219
Tel: (804) 788-8712
mmessonnier@hunton.com

*Persons designated for receipt of service.

⁴⁹ See, e.g., Sections 31.5.5.4.1 through 31.5.5.4.2.5 of the OATT.

⁵⁰ Waiver of the Commission's regulations (18 C.F.R. § 385.203(b)(3) (2014)) is requested to the extent necessary to permit service on counsel for the NYISO in Rensselaer, NY, Richmond, VA, and Washington, DC.

VII. Service

The NYISO will send an electronic link to this filing to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York State Public Service Commission, and to the New Jersey Board of Public Utilities. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com.

VIII. Conclusion

For the reasons stated above, the New York Independent System Operator, Inc. respectfully requests that the Commission accept for filing the proposed revisions to the OATT that are attached hereto with an effective date of October 18, 2017.

Respectfully submitted,

/s/ Carl F. Patka

Carl F. Patka, Assistant General Counsel
Brian R. Hodgdon, Attorney
New York Independent System Operator, Inc.
10 Krey Blvd.
Rensselaer, New York 12144
Tel: (518) 356-6000
cpatka@nyiso.com

Michael J. Messonnier Jr.
Hunton & Williams LLP
951 East Byrd Street
Richmond, Virginia 23219
mmessonnier@hunton.com

cc: Michael Bardee
Anna Cochrane
Jette Gebhart
Kurt Longo
David Morenoff
Daniel Nowak
Larry Parkinson
J. Arnold Quinn
Douglas Roe
Kathleen Schnorf
Gary Will