

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**Competitive Transmission Development)
Technical Conference)**

Docket No. AD16-18-000

**RESPONSE OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR TO POST-
TECHNICAL CONFERENCE QUESTIONS**

In accordance with the *Notice Inviting Post-Technical Conference Comments* issued by the Federal Energy Regulatory Commission (“FERC” or “Commission”) on August 3, 2016 in the above-referenced proceeding (the “Notice”), the New York Independent System Operator, Inc. (“NYISO”) hereby submits post-technical conference comments in response to certain questions raised in the Notice and during the technical conference convened on June 27-28, 2016 (“Conference”).¹ The NYISO appreciates the opportunity to work with the Commission and FERC Staff through the in-person Conference and submission of these comments.

I. COMMENTS

A) The NYISO’s response to the Commission’s Notice focuses primarily on the questions related to Panel 4: Interregional Transmission Coordination Issues, consistent with its pre-filed comments and testimony presented during the June 28th panel discussion.² The NYISO also respectfully provides responses to Commission questions pertaining to Cost Containment and Regional Transmission Planning.

B) Responses to Commission questions pertaining to Panel Four: Interregional Transmission Coordination Issues

1. What factors have contributed to the lack of development of interregional transmission facilities (i.e., a transmission facility that is located in two or more transmission

¹ *Notice of Technical Conference re Competitive Transmission Development*, AD16-18-000, March 17, 2016.

² *Speaker materials of John Buechler, NYISO, at the Competitive Transmission Development Technical Conference, held June 27-29, 2016, under Docket No. AD16-18-00.*

planning regions)? Are there actions the Commission could take to facilitate such development?

NYISO Response

Order No. 1000 introduced major changes for transmission providers in both ISO/RTO and non-ISO/RTO regions when it was issued in July 2011. Transmission providers made interregional planning compliance filings during 2013 and the Commission issued numerous compliance orders through the end of 2015. Since the interregional planning coordination requirements are based upon the regional transmission planning processes of the neighboring regions, implementation of these new interregional requirements is just getting underway in many regions. Accordingly, it is premature at this time to draw any actionable conclusions regarding the effectiveness of these new requirements on the development of interregional transmission facilities. As recommended by a considerable majority of the Panel 4 participants on June 28th, FERC should continue to monitor each of the regions' progress and refrain from proposing any major changes at this time. Such efforts could be premature in nature and could add uncertainty to interregional planning processes currently underway, potentially resulting in delay in the implementation of these processes.

2. What would be the advantages and disadvantages to the use of common models and assumptions by public utility transmission providers in regions in their interregional coordination processes? Are there problems that such an approach would solve or create? If such common models and assumptions could be developed, how should they be developed and by which entity or entities?

NYISO Response

While recognizing the need to respect regional differences, movement toward more uniformity in data, assumptions and models utilized for interregional planning is desirable. The regions involved in interregional planning should be the entities to develop such procedures in the first instance. For example, under the Northeastern ISO/RTO Planning Coordination Protocol ("Protocol"), the NYISO shares the data and assumptions needed to conduct regional and interregional transmission planning analyses with ISO-NE and PJM on an annual basis. Such information is used in the joint evaluation of interregional transmission projects. The Protocol specifies the type of data needed for certain types of transmission and system planning analysis. In addition, the Protocol has a process for reconciliation of any regional data or information differences among the regions, and where differences cannot be reconciled, provides for the use of scenario analysis or the initiation of dispute resolution procedures, if necessary. In addition, entities such as the Eastern Interconnection Planning Collaborative ("EIPC") have established practices for data sharing in the development of Eastern Interconnection wide power flow models. The EIPC is in the process of developing a database for production cost analysis and could help facilitate further coordination efforts.

3. Should the Commission revisit Order No. 1000's requirement that an interregional transmission facility be selected in the regional transmission plan of all transmission planning regions where the facility will be located before it is eligible for interregional cost allocation? Why or why not?

NYISO Response

For the reasons stated in NYISO's pre-filed testimony, the Commission should not revisit this requirement:

The NYISO believes that having an explicit linkage between the interregional and regional planning processes provides coordinated analysis, information and transparency to stakeholders in the respective regions. This linkage also allows each region to make informed decisions regarding the potential benefits of an interregional transmission project. This process should serve to facilitate, rather than delay, the selection of a potential interregional transmission project by both regions. (See: Docket No. AD16-18-000, "Introductory Comments of John P Buechler, Executive Regulatory Policy Advisor, NYISO" at 3 (June 21, 2016).

Simply stated, absent the support of willing parties, an interregional project is unlikely to proceed. The linkage provided by the Order No. 1000 interregional coordination requirements provides the information needed by the regions to engender such support.

4. What reforms, if any, could the Commission adopt to facilitate the identification of shared interregional transmission needs?

NYISO Response

For the reasons stated in the response to Question #1, above, the Commission should not direct any additional reforms at this time.

5. Do interregional cost allocation methods accepted by the Commission, such as the "avoided cost only" method, impede interregional transmission coordination? If so, are there alternative cost allocation methods that could better facilitate interregional transmission development? Would those methods be consistent with interregional transmission coordination processes or would the interregional transmission coordination processes need to change to accommodate such alternative cost allocation methods?

NYISO Response

For the reasons stated in NYISO's pre-filed testimony, the interregional cost allocation methods accepted by the Commission continue to be appropriate:

“Another Order No. 1000 requirement is for each pair of neighboring transmission providers to include interregional cost-allocation procedures in their tariffs. For both regional and interregional cost allocation, Order No. 1000 adopted a principles-based, rather than a “one-size-fits-all,” approach, and recognized that regional differences may warrant different methodologies. FERC determined that the interregional cost-allocation methodology that two regions agree to may differ from their respective regional cost-allocation methodologies. Also, the method to allocate a region’s share of the costs for an interregional facility may differ from the method the respective regions use to allocate the costs of a regional facility. Both regional planning processes must first select an interregional project for it to receive cost allocation under the interregional cost-allocation process.

