

**AC TRANSMISSION PUBLIC POLICY TRANSMISSION NEEDS
PROJECT SOLICITATION**
Response due April 29, 2016

February 29, 2016

Dear NYISO Stakeholder or Interested Party:

With this letter, the NYISO solicits Public Policy Transmission Projects¹ and Other Public Policy Projects to address the AC Transmission Public Policy Transmission Needs for evaluation in the NYISO's Public Policy Transmission Planning Process.

I. AC Transmission Public Policy Transmission Needs

On August 1, 2014, the NYISO initiated its first Public Policy Transmission Planning Process by soliciting proposed transmission needs that stakeholders or interested parties believe are driven by Public Policy Requirements.² On October 3, 2014, the NYISO filed for consideration by the New York State Public Service Commission ("NYPSC") the proposed transmission needs it received from eight entities. On November 12, 2014, the NYPSC published the proposed needs in the State Register for comments in accordance with the State Administrative Procedure Act ("SAPA").³ Following its receipt and review of comments, the NYPSC continued its efforts in the Alternating Current Transmission Upgrades comparative proceedings that culminated in the issuance of the Trial Staff Final Report by the New York State Department of Public Service on September 22, 2015 along with a companion motion recommending that the NYPSC find that there are transmission needs driven by Public Policy Requirements. On October 7, 2015, the NYPSC published a SAPA notice of proposed rulemaking for comments. Following the comment period, the NYPSC issued an order on December 17, 2015 ("NYPSC Order")⁴ that identified numerous public policies that together constitute Public Policy Requirements driving transmission needs associated with the Central East and UPNY/SENY sections of the New York State Transmission System.⁵

¹ Capitalized terms in this letter refer to defined terms in Attachment Y of the NYISO's Open Access Transmission Tariff ("OATT") or the NYISO Public Policy Transmission Planning Manual.

² The requirements for the Public Policy Transmission Planning Process are set forth in Attachment Y of the OATT and the NYISO Public Policy Transmission Planning Process Manual.

³ The AC Public Policy Transmission Need project solicitation in this letter is separate from, and concerns a solicitation for a solution to different Public Policy Transmission Needs than, the NYISO's solicitation on November 1, 2015 for solutions to address the Western New York Public Policy Transmission Need identified by the NYPSC in NYPSC Case No. 14-E-0454 – In the Matter of New York Independent System Operator, Inc.'s Proposed Public Policy Transmission Needs for Consideration, *Order Addressing Public Policy Requirements for Transmission Planning Process* (July 20, 2015).

⁴ NYPSC Case No. 12-T-0502, et al. – Proceeding on Motion of the Commission to Examine Alternating Current Transmission Upgrades, *Order Finding Transmission Needs Driven by Public Policy Requirements* (December 17, 2015).

⁵ *Id.* at 66-68.

The NYPSC referred the Central East and UPNY/SENY transmission needs (collectively named the “AC Transmission Public Policy Transmission Needs”) to the NYISO for the solicitation and evaluation of potential solutions.⁶ The NYPSC specifically described the transmission needs in Appendix A of the NYPSC Order, and established evaluation criteria in Appendix B of the NYPSC Order. Appendix A is attached for reference.

The NYISO made a presentation at a combined meeting of the Transmission Planning Advisory Subcommittee and Electric System Planning Working Group on February 5, 2016 to review the NYPSC’s determination of a Public Policy Requirement and the nature of the resulting AC Transmission Public Policy Transmission Needs.⁷ The NYISO has established sufficiency criteria in accordance with the criteria set forth by the NYPSC Order, and has developed baseline models and associated power flow results to aid interested parties in developing project proposals. The attached “Sufficiency Criteria and Additional Information” document derived from the criteria set forth by the NYPSC Order provides the details of the system models and criteria that the NYISO will apply to determine the sufficiency of each proposed Public Policy Transmission Project and Other Public Policy Project to satisfy the AC Transmission Public Policy Transmission Needs.

