

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

**Proceeding on Motion of the Commission to Implement)
Transmission Planning Pursuant to the Accelerated)
Renewable Energy Growth and Community Benefit Act)** **Case No. 20-E-0197**

**Comments of NextEra Energy Transmission New York, Inc. in Response to
SAPA I.D. No. PSC-46-20-00008-P – Utility Transmission & Distribution
Investment Working Group Report**

Pursuant to the Notice I.D. No. PSC-46-20-00008-P issued in the November 18, 2020 edition of the *New York State Register*, NextEra Energy Transmission New York, Inc. (“NEETNY”) submits the following comments on the “Utility Transmission & Distribution Investment Working Group Report” (“Report”) filed with the Public Service Commission (“Commission”) on November 2, 2020 in Case No. 20-E-0197.

On May 14, 2020, the Commission directed New York utilities¹ to “identify the distribution and local transmission upgrades that may be ‘necessary or appropriate’ to the timely achievement” of the Climate Leadership and Community Protection Act (“CLCPA” or the “Act”) objectives.² The CLCPA requires: (1) a 40% reduction in greenhouse gas emissions from 1990 levels by 2030 and an 85% reduction by 2050; (2) achieving a renewable electric generation target of 70% by 2030 and a 100% emissions-free electric supply by 2040; and (3) the addition of 9 Gigawatts of offshore wind generation to the energy portfolio by 2035. Specifically, the Commission directed

¹ The Utilities are: Central Hudson Gas & Electric, Consolidated Edison (“ConEd”), Long Island Power Authority (“LIPA”), New York State Electric & Gas, National Grid, Orange & Rockland Utilities, and Rochester Gas and Electric. (collectively, the “Utilities”). LIPA was not included in the Commission’s May 14 directive but joined in the submittal of the Report.

² Case 20-E-0197, *Proceeding on Motion of the Commission to Implement Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act*, Order on Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act, (issued May 14, 2020) at 5. (“May Order”)

the Utilities to propose or provide input on, among other things: (1) a transparent planning process that will be used to identify the local transmission upgrades in support of the CLCPA goals (“CLCPA Projects”); (2) an approach to “account for the CLCPA benefits in the utilities planning and investment criteria”; (3) an approach to prioritize CLCPA Projects with other utility capital projects; (4) a benefit/cost analysis to assess CLCPA Projects; and (5) cost containment, cost recovery, and cost allocation methods applicable to CLCPA Projects. In the Report, the Utilities submitted proposals and input on these issues and provided a list of proposed local transmission upgrades to support the achievement of the CLCPA goals.

NEETNY supports the Commission’s efforts to achieve the State’s CLCPA goals. The Report presents a practical approach to integrate the climate objectives into existing capital planning processes. However, the approach advocated in the Report fails to ensure that the proposed local transmission infrastructure investments are the most effective solutions to meet the CLCPA goals. In addition, given the CLCPA target timeframes, NEETNY is concerned that the development of proposed new cost recovery mechanisms³ proposed in the Report may jeopardize the timely achievement of the climate objectives. As set forth below, in order to achieve the State’s CLCPA goals in a timely manner, NEETNY recommends that the Commission adopt local transmission implementation methods that utilize existing cost recovery mechanisms.

³ The Report identified four principal pathways to cost recovery: (1) rate case-based approach; (2) voluntary agreements; (3) NYSERDA payments; and (4) Renewable Generator Sponsorship. NEETNY offers no opinion on the substantive merits of each pathway. However, it is NEETNY’s understanding that any cost recovery mechanism that allocates costs regionally may require approval of the Federal Energy Regulatory Commission (“FERC”).

Comments on the Transmission Policy Working Group Recommendations

CLCPA Investment Criteria

The Utilities propose that the following six criteria be used to identify and prioritize CLCPA Projects: (1) renewable utilization; (2) timing; (3) expandability; (4) cost effectiveness; (5) improved system flexibility; and (6) firmness. In general, the criteria address key parameters to assess the ability of a project to support CLCPA goals in a timely manner. However, as proposed, the Utilities proposed cost effectiveness metric could unintentionally result in the selection of projects that do not provide the most efficient and effective solution.

The Utilities propose evaluating projects through the use of a net benefits and a benefit/cost ratio (“NBBC”) methodology. The proposed NBBC methodology would compare the costs of a local transmission upgrade against the avoided cost of procuring additional renewable generation resources to offset curtailed renewable generation. A local transmission project that presents greater net benefits or has a higher benefit/cost ratio than procuring additional renewable generation would be viewed more favorably.