The NYISO continues to believe that these requirements are appropriate and consistent with Order No. 1000’s cost allocation principles which provide that the cost of an interregional transmission project cannot be involuntarily imposed on any region that does not receive any benefits from that project and does not agree to accept the costs. Additionally, the increased certainty provided by the ex-ante default cost allocation should help reduce the risk of litigation. The ex ante cost-allocation methodology for interregional projects filed by the Northeast ISO/RTOs, which was accepted by the Commission, is based on the avoided costs of the respective regional projects the interregional solution would replace. The NYISO continues to believe that this methodology provide a reasonable measure of the respective benefits of interregional projects among regions.” (See: Docket No. AD16-18-000, “Introductory Comments of John P Buechler, Executive Regulatory Policy Advisor, NYISO” at 3, (June 21, 2016).

Accordingly, since the regional planning processes already account for a variety of factors (including the “benefits”) unique to each region, it is appropriate for the interregional allocation methodology to be based upon the avoided cost of the regional transmission solutions that would be displaced by an interregional transmission solution.

C) Regional Transmission Planning

The NYISO supports the Commissions goals in Order No. 1000 to incent the development of needed transmission facilities through a competitive process that stimulates innovative solutions to provide benefits to consumers. Based upon its Comprehensive System Planning Process that pre-dated Order No. 1000, the NYISO uses a “Sponsorship-Based” approach to competition, under which there is no specific threshold limitation.

The NYISO has been conducting its regional planning process with partial approval under Order No.1000 compliance orders from the Commission since early 2014, and conducted its first solicitation for Public Policy Transmission Needs in August 2014. NYISO issued its first request for solutions to the Western Transmission Public Policy Transmission Need determined

by the NY Public Service Commission (“NYPSC”) in November 2015. In response, NYISO received 15 proposals from 8 developers, of which we have found 10 proposals to be viable and sufficient. We are currently awaiting a determination from the NYPSC confirming a continuing need for transmission, following which we will complete our evaluation and possible selection of the more efficient or cost effective transmission solution, which we anticipate will be completed in mid-2017.

In February 2016, the NYISO issued its second solicitation for solutions in response to an AC Transmission Public Policy Transmission Need determined by the NYPSC. The NYISO has received 16 proposals from 6 developers and is in the process of performing initial viability and sufficiency assessments of those proposals. A report on the NYISO’s viability and sufficiency assessment for the proposals is expected to be completed in October 2016. If the NYPSC finds a continued need for transmission in this case, the NYISO will continue to evaluate the viable and sufficient transmission solutions, and anticipates making a final determination in late 2017 to early 2018.

In accordance with the NYISO’s Tariff, on August 1, 2016, the NYISO initiated its second cycle of the Public Policy Transmission Planning Process by issuing a solicitation for transmission needs driven by Public Policy Requirements. The NYISO received responses on September 30, 2016 and will forward them to the PSC for its consideration.

While NYISO is moving ahead with implementation of the competitive solicitation process under Order No. 1000, a final compliance order from the Commission is still pending. Accordingly, the NYISO respectfully asks the Commission to provide certainty to NYISO and its market participants by accepting its outstanding compliance filings which have endeavored to fulfill every aspect and principle of Order No. 1000’s regional planning requirements. Given that NYISO is well along with the implementation process, we would ask that the Commission refrain from initiating any substantive changes to the regional planning requirements at this time. Following completion of a full cycle of the competitive solicitation process, NYISO will be in a better position to evaluate the performance of the process and determine whether or not any improvements might be needed.

D) Cost Containment Provisions

Under Order No. 1000 and the NYISO’s approved tariffs, there is no requirement for, or prohibition against, submission of a cost containment provision by the developer of a proposed transmission solution. While cost is a factor in the evaluation and selection process, it is not the only factor involved in the NYISO’s determinations. The NYISO’s tariffs provide that it will assess a multitude of additional factors in our evaluation process, including feasibility, impact on reliability, developer experience and financial capability, constructability, expandability, as well as operational and other benefits of each proposed project. Cost assessments are based upon a determination of proposed project costs provided to the NYISO by the NYISO’s independent

consulting firm. The basis for the NYISO's evaluation and selection of the more efficient or cost effective transmission solution from among those proposed will be provided to stakeholders in a final report that will be posted on the NYISO's public website.

While ISO/RTOs, including the NYISO, have authority to administer their Order No. 1000-approved planning processes, and the expertise in planning and operations for implementation, they do not have regulatory authority or expertise in transmission rate design or cost containment, nor enforcement authority over transmission costs or rates. In contrast, FERC has long-standing statutory authority and expertise in the implementation and enforcement of transmission rates, rate design (including cost containment) and incentives. The NYISO would welcome FERC guidance as to the characteristics of cost containment provisions that it views as important for proposals under a competitive solicitation process. The ultimate responsibility for approval and enforcement of these provisions appropriately lies with the Commission itself.

II. COMMUNICATIONS AND CORRESPONDENCE

All communications and correspondence concerning these Comments should be served as follows:

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III. CONCLUSION

WHEREFORE, the NYISO respectfully requests that the Commission consider these comments.

Dated: October 3, 2016

Respectfully submitted,

/s/ John Buechler

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure, 18 C.F.R. §385.2010.

Dated at Rensselaer, NY this 3rd day of October 2016.

/s/ Joy A. Zimmerlin

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