II. Project Submission Requirements

Pursuant to Section 31.4.3 of Attachment Y to the NYISO OATT,⁸ the NYISO hereby solicits Public Policy Transmission Projects and Other Public Policy Projects (including, but not limited to, generation and demand-side resources) to address the AC Transmission Public Policy Transmission Needs. Developers, including Transmission Owners and Other Developers, must provide project information in accordance with OATT Section 31.4.5 and Section 3.3 of the Public Policy Transmission Planning Process Manual (“Manual”).⁹ This project information will be used by the NYISO to analyze proposed Public Policy Transmission Projects and Other Public Policy Projects in accordance with the criteria set forth in the NYISO’s tariff and the sufficiency criteria set forth in the attached “Sufficiency Criteria and Additional Information” document. Specifically, a Developer proposing a Public Policy Transmission Project or an Other Public Policy Project must submit the project information required in Attachment B of the Manual for the NYISO to analyze the project’s viability and sufficiency.¹⁰ A Developer proposing a Public Policy Transmission Project must also submit the project information required in Attachment C of the Manual for the NYISO’s project evaluation and selection,¹¹ as well as the additional information required by the NYPSC Order as described in the attached “Sufficiency Criteria and Additional Information” document.

⁶ *Id.* at p. 68.

⁷ The NYISO presentation is posted on its website under meeting materials at the following link:

http://www.nyiso.com/public/markets_operations/committees/meeting_materials/index.jsp?com=bic_espwg.

⁸ On February 18, 2016, the NYISO made a filing pursuant to Section 205 of the Federal Power Act to make certain clarifying changes and additions to OATT Sections 31.1, 31.4 and 31.5 in preparation for conducting its Public Policy Transmission Planning Process, and requested an effective date of February 19, 2016 upon FERC acceptance. The tariff filing did not propose material changes to the project solicitation process set forth in Attachment Y of the OATT.

⁹ The NYISO Public Policy Transmission Planning Process Manual is posted at:

http://www.nyiso.com/public/webdocs/markets_operations/documents/Manuals_and_Guides/Manuals/Planning/M-36_Public%20Policy%20Manual_v1_0_Final.pdf.

¹⁰ Attachment B to the Public Policy Transmission Planning Process Manual is posted at:

http://www.nyiso.com/public/webdocs/markets_operations/documents/Manuals_and_Guides/Manuals/Planning/Child_Public_Policy_Manual/M-36_Public%20Policy_Att%20B_v2015-07-31_Final.pdf.

¹¹ Attachment C to the Public Policy Transmission Planning Process Manual is posted at:

http://www.nyiso.com/public/webdocs/markets_operations/documents/Manuals_and_Guides/Manuals/Planning/Child_Public_Policy_Manual/M-36_Public%20Policy_Att%20C_v2015-07-31_Final.pdf.

A Developer proposing a Public Policy Transmission Project that is not yet qualified to submit transmission projects must submit a Developer Qualification Form on or before March 30, 2016, as required by Section 3.1 of the Manual (*see* OATT Sections 31.4.4.1 and 31.4.4.3.) The form can be found in Attachment A to the Manual. A Developer previously qualified to submit a transmission project must submit updates to its Developer qualification information in accordance with NYISO Technical Bulletin 232.¹² All submissions of Developer Qualification Forms and updates must be submitted to developerqualification@nyiso.com.



A Developer should submit its project proposal to the NYISO in the manner described below on or before April 29, 2016 to be evaluated in the NYISO's Public Policy Transmission Planning Process. Pursuant to Section 3.3.2 of the Manual (*see* OATT Section 31.4.4.4), a Developer of a Public Policy Transmission Project must also include with its submittal: (i) an executed study agreement, which can be found in Attachment E to the Manual,¹³ (ii) a non-refundable application fee of \$10,000, and (iii) a study deposit of \$100,000.¹⁴ Please contact NYISO Accounts Receivable (NYISOAccountsReceivable@nyiso.com) regarding submission of the application fee and study deposit.