NEETNY has concerns with the proposed NBBC methodology. First, the proposed NBBC methodology does not consider all potential alternatives. Most notably, the NBBC does not include a comparison of a local transmission project to bulk power transmission solutions. The bulk power system is designed to transmit power long distances from its point of generation interconnection to load. Renewable generation, often located extended distances from major load centers, potentially could be most efficiently be transmitted on the bulk power system. Moreover, a bulk power transmission project could “off load” the local transmission system, thereby relieving congested local transmission elements. In addition, a bulk power transmission solution may also be able to be constructed more expediently than a portfolio of local transmission upgrades – particularly if the local transmission upgrades are significant in scope and will require extensive

permitting. As such, bulk power transmission solutions should be included in the NBBC analysis. Failure to do so may unintentionally result in the selection of a local transmission project when a bulk power transmission project could be more efficient and effective solution to achieve CLCPA goals.

NEETNY is also concerned that the proposed NBBC methodology inflates the net benefit calculation of the unbottled renewable energy. Under the proposed NBBC methodology, the benefit of the local transmission project is the avoidance of constructing a quantity of new generation equal to the amount of generation curtailed. The net benefit is calculated as the present value of the avoided cost of new renewable generation minus the present value of the local transmission solution revenue requirement over a 40-year period. Under the net benefit calculation, the avoided cost of new renewable generation is equated to the levelized cost of new renewable energy multiplied by the curtailed energy (MWh) where the levelized cost of the new renewable energy is $(RE) = (LBMP^4 + REC^5 + ICAP^6) / (1 - \text{curtailment percentage}^7)$.

However, this methodology inflates the benefit of the local transmission project in the following ways. First, it calculates a present value of the benefits over a 40-year period. While the use of a 40-year period may be appropriate in certain circumstances, for purposes of the NBBC methodology, the use of a 20-year period is consistent with the NYISO production cost modeling studies and is consistent with the term of NYSERDA REC contracts.⁸ By utilizing a 20-year period, the period over which the total net benefits are calculated will appropriately match the NYISO's methodology. In addition, the use of the levelized cost of energy to calculate the avoided

⁴ LBMP= Renewable energy market value (\$/MWh) in the load zone of the transmission project (Report at 38.)

⁵ REC = Environmental attribute of each renewable energy MWh generated (*Id.*)

⁶ ICAP = Capacity market value (*Id.*)

⁷ Curtailment Percentage = Statewide percentage of curtailed renewable energy without transmission system expansion (*Id.* at 37)

⁸ NYISO production cost modeling studies extend out only 20 years. The NYSERDA REC contract term is also limited to a maximum 20-year period.

cost benefit also inflates the benefits of potential local transmission projects. The levelized cost of energy inflates the energy and REC values, thereby increasing the placeholder cost of new renewable generation used to replace the curtailed energy. It would be more accurate to use the projected cost of the curtailed energy relieved by the local transmission project at energy and REC market prices to calculate the net benefit of a proposed solution.

Moreover, the curtailment percentage in the net benefit calculation should not simply be the system curtailment percentage prior to the transmission project placed in-service. A single transmission project in one part of the state will not relieve all statewide congestion. Instead, the curtailment percentage should be the difference between systemwide curtailment pre- and post-project. As currently applied in the Report, the curtailment percentage formula could significantly overstate the net benefits of a proposed solution. Instead, the Department of Public Service staff or the NYISO should provide all utilities standard assumptions and methodologies to calculate the benefits and independently assess whether the CLCPA project achieved the proposed curtailment relief.

NEETNY recognizes the Commission's interest in quantifying the net benefit of relieving curtailed energy. As previously discussed, the net benefit calculation proposed in the Report is complex and extensive for the potential number of CLCPA projects being considered. In the alternative, NEETNY recommends that CLCPA projects be subject to an investment and voltage threshold. All smaller CLCPA projects or portfolio of projects below 200 kV that cost less than \$25 million should be advanced through Utility rate case plans and larger, more complex projects or portfolio of projects that exceed \$25 million or are above 200 kV should be advanced through the NYISO public policy planning process. Under this approach, if a renewable generation pocket exists that is subject to curtailment, the Utilities should seek to identify local transmission solutions

to eliminate the curtailment. If a solution or portfolio of solutions is identified below 200 kV and has a total cost of \$25 million or less, the portfolio of projects would be subject to the evaluation outlined in the Report including the NBBC analysis and, if approved by the Commission, would be subject to recovery by the sponsoring Utility in its rate proceeding. If no solutions or portfolio of solutions below 200 kV and with a total cost of \$25 million or less are identified, the Commission would recognize the constrained renewable generation pocket as a public policy transmission need (“PPTN”). Under this approach, a solution would be addressed through the NYISO public policy planning process under which the benefits for the relieved curtailed energy can be quantified and project costs can be allocated across all beneficiaries. The six criteria identified in the Report may also be utilized as part of the NYISO PPTN Process to select the most efficient and effective project.

