

STATE OF NEW YORK PUBLIC SERVICE COMMISSION

In the Matter of New York Independent System Operator,
Inc.'s Proposed Public Policy Transmission Needs for
Consideration for 2018

Case 18-E-0623

COMMENTS OF POTOMAC ECONOMICS, LTD.

Pursuant to the New York Public Service Commission's ("Commission") Notice of Proposed Rulemaking "*Proposed Public Policy Transmission Needs/Public Policy Requirements, As Defined Under the NYISO Tariff*" published in the November 21, 2018 edition of the New York State Register (I.D. No. PSC-47-18-00008-P), Potomac Economics respectfully submits its comments in the above-captioned proceeding.

Potomac Economics currently serves as the Market Monitoring Unit ("MMU") for the New York Independent System Operator, Inc. ("NYISO"). The NYISO Market Services Tariff requires the MMU to help ensure that the NYISO's markets are created and operated in a "robust, competitive, efficient and non-discriminatory" manner.¹ As the MMU, we are also responsible for reporting on "the use of the New York State Transmission System as such system affects or may affect competitive conditions in or the economic efficiency of any of the New York Electric Markets".² The Proposed Public Policy Transmission Needs could have broad implications for all of the New York's electricity markets. Therefore, good cause exists to permit Potomac Economics' motion to intervene in this proceeding.

¹ See NYISO's Market Administration and Control Area Services Tariff ("Market Services Tariff" or "MST") Attachment O §30.1.2.

² See MST Attachment O §30.1.1.

I. NOTICE AND COMMUNICATIONS

All communications, correspondence, and documents related to this proceeding should be directed to the following persons and such persons should be placed on the official service list maintained by the Commission's Secretary for this proceeding:

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II. BACKGROUND

The NYISO issued a solicitation for identifying potential transmission needs, and the NYISO submitted the fifteen proposals that it received to the Commission on October 10, 2018. A majority of the submittals proposed transmission needs that would enable higher penetration of clean energy resources in support of New York's public policy initiatives (such as the Clean Energy Standard ("CES") and the Offshore Wind Standard).

On November 21, 2018, the PSC issued a notice in the New York State Register inviting comments from interested parties prior to identifying any Public Policy Transmission Needs ("PPTNs"). As per the guidance issued in Case 14-E-0068, the Commission in its notice solicited comments on "on whether any of the proposals should be identified as Public Policy Transmission Needs/Public Policy Requirements that may drive the need for transmission and should be referred to the NYISO to solicit and evaluate potential solutions."³

³ See Case 14-E-0068, *Policies and Procedures Regarding Transmission Planning for Public Policy Purposes*, August 15, 2014 Policy Statement on Transmission Planning for Public Policy Purposes

III. COMMENTS

Potomac Economics has evaluated the proposed public policy transmission projects in the last two cycles.⁴ As required by the NYISO Tariff, the scope of our evaluations was to “review and consider” any impact on the ISO-administered markets from regulated transmission solutions proposed to satisfy the PPTNs.⁵

Based on our experience evaluating the proposed projects, we respectfully submit the following comments to aid the Commission in identifying needs that are more likely to result in cost-effective proposals.

First, we recommend the Commission focus on the underlying public policy objective and avoid identifying the specific facilities or paths to be upgraded. The PPTNs identified in the last two cycles were very prescriptive about the specific transmission solutions that the NYISO should solicit. Consequently:

- There was relatively little variation across the proposed solutions, particularly in the AC Transmission proceeding.
- Given the changes in resource mix during the lengthy evaluation periods, the solicitations resulted in only partial or incomplete solutions for meeting the ultimate goal.
 - For instance, the NYISO’s studies in the AC Transmission proceeding suggested that while Segments A and B would eliminate or significantly reduce transmission congestion on certain corridors, bottlenecks south of Segment B would still remain.⁶
 - Hence, additional transmission may be needed from the Hudson Valley to New York City and/or Long Island to take significant steps towards the underlying objective of reducing the need for fossil-fuel generation in downstate areas.