A Developer is separately responsible for complying with applicable interconnection requirements, but is not required to satisfy these requirements by April 29, 2016. Pursuant to a FERC directive in the NYISO's Order No. 1000 proceeding, the NYISO is currently developing new Transmission Interconnection Procedures to be filed on March 22, 2016, which, when effective, will apply to proposed Public Policy Transmission Projects.¹⁵ If the Developer has not already submitted its proposed Public Policy Transmission Project into the current interconnection or transmission expansion processes, the NYISO encourages the Developer to do so. The new Transmission Interconnection Procedures will include rules to transition proposed transmission projects from the existing interconnection and transmission expansion processes into the Transmission Interconnection Procedures.



¹² Technical Bulletin 232 is posted at:

http://www.nyiso.com/public/webdocs/markets_operations/documents/Technical_Bulletins/Technical_Bulletins/Technical_Bulletins/TB-232.pdf.

¹³ Attachment E to the Public Policy Transmission Planning Process Manual is posted at:


http://www.nyiso.com/public/webdocs/markets_operations/documents/Manuals_and_Guides/Manuals/Planning/Child_Public_Policy_Manual/M-36_Public%20Policy_Att%20E_v2015-07-31_Final.pdf.

¹⁴ These additional submission requirements do not apply to an Other Public Policy Project.

¹⁵ *See New York Independent System Operator, Inc.*, Order Conditionally Accepting Tariff Revisions and Requiring Further Compliance, 153 FERC ¶ 61,341 at PP 67-73 (2015).

Proposed Public Policy Transmission Projects and Other Public Policy Projects must be sent electronically to: publicpolicyplanningmailbox@nyiso.com, including in the subject line “AC Transmission PPTN Project.” Due to file size restrictions, e-mail attachments should not exceed 60 MB for any single e-mail. Any supplemental hard copy information that could not be sent via e-mail should be sent to Zach Smith, Director of Transmission Planning, at 10 Krey Boulevard, Rensselaer, New York 12144. Questions about the filing of project information or about the Public Policy Transmission Planning Process should be addressed to: publicpolicyplanningmailbox@nyiso.com.

Very truly yours,



Henry Chao
Vice President, System & Resource Planning

cc: Mr. Raj Addepalli – State of New York Department of Public Service

Attachments

Attachment I

NYPSC Order – Appendix A

TRANSMISSION NEED DRIVEN BY PUBLIC POLICY REQUIREMENTSSEGMENT AEdic/Marcy to New Scotland; Princetown to Rotterdam

Construction of a new 345 kV line from Edic or Marcy to New Scotland on existing right-of-way (primarily using Edic to Rotterdam right-of-way west of Princetown); construction of two new 345 kV lines or two new 230 kV lines from Princetown to Rotterdam on existing Edic to Rotterdam right-of-way; decommissioning of two 230 kV lines from Edic to Rotterdam; related switching or substation work at Edic or Marcy, Princetown, Rotterdam and New Scotland.

SEGMENT BKnickerbocker to Pleasant Valley

Construction of a new double circuit 345 kV/115 kV line from Knickerbocker to Churchtown on existing Greenbush to Pleasant Valley right-of-way; construction of a new double circuit 345 kV/115 kV line or triple circuit 345 kV/115 kV/115 kV line from Churchtown to Pleasant Valley on existing Greenbush to Pleasant Valley right-of-way; decommissioning of a double-circuit 115 kV line from Knickerbocker to Churchtown; decommissioning of one or two double-circuit 115 kV lines from Knickerbocker to Pleasant Valley; construction of a new tap of the New Scotland-Alps 345 kV line and new Knickerbocker switching station; related switching or substation work at Greenbush, Knickerbocker, Churchtown and Pleasant Valley substations.

