

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY

2009 National Electric Transmission Congestion Study

**COMMENTS OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR**

The New York Independent System Operator, Inc. (“NYISO”) respectfully submits these comments in response to the Department’s draft 2009 National Electric Transmission Congestion Study (the “Study”). The NYISO is the independent body responsible for providing open access transmission service, maintaining reliability, and administering competitive wholesale electricity markets in New York State. The NYISO both conducts and participates in state-wide, inter-regional, and cross-interconnection planning processes, including analyses of transmission congestion, pursuant to its tariff responsibilities and agreements with other planning authorities in the Eastern Interconnection.

The NYISO believes that the Study approach reflects evolution from that taken in the 2006 study and generally concurs in the Department’s conclusion that the Mid-Atlantic region remains a Critical Congestion Area. At the same time, the Study’s limited focus on 2007 data results in an incomplete view of congestion issues as they affect New York consumers and undervalues the significant progress New York has made towards mitigating congestion over the last several years.

The 2009 Study reflects two changes in approach over the 2006 study that the NYISO believes will support better decision-making as the Department continues to monitor and evaluate congestion and its impacts. First, the Department clearly states its understanding that

constructing transmission facilities is not always the appropriate response to congestion; indeed, the Study acknowledges that not all congestion should be “solved.” Study at viii. The Department is correct when it observes that multiple tools to mitigate congestion are available to system planners, including new generation and demand side resources, and that building additional transmission may not be an appropriate solution in a particular case. Id. at 8 and 40. The long-term interests of consumers require policy-makers and planners to examine all of the options when assessing the costs and benefits of reducing congestion. Second, the Study makes good use of the various studies and planning efforts that are underway in the various regions of the country. The NYISO encourages the Department continue to rely on such materials for its future congestion studies. The NYISO’s comments on specific issues follow.

**1. Congestion in New York is not a reliability problem.**

The Study notes that congestion may have impacts on both costs and reliability. Study at 1. The Department further suggests that “congestion that creates significant reliability risks or increases in economic costs to consumers should be addressed.” Id. at 40. While the Department is correct in noting that congestion may impact either or both reliability and cost, the NYISO’s most recent planning studies show that the New York transmission system will meet all reliability criteria through 2018 without the addition of any new resources. NYISO 2009 Comprehensive Reliability Plan Final Report, available at [http://www.nyiso.com/public/webdocs/services/planning/reliability\\_assessments/CRP\\_FINAL\\_5-19-09.pdf](http://www.nyiso.com/public/webdocs/services/planning/reliability_assessments/CRP_FINAL_5-19-09.pdf).

The Department should anticipate that the NYISO will continue to monitor reliability issues as they arise in the future. The Comprehensive Reliability Plan (“CRP”) is an element in the NYISO’s Comprehensive Reliability Planning Process, which is described in the NYISO’s

Open Access Transmission Tariff at Attachment Y. As the first step in the process, the NYISO annually carries out an evaluation of reliability needs, using a ten year forecast. The current 2009 Reliability Needs Assessment (“RNA”) represents the start of the fourth reliability planning cycle since FERC’s approval of the planning program in 2004. In each assessment cycle, market participants propose both regulated and market-based solutions to any identified reliability needs. Proposals may consist of transmission, generation, or demand side solutions. The NYISO then evaluates and tracks proposed solutions in the Comprehensive Reliability Plan, and revisits the progress of such solutions in the next reliability assessment cycle.

Thus, while the New York system does experience congestion, the most recent RNA and CRP do not support a finding that congestion poses any reliability risk. The NYISO’s reliability planning process ensures that congestion issues that relate to reliability problems will continue to be addressed. The Department should correct its characterizations of congestion in New York to reflect the conclusions of the most recent NYISO planning studies.

## **2. New York’s markets allow participants to hedge their exposure to congestion costs.**

The economic consequences of congestion vary from region to region. Because of its market design, the impact of congestion on New York consumers may not be as severe as it is in other areas, or amenable to mitigation in the same way. For example, many New York load serving entities (“LSEs”), especially those located in the more congested regions of Southeast New York, are protected to a large extent from the impacts of transmission congestion under long term “grandfathered” contracts.<sup>1</sup> In addition, as the Study notes, the New York markets allow all LSEs to hedge their exposure to congestion costs by acquiring transmission congestion

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<sup>1</sup> Details of these transmission agreements can be found at Attachment L of the NYISO Open Access Transmission Tariff (“OATT”).

contracts (“TCCs”). Long-term TCC’s are also available to other entities who qualify for them under the NYISO tariff. The result of applying these tools is that New York consumers may bear congestion charges but are in effect reimbursed for a significant portion of those costs. Since evaluating the economic impact of congestion on consumers is a central element of the congestion study, the Department’s assessment should take into account the role of New York’s market mechanisms.