⁴ See June 2018 report *NYISO MMU Evaluation of the Proposed AC Transmission Public Policy Transmission Projects* (“MMU Report on AC Projects”) and September 2017 report on *NYISO MMU Evaluation of the Proposed Public Policy Transmission Projects in Western New York* (“MMU Report on WNY Projects”).

⁵ See NYISO Market Services Tariff Section 30.4.6.8.5.

⁶ The NYISO’s analysis found that the recommended projects would offset just 4 percent of MWhs of generation and 2 percent of the installed generating capacity needs in downstate areas in the CES+Retirement Scenario. See MMU Report on AC Projects, page vi.

- Likewise, in the Western New York proceeding, the proposed projects were significantly larger than the projected increases in energy flows. This likely lowered the benefit-cost ratio of the projects.
 - For instance, the average increase in hourly flows across the Niagara tie lines and Niagara generation totaled 150 MW even though the Ontario-NY transfer limit was increased by over 1000 MW by the project selected in the WNY PPTP.⁷

To the extent that the PPTN requires overly-specific characteristics for the transmission solutions, it will limit the creativity of developers and likely foreclose opportunities for the most efficient and beneficial proposals to come forward in the Public Policy Transmission Planning (“PPTP”) process. Hence, rather than specify the amounts and locations of additional transmission, it would be preferable for the Commission to specify a set of generic criteria that would characterize a public policy objective and allow competition from projects across corridors.⁸

Second, to clarify how a particular PPTN would facilitate specific public policy objectives, we recommend the PSC consider including the following in its order:

- *Specify any policy-related retirements to be evaluated in the NYISO study* – In some cases, the benefits of a transmission project will depend principally on key retirements that would not occur without the enactment of a particular state policy. The Commission could identify specific retirements that should be among the set of scenarios that the NYISO evaluates. Notwithstanding, the NYISO could evaluate alternative scenarios.
- *Specify policy-related assumptions for resource additions and identify alternatives as applicable* – For instance, if the Commission intends for the PPTN to enable development of renewables, it should specify potential sets of resources (and their location) that the NYISO should assume as in-service for some scenarios of the evaluation. Alternatively, if the Commission is flexible regarding the type and/or locations of renewables it seeks to promote, it could frame the PPTP assumptions in a

⁷ See October 2017 NYISO report *Western New York Public Policy Transmission Planning Report*, Table 3-8 page 43.

⁸ For example, the PPTN could specify a target amount of energy to be delivered from renewable resources to downstate areas over a specific set of years in the future. Alternatively, the PPTN could specify a target amount of pollution reductions to be achieved in environmentally sensitive downstate areas. The Commission could still specify key project constraints driven by siting issues and other considerations.

more generic manner by tying them to the underlying clean energy targets and assumed costs of renewable generation development.

- *Require the evaluations to model market-based entry and exit* – The NYISO evaluations should assume that the resources would exit the market when capacity prices are very low and that new merchant resource additions would occur when prices would support new entry or repowering of existing generation.
- Require the evaluation to consider a) non-capital and avoided costs over the project life, and b) developer-submitted firm capital cost estimates.

IV. CONCLUSIONS

Our comments are based on our experience evaluating the proposed projects in the last two solicitations and are intended to provide advice on identifying a PPTN that is more likely to result in the most efficient and beneficial proposals. To this end, we recommend the Commission:

- Define a Public Policy Need that focuses on the underlying public policy objective, rather than specific solutions, and
- Identify key assumptions and modeling enhancements to be included in the order identifying PPTNs.

WHEREFORE, for the foregoing reasons, Potomac Economics, Ltd. respectfully requests the Commission to grant its motion to intervene in this proceeding and consider these comments.

Respectfully submitted,

/s/ David B. Patton

David Patton, President
Potomac Economics, Ltd.