Upgrades to the Rock Tavern Substation

New line traps, relays, potential transformer upgrades, switch upgrades, system control upgrades and the installation of data acquisition measuring equipment and control wire needed to handle higher line currents that will result as a consequence of the new Edic/Marcy to New Scotland; Princetown to Rotterdam and Knickerbocker to Pleasant Valley lines.

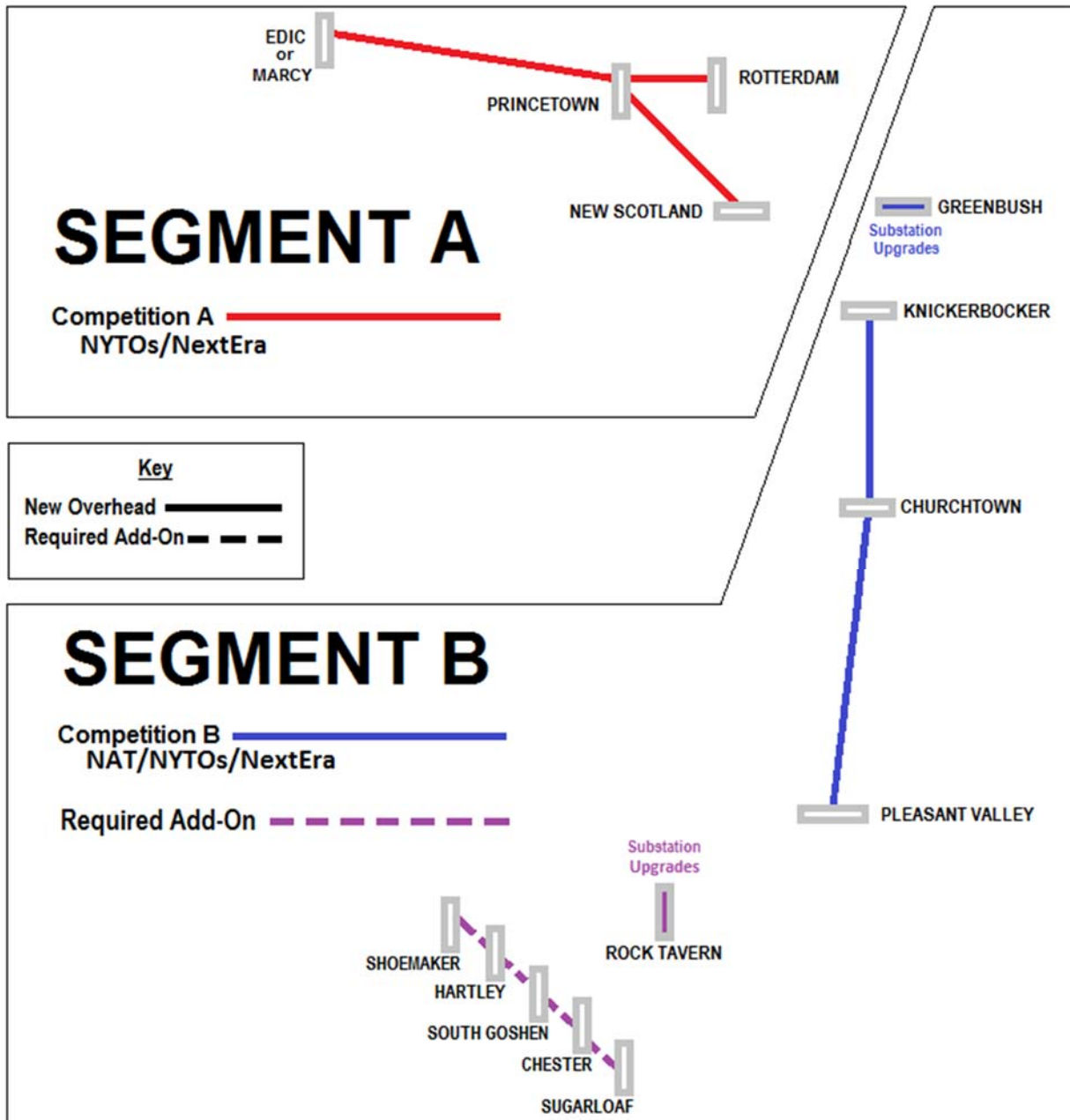
Shoemaker to Sugarloaf

Construction of a new double circuit 138 kV line from Shoemaker to Sugarloaf on existing Shoemaker to Sugarloaf right-of-way; decommissioning of a double circuit 69 kV line from Shoemaker to Sugarloaf; related switching or substation work at Shoemaker, Hartley, South Goshen, Chester, and Sugarloaf.

