Investment and Resource Planning in NY

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Electricity Market Segments

Investment and Resource Planning Differs by Market Segment listed below:

- Electricity Production and Bulk Transmission
- Local Distribution

Asset Ownership and Control

- <u>Electric Production Plants</u> are owned by privately owned, independent generating companies without market power who are not involved in distributing electricity to end-users. They sell the power into the open market.
- <u>Bulk Transmission System Plant</u> is still largely owned by the investor-owned T&D companies. Under FERC Order 888 open access to those bulk system assets has been put into place to ensure the free and economic flow of electricity between supplies and loads. The rates for this open access are set and administered by the Federal Energy Regulatory Commission. Merchant transmission ownership is permitted but has not yet occurred.
- Local Distribution Plant is owned and operated by the investorowned T&D utilities and the planning and investment in local distribution facilities is accomplished by the utilities, subject to oversight by the Commission.
- Each segment requires a unique planning and investment approach.

Electricity Production Resource Adequacy

- NYS Market for Electricity Production is Open and Competitive.
- Generators participate in the NYISO-administered wholesale market.
- NYISO has established a Reliability Planning Process to ensure that adequate generating resources are available.

ISO Reliability Planning Process

- Pre restructuring, vertically integrated utilities built (or contracted for) all resources needed to ensure reliability of the system
- In a restructured market, it is envisioned the market will address resource needs to ensure reliability
- Planning process is primarily designed to provide timely and pertinent information to the market participants
- While markets may address resource needs, there could be instances of "market failure" where the market may not satisfy the resource needs
- In that case, there is a need for a back-stop solution to procure adequate resources to ensure reliability

• Comprehensive Reliability Plan

- Provides for market response (transmission, generation, demand response)
- NYISO certifies projects that would technically meet the identified need without identifying a preferred solution
- Provides for regulated "backstop" process with TO obligations and optional developer participation
- Cost Allocation based on beneficiaries-pay methodology

- Allows Transmission, Generation and Demand Response Alternatives to Compete
 - Areas of system where transmission and generation are substitutes
 - Maturing demand response market mechanisms should be allowed to compete
- Preferred by DPS Because:
 - Market process making the choice minimizes market disruption
 - Likely to produce solution with least customer impact

• "Economic" Planning process:

- Primarily intended to address transmission congestion
- NYISO posts information on a historical basis on several quantitative metrics of congestion to assist the market place
- Under what conditions should regulatory solutions be considered to alleviate congestion? Work in progress

Bulk Transmission System

- Bulk Transmission Planning is part of the Comprehensive Reliability Plan because transmission at this level "competes" with other supply and demand resources. Building transmission to relieve congestion may mean that a power plant can be avoided.
- Some Transmission, however, is more local in focus and could be needed to alleviate load pockets or provide voltage support.
- Review of local transmission is done on an annual cycle and included in the utilities' construction program which is then included in their rate request filings.
- Regulatory/rate support for the investments is then provided for through FERC-Approved Open Access Tariffs.

Distribution Investment

- Distribution investment planning is done and reviewed on a continuing basis to ensure the highest levels of system reliability possible.
- T&D utilities file their construction program plans each year and then explain major changes in those plans to Staff.
- Like other infrastructure investment, the costs of these facilities are forecast and reviewed for inclusion in the utilities' rate base in rate proceedings. Investments not captured in rate forecasts that are made between rate cases are "capitalized" and depreciated and transferred into rate base in the next rate proceeding.