### **3. Congestion costs in New York have declined since 2007.**

The 2009 State of the Market report submitted by the NYISO’s independent market monitor, Potomac Economics, finds that day-ahead congestion costs declined by 61% in 2009 from 2008 levels and also notes a similar decline in real-time congestion. State of the Market Report at [http://www.nyiso.com/public/webdocs/documents/market\\_advisor\\_reports/2009/2009\\_NYISO\\_SOM\\_Final\\_4-30-2010.pdf](http://www.nyiso.com/public/webdocs/documents/market_advisor_reports/2009/2009_NYISO_SOM_Final_4-30-2010.pdf). While the report attributes most of this reduction in costs to low fuel prices and reduced demand, the NYISO’s load forecasting suggests that lower load levels may continue to restrain congestion costs. See 2010 Load & Capacity Data Report at [http://www.nyiso.com/public/webdocs/services/planning/planning\\_data\\_reference\\_documents/2010\\_GoldBook\\_Public\\_Final\\_033110.pdf](http://www.nyiso.com/public/webdocs/services/planning/planning_data_reference_documents/2010_GoldBook_Public_Final_033110.pdf). The NYISO’s reliability planning process includes review of possible changes to load forecasts, such as those resulting from the State’s energy efficiency programs, and thus the NYISO expects that reliability needs arising from changes in load – and the related consequences for congestion – will be identified and addressed.

#### **4. The Study's findings of concern are inconsistent.**

The Study reflects some inconsistencies in DOE's approach to evaluating areas that are experiencing congestion. The NYISO suggests that the Department make efforts to improve the consistency of its analysis across regions in the next congestion study. This issue arises when the Department discusses the different regions' efforts to mitigate congestion. For example, the Department finds that the MISO area does not qualify as critical, even though the Study notes that MISO experienced greater congestion than New York in 2007, on the basis of the region's plans for transmission expansion. Study at 37, 59. The Study explicitly finds that MISO experiences a greater number of congested paths with frequent non-zero shadow prices, and that those shadow prices exceed \$500/MWh – while at the same time noting that shadow prices in New York rarely exceed \$200/MWh. If the Department intends to make distinctions in its level of concern on the basis of a region's demonstrated plans for mitigating identified congestion – which, as the Study notes, will not always consist of new transmission – then the Study should evaluate the goals and likely efficacy of those plans to produce a more “apples to apples” result. In this particular case, even though the Department finds that New York experiences much less costly congestion than the MISO region and has similar processes in place to develop mitigation, the Study nevertheless concludes that the New York area is of greater concern.

#### **5. Opinion statements about “tensions” between regions are irrelevant to the Study's goals.**

The Department is clear that the primary goal of the Study, pursuant to the statute, is to identify areas of congestion. However, the draft includes references to asserted “tensions” between New York, New Jersey, and PJM that appear to be the individual opinions of certain respondents and do not add to the stated aim of the Study. See Study at x, 40, and 51. These

irrelevant assertions should be deleted from the final report because anecdotal comments unsupported by analysis do not belong in a study of this type. They do not shed any light on the areas of congestion, the impacts of that congestion, or how the Department should evaluate those impacts. In fact, there have been high levels of cooperation among the NYISO and its neighboring planning authorities in recent years on system planning issues as well as market coordination.<sup>2</sup>

#### **6. Renewable energy objectives should be updated.**

The NYISO suggests that figures 3-5, 3-6, and 4-6 (and the related text) should be updated to reflect the current status of wind installations and total projects in the planning queue in New York. This information can be found in the 2010 Load & Capacity Data Report and the NYISO Interconnection Queue, respectively, located at

[http://www.nyiso.com/public/markets\\_operations/services/planning/documents/index.jsp](http://www.nyiso.com/public/markets_operations/services/planning/documents/index.jsp).

In addition, section 4.4.2 of the Study cites an outdated figure for the State's renewable energy policy goal. Governor Paterson has revised the goal of the State's Renewable Portfolio Standard program to provide 30% of the energy supply with renewables by 2015.

#### **7. The Study should reflect the results of the NYISO's 2009 CARIS process.**

In January 2010, the NYISO's Board of Directors approved the Phase 1 report resulting from the NYISO's first Congestion Assessment and Resource Integration Study ("CARIS").

The Phase 1 report, available at

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<sup>2</sup> Among these areas of cooperation are the Northeast Planning Protocol, which involves the NYISO, PJM, and ISO-NE, and the ongoing "Broader Regional Markets" initiative, which, among other objectives, addresses congestion in the northeast region.

[http://www.nyiso.com/public/webdocs/services/planning/Caris\\_Report\\_Final/CARIS\\_Final\\_Report\\_1-19-10.pdf](http://www.nyiso.com/public/webdocs/services/planning/Caris_Report_Final/CARIS_Final_Report_1-19-10.pdf), projects congestion costs related to the three most congested elements of the New York system over the 2009-2018 time period. The study then examines the costs and benefits of potential generic solutions to the congestion, modeling transmission, new generation, and increased energy efficiency/demand response alternatives.

The CARIS process is the second major element, after the reliability planning described above, in the NYISO's Comprehensive System Planning Process ("CSPP"). The CARIS studies involve an assessment of historic and future congestion on the New York system, and, in a second phase that has not yet been completed, the evaluation of the costs and benefits of solutions proposed by market participants. The process is consistent with the NYISO's market design, in that it invites market-based solutions to congestion issues. The CARIS process is also an "all resource" planning mechanism, enabling planners, regulators, and market participants to evaluate a variety of alternatives.

The results of the first phase of the CARIS process underscore the importance of careful analysis of alternatives when considering mitigation. The NYISO's evaluation of the costs and benefits of the generic solutions illustrates the principle that the Department has acknowledged: that it may not make economic sense to mitigate all congestion. In fact, using ranges of cost estimates for each of the generic solutions studied, the NYISO found that none of the benefit/cost ratios at either the medium or high range exceeded 1.0. In the case of the low range estimates, the constraints studied exhibited ratios only slightly above 1.0. CARIS Phase 1 Report, at 45. The NYISO believes these results militate against a policy that would reduce congestion "at any price," as that policy might not in fact be protective of consumers.

In the next phase of the CARIS study, the NYISO will evaluate specific projects submitted by developers to determine the extent to which they will alleviate congestion and whether their economic benefits would make any of them eligible for cost recovery under the NYISO's tariff.

The Department should take note of the CARIS process because it establishes the framework within which New York stakeholders identify and address economic congestion. Consistent with the Department's observation in the 2009 Study, the CARIS process allows planners and market participants to explore all of the tools available for reducing congestion costs. Study, at 40. As the Department has recognized, not all congestion should be eliminated, and the relative costs and benefits of the various mitigation alternatives should be analyzed so that consumers' interests are protected. The CARIS study provides the essential data that both investors and policy makers need to determine what course – or any course – will bring benefits to customers. The results of Phase II will be available to DOE for its next congestion study, and should inform the Department's assessment.

#### **8. The NYISO supports the Study's proposed next steps.**

At pages 101-102, the Department proposes that planning entities should undertake “stronger and more inclusive” regional and interconnection-level planning; that states should designate zones with high renewable resource potential as input to the long-term planning processes; and completion of renewable resource integration studies. The NYISO believes that each of these steps is important. The NYISO already participates in inter-regional planning efforts in the Northeast and was a leader in the development of the Eastern Interconnection Planning Collaborative (“EIPC”).

As the Department is aware, the EIPC was awarded funding under FOA-68 to develop an Eastern Interconnection-wide planning process, which, in collaboration with a multi-constituency Stakeholder Steering Committee, will provide comprehensive analysis of transmission alternatives to support scenarios for future resource expansion. The NYISO expects that the results of this effort, a first of its kind in the Eastern Interconnection, will provide federal and state regulators and other policy makers with a sound foundation for the development of energy policy for the nation. As part of the “Topic B” tasks under the FOA, the Eastern Interconnection States Planning Council (“EISPC”) is tasked with the identification of renewable energy zones and technologies which will be provided as input to the EIPC scenario analyses. The NYISO is a strong supporter of this important planning initiative.

Respectfully submitted,

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