Notes:

The need is for the entire portfolio, but the portfolio lends itself to segmentation such that transmission solutions should be solicited in a manner that allows applicants to propose solutions either by segment or on a combined portfolio basis, or in the alternative on both bases. Segment A depends upon Segment B being in place, so Segment A would not be constructed without certainty that Segment B would be constructed. Segment B depends upon certain specified add-ons being in place, so Segment B would not be constructed without certainty that the specified add-ons would be constructed.

SCHEMATIC LAYOUT OF SEGMENTS



Attachment II

Sufficiency Criteria and Additional Information

AC Transmission Public Policy Transmission Needs

Sufficiency Criteria and Additional Information

Sufficiency Criteria (Minimum Criteria)

In order to address the AC Transmission Public Policy Transmission Needs (PPTN) as identified by the NYPSC, a sufficient Public Policy Transmission Project or Other Public Policy Project shall meet, at a minimum, the following criteria:

- Proposed solutions to Segment A (Central East) must provide at least a 350 MW increase to the Central East interface transfer capability in accordance with Normal Transfer Criteria as defined by the New York State Reliability Council (NYSRC) Reliability Rules.
- Proposed solutions to Segment B (UPNY/SENY) must provide at least a 900 MW increase to the UPNY/SENY interface transfer capability in accordance with Normal Transfer Criteria as defined by the NYSRC Reliability Rules.

Additionally, a sufficient Public Policy Transmission Project shall meet, at a minimum, the following criteria stated in the NYPSC Order:

- Proposed solutions to Segment A (Central East) **must include all project components** included in Segment A as described in Appendix A of the NYPSC Order.
- Proposed solutions to Segment B (UPNY/SENY) must include all project components included in Segment B as described in Appendix A of the NYPSC Order.
- No acquisition of new permanent transmission rights-of-way, except for *de minimis* acquisitions that cannot be avoided due to **unique** circumstances. The transfer or lease of existing transmission right-of-way property or access rights from a current utility company owner to a Developer shall not be considered such an acquisition.
- No crossing of the Hudson River, either overhead, underwater, in riverbed, or underground, or in any other way by any component of the transmission facility.
- For those Public Policy Transmission Projects that were also evaluated in the NYPSC AC Transmission proceedings, the NYPSC Order states that the cost estimate must not exceed the level estimated by NYPSC Trial Staff for the project, unless the applicant can demonstrate that upward estimates are necessary to correct errors or omissions made by NYPSC Trial Staff for the components that were added or adjusted by NYPSC Trial Staff.¹

¹ The NYISO will perform an independent evaluation of Public Policy Transmission Project costs for purposes of its evaluation and selection process under Section 31.4 of Attachment Y to the NYISO OATT. See OATT Attachment Y Section 31.4.8.

Transmission Evaluation Criteria

For the purposes of evaluation and selection of the more efficient or cost effective Public Policy Transmission Project to address the AC Transmission PPTN, the following criteria identified by the NYPSC Order will be applied in addition to the criteria and metrics defined by Section 31.4.8 of Attachment Y to the NYISO OATT:

