

ISO NEW ENGLAND'S "STRAWMAN" PROPOSAL FOR REGIONAL TRANSMISSION PLANNING

Overview:

Order 890 requires all transmission providers to amend their existing *pro forma* Open Access and Transmission Tariff ("OATT") to implement a coordinated, open and transmission planning process "that complies with the nine principles and other requirements in this Final Rule." (P 437) Alternatively, Order 890 requires Transmission Providers to make a compliance filing "describing its existing coordinated and regional planning process, including the appropriate language in its tariff, and show that its existing process is consistent with or superior to the requirements in this Final Rule." (*Id.*) Specifically, Order 890 acknowledges that certain independent system operators and regional transmission operators ("ISOs/RTOs") already have approved planning processes that are more open than non-ISO/RTO regions and emphasizes its intent "not to re-open prior approvals." (P 439) Because Order 890 reforms the Commission's standardized OATT, each ISO and RTO is required to reform its existing planning process or show that it is consistent with or superior to the standardized *pro forma*, as further revised by Order 890.

Order 890 requires Transmission Providers to post on their OASIS or websites a "strawman" proposal for compliance with the nine principles adopted in the Final Rule, including the "broader region" in which further coordinated regional planning will be conducted. (P 443)

In accordance with Order 890's requirements, ISO-NE has prepared a "strawman" based on its existing Regional System Planning ("RSP") process currently provided in Part II.G (Sections II.46 – II. 48) and Attachment N of the ISO-NE OATT. The established comprehensive regional planning process applies to Pool Transmission Facilities ("PTF") in the New England Transmission System and does not include Local Area Facilities rated at a voltage level of 69 kV or less, in accordance with Section II.49 of the ISO-NE OATT and Sections 3.02, 3.05 and 3.09, which limit ISO-NE's transmission planning authority to PTF. Order 890 requires ISOs and RTOs to also state "how all participating transmission owners within their footprint will comply with the planning requirements of this Final Rule." (P 440) The Participating Transmission Owners in New England are developing, in close coordination with ISO-NE, a transmission planning process for the Local Area Facilities, over which they retain planning authority as briefly mentioned above.

ISO-NE's "strawman" proposal describes the requirements corresponding to the nine principles specified in Order 890, and outlines the aspects of the ISO-NE planning process that comply with those principles or identifies areas where further improvement is warranted to ensure compliance. This is consistent with Order 890, which provides that for "those regions and sub-regions that already have adopted significant reforms, the Commission's planning reforms may require only modest changes." (P 526) Order No. 890 "urges participants in existing regional planning processes to closely examine whether improvements may be implemented to ensure that each regional planning process is fully consistent with the requirements of this Final Rule." (*Id.*)

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This “strawman” proposal will form the basis for a compliance filing required by Order 890, due on October 11, 2007.

A. **Transmission Planning Process Must Comply with Nine Planning Principles**

Principle 1: Coordination

The purpose of the coordination requirement is to eliminate the potential for undue discrimination in planning by opening appropriate lines of communication between transmission providers, affected state authorities, customers, and other stakeholders. (P 452)

The Transmission Provider could meet this requirement by facilitating the formation of a permanent planning committee made up of itself, its neighboring transmission providers, affected state authorities, customers, and other stakeholders. (P 452)

Transmission Providers [] are required to craft a process that allows for reasonable and meaningful opportunity to meet or otherwise interact meaningfully. (PP 445, 451)

ISO-NE's comprehensive regional transmission planning process fully complies with the Coordination principle. ISO-NE's regional transmission planning process is open to all parties and coordinated with neighboring control areas. Specifically, the ISO-NE OATT provides that "in completing the RSP, ISO-NE shall consult with the Planning Advisory Committee ["PAC"]", which provides input and feedback to ISO-NE concerning the development of the regional system plan and the conduct of system enhancement and expansion studies. (II.48.1) Specifically, the PAC "facilitate[s] the needs assessment and development of the RSP including input to assumptions for the studies, comment on the results of the needs assessments, identification of potential market responses to ISO-NE's identification of needs that may have been made known in previous plans or more recent studies presented at the [PAC]." (II.48.2) Any entity, including state agencies and state committees, may designate a member to the PAC.

ISO-NE's planning process requires interregional coordination in addition to coordination with asset owners in New England. Section II.48.5(f) of the OATT provides that the RSP shall be developed in coordination with the similar plans of the surrounding RTOs and Control Areas." That Section also provides for "Inter-Area planning to be conducted in as broad a region as feasible, including adjacent Canadian systems who are members of NPCC, MAAC and ECAR." It further requires ISO-NE to convene periodic meetings of the PAC that focus on providing input and feedback to ISO-NE concerning Inter-Area needs assessment and identification of potential market and regulated responses to those Inter-Area needs identified by ISO-NE. In addition, ISO-NE must coordinate its findings with neighboring Control Areas, e.g., NYISO, New Brunswick, etc. ISO-NE also has agreements in place to improve coordinated planning with neighboring systems. Particularly, the Northeastern ISO/RTO Planning Coordination Protocol (signed by ISO-NE, PJM, and NYISO and has the technical participation of IESO,

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Ontario Power Authority, TransEnergie and New Brunswick) has improved the exchange of data and information and resulted in the issuance of a Northeast Coordinated System Plan.