NEETNY’s recommendation has the following benefits:

1. Ensures that all alternatives are assessed to select the most efficient, effective and timely transmission solution to mitigate curtailed renewable generation;
2. Provides a ready path for Utility projects that are readily implementable, efficient, and lower risk to be approved through the Utility rate plans. No new cost recovery mechanisms are required, thereby reducing the administrative burden that could result from the new cost mechanisms proposed in the Report;
3. Cost allocation can more readily be assigned to beneficiaries;
4. Allows for potential cost containment provisions through the NYISO process to be applied to larger and higher risk projects.

Comments on the Technical Analysis Working Group Recommendations

The Utility Technical Analysis Working Group identified local transmission upgrade projects to accelerate progress toward achievement of the CLCPA mandates. The local transmission upgrade projects are categorized in two phases. Phase 1 projects are those that are primarily driven by traditional investment drivers such as reliability, safety, and compliance but

also contribute to achieving the climate goals. Phase 2 projects are driven principally to achieve the CLCPA objectives. While Phase 1 projects may be acted on in the near term, Phase 2 projects are more complex and may require additional studies and analysis.⁹

The Commission has defined upgrades as “new facilities or improvements or other changes to existing local transmission or distribution facilities located in a utility’s service territory.”¹⁰ In the May Order, the Commission referred to local transmission as “transmission line(s) and substation(s) that generally serve local load, and transmission lines which transfer power to other service territories and operate at less than 200 kV.”¹¹ Combined, the definitions are expansive and eliminate an extensive amount of transmission investment from the potential benefits that could result from a competitive solicitation process.

Moreover, the proposed project list includes Phase 2 projects that are beyond the scope of the local transmission definition set forth in the May Order. Specifically, some of the Phase 2 projects identified by ConEd and LIPA appear to extend beyond the definitions for local transmission upgrades. ConEd summarizes six (6) Phase 2 projects in Figure 45 of the Report. These include Clean Energy Hub #1, Clean Energy Hub #2, NYC Feeder 1, NYC Feeder 2, NYC Feeder 3, and Load Transfer. The total cost of these projects is estimated at \$4.05 billion with projected in-service dates as late as year 2030. Clean Energy Hub #1 is the only project with a description included in the Report, albeit very general. However, it appears that Clean Energy Hub #1 consists of 345 kV transmission elements with the intent to interconnect offshore wind generation. Based on these two facts, the Clean Energy Hub projects are neither an “upgrade” nor are they “local transmission”.

⁹ Report at 71.

¹⁰ May Order at 5.

¹¹ May Order at 3.

Similarly, LIPA has identified transmission projects in Figure 57 that do not meet the definition of local transmission upgrades. These include a 345 kV inter-tie project designed to transmit power between different service territories and a LIPA central corridor conversion to 345 kV designed to move renewable energy across the island – not to serve local load and above 200 kV. LIPA also has determined that a transmission need exists driven by the off-shore wind policies. In making this determination LIPA identifies a need to both increase export capability and upgrade their 138 kV backbone to 345 kV. LIPA has referred this matter to the Commission requesting that it determine that the upgrade to LIPA’s 138 kV system constitutes “a Public Policy Transmission Need for purposes of the NYISO’s solicitation and evaluation of potential solutions.”¹² Given that these projects do not fit within the Commission’s definition of local transmission upgrades, and that LIPA has requested that the resolution of these transmission needs be addressed through the NYISO PPTN Process, NEETNY encourages the Commission to approve the LIPA request and declare a PPTN.

Lastly, some Phase 2 projects fail to provide any detail demonstrating their viability and effectiveness. Thus, observations on these remaining Phase 2 projects cannot be made. ConEd asserts that these projects provide regional benefits and is seeking statewide cost allocation.¹³ If accurate, the need underlying them also should be addressed in the NYISO public policy process.

Conclusion

As set forth herein, NEETNY respectfully requests that the Commission: (1) require that bulk power solutions be an evaluated alternative to local transmission solutions; (2) modify the NBBC methodology to correctly reflect the benefits attributed to local transmission projects; (3)

¹² Case 18-E-0623, LIPA Letter Referring Transmission Need to the PSC, July 30, 2020.

¹³ Report at 114-115.

declare a PPTN to address the ConEd Phase 2 solutions; and (4) declare a PPTN to integrate off-shore wind on the Long Island Transmission District.

NEETNY appreciates the opportunity to provide comments on the Utility T&D Investment Working Group Report.

Dated: January 19, 2021

Respectfully submitted,

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