- In lieu of establishing an intended in-service year against which project schedules would be evaluated, the NYISO will consider the proposed project schedule for each Public Policy Transmission Project in the evaluation of impacts to congestion and other applicable criteria over the study period. The NYISO will assume that project schedules begin January 1 of a given year following the NYISO's selection and NYPSC Article VII siting approval (*i.e.*, project schedules need not account for the timing of the NYISO or NYPSC processes).
- The selection process will favor Public Policy Transmission Projects that minimize the acquisition of property rights for new substations and substation expansions. For the purpose of this criterion, the transfer or lease of existing property rights from a current utility company owner to a Developer shall not be considered such an acquisition.
- No Public Policy Transmission Project shall be selected for Segment B that does not incorporate certain specified add-ons that would be constructed (*i.e.*, as specified in the NYPSC Order the upgrades to the Rock Tavern Substation and the upgrades to the Shoemaker to Sugarloaf transmission lines), unless the NYISO determines that such add-ons, jointly or severally, are not material to the accomplishment of the purpose a solution for Segment B.
- The selection process for transmission solutions for Segment B shall not use the costs of upgrades to the Rock Tavern Substation and upgrades to the Shoemaker to Sugarloaf transmission lines as a distinguishing factor between Public Policy Transmission Projects.
- No Public Policy Transmission Project shall be selected for Segment A unless a Public Policy Transmission Project is selected for Segment B.
- No Public Policy Transmission Project shall be selected for Segment A except on condition that the Public Policy Transmission Project selected for Segment A shall not be implemented until there is reasonable certainty established in a manner to be determined by the NYISO that the Public Policy Transmission Project selected for Segment B will be implemented.
- The selection process shall favor Public Policy Transmission Projects that result in upgrades to aging infrastructure.
- Project selection will be competitive by Segment (Segment A and Segment B), but synergies produced by selecting a single Developer to provide both segments may be considered.
- The selection process shall not use the percentage rates applied to account for contingencies and revenue requirement as a distinguishing factor between Public Policy Transmission Projects. The NYISO will evaluate costs based on raw construction costs to ensure that all of the proposed Public Policy Transmission Projects are evaluated on a comparable basis as to the scope of costs.

PPTN-specific Project Information

For each Public Policy Transmission Project, the Developer must submit at least two project cost estimates, as required by the NYPSC Order:

- The first required cost estimate shall presume that all prudently incurred costs will be recovered and there will be no sharing of cost overruns by the Developer.
- The second required cost estimate shall reflect an 80/20 incentive regime to control costs. The NYPSC Order stated its intent that if actual costs come in above a cost estimate, the Developer bears 20% of the cost over-runs, while ratepayers bear 80% of those costs. The NYPSC Order stated its intent that if actual costs come in below a cost estimate, then the Developer should retain 20% of the savings. Furthermore, if the Developer seeks incentives from FERC above the base return-on-equity otherwise approved by FERC, then the Developer shall not receive any incentives above the base return-on-equity on any cost overruns over the cost estimate. The NYPSC Order stated that the cost estimate would therefore cap the costs that may be proposed to FERC for incentives.²

Baseline Study Cases

The baseline study case for the AC Transmission PPTN will be the same system representation as that employed by the NYISO for the Trial Staff Final Report in the NYPSC AC Transmission proceedings. That case is based on the NYISO 2014 Comprehensive Reliability Plan base case system representation of 2019 summer peak load, modified to include the now-planned CPV Valley Energy Center generation plant and associated system deliverability upgrades.

The baseline study cases are available, subject to a Critical Energy Infrastructure Information (CEII) request:

http://www.nyiso.com/public/webdocs/markets_operations/services/customer_relations/CEII_Request_Form/CEII_Request_Form_and_NDA_complete.pdf

Baseline Study Results

Baseline study results, as presented in the NYPSC AC Transmission proceedings, are publicly available on the NYISO website under Public Policy Documents at:

http://www.nyiso.com/public/markets_operations/services/planning/planning_studies/index.jsp

² The NYISO takes no position on the cost overrun and underrun provisions in the NYPSC Order, but notes that the NYISO's tariff states that FERC determines the scope of transmission costs that may be recovered under the NYISO's tariffs. See OATT Attachment Y Section 31.4.8.2.