In terms of the number of meetings, ISO-NE OATT's specifies that the PAC shall be convened at the initiation of an ISO-NE needs assessment, and that representatives of the ISO-NE Board of Directors must meet at least once a year to obtain direct public input before publishing a formal, annual RSP. Also, as a matter of practice, ISO-NE meets with the PAC regularly (approximately 10-12 times per year) to discuss and provide updates on its system assessments and other planning studies. ISO-NE posts notices of all of its meetings and materials on its website, as well as an email notice of its meetings to NEPOOL Participants and other entities that have registered to participate in the PAC.

For Discussion: The transmission planning process must allow for meaningful involvement and input from interested parties earlier in time. This effort has been initiated as part of the ISO-NE Planning Excellence initiatives, which are being coordinated with the Transmission Owners and are intended to improve the efficiency and effectiveness of the transmission planning process. The existing RSP provisions may require some revisions to clearly identify the committee(s), if different than PAC, where stakeholders and others will be able to participate and provide input beyond that already provided through PAC.

Principle 2: Openness

Transmission planning meetings [are required to] be open to all affected parties, including, but not limited to, all transmission and interconnection customers, state commissions, and other stakeholders. (P 460)

Transmission Providers in consultation with affected parties, [are to] develop mechanisms, such as confidentiality agreements and password-protected access to information, in order to manage confidentiality and CEII concerns. (Id.)

ISO-NE PAC meetings are open to all affected parties and any other interested parties. ISO-NE has been able to conduct open and transparent planning meetings while protecting CEII and market-sensitive information, as set forth in its Information Policy, Attachment D of the ISO-NE Transmission, Markets and Services Tariff ("Tariff").

For Discussion: The ISO-NE Information Policy does not address CEII. A mechanism needs to be developed that would apply uniformly to the access of CEII information that will ensure such data is safeguarded while still allowing for an open process. Currently, ISO-NE takes necessary steps to protect CEII information. However, additional steps could be taken to further enhance the process. For instance, a CEII mechanism should: (1) define CEII so that the data may be properly designated by the entities generating the data and treated as such (this definitions should be consistent with recent FERC guidance); (2) identify who is responsible for designating the data as CEII; and (3) identify how the CEII data would be disseminated and, correspondingly, who should receive it.

Principle 3: Transparency

Transmission Providers [are required] to disclose to all customers and other stakeholders the basic criteria, assumptions, and data that underlie their transmission system plans. (P 471) Transmission Providers will be required to reduce to writing and make available the basic methodology, criteria, and processes they use to develop their transmission plans, including how they treat retail native load. (Id.)

Transmission Providers [must] make available information regarding the status of upgrades identified in their transmission plans in addition to the underlying plans and related studies. (P 472)

Form 715 is an insufficient basis for broad transmission planning purposes and must be supplemented by additional assumptions and data. (P 477)

Require the disclosure of criteria, assumptions, data, and other information that underlie transmission plans. (P 478)

Where demand resources are capable of providing the functions assessed in a transmission planning process, and can be relied upon on a long-term basis, they should be permitted to participate in that process on a comparable basis. (P 479)

ISO-NE's system planning process is conducted in a transparent manner. As specified in Section II.48.3(e) of the OATT, the RSP must conform to "Good Utility Practice; applicable reliability principles, guidelines, criteria, rules, procedures and standards of NERC, NPCC." It must also comply with "planning criteria adopted and/or developed by the ISO; Transmission Owner criteria, rules, standards, guides and policies." (Section II.48.3(e)) In addition, Attachment N of the OATT describes categories of data and factors ISO-NE reviews when studying transmission upgrades to address Reliability and Market Efficiency needs on the regional transmission system. The ISO-NE planning procedures, which are developed in consultation with stakeholders, also provide more information on the manner and detail of the data ISO-NE uses to conduct transmission system studies. The ISO-NE planning procedures are posted on its website at http://www.iso-ne.com/rules_proceeds/isone_plan/index.html.

ISO-NE also makes available information regarding the status of upgrades identified in the RSP, as well as the underlying studies and plans through PAC. Specifically, ISO-NE provides a formal update of the RSP at PAC three times a year (April, July and October). As noted under the Coordination Principle, an annual RSP is also developed, which also provides the status of projects.

In regard to the consideration of demand resources, under Sections II.48.4 of the OATT, a market solution (e.g., demand response activities, generation or merchant transmission) may be proposed to address identified system needs.

Principle 4: Information Exchange

Transmission Providers, in consultation with their customers and other stakeholders, [are required] to develop guidelines and a schedule for the submittal of information. The information exchange principle [are for] both network and point-to-point customers. (P 486)

The information collected by transmission providers to their native load customers must be transparent and, to that end, equivalent information must be provided by transmission customers to ensure effective planning and comparability. Information must be made available continuously, and at regular intervals identified in advance. The frequency of information exchange should be addressed in the transmission provider's compliance filing. (P 486)

Section II.48.5(b) of the ISO-NE OATT requires Participants to give ISO-NE needed information for ISO-NE to conduct its planning function. It states that:

The Transmission Owners, those entities requesting transmission service or interconnection, and any other entities proposing to provide facilities to be integrated into the New England Control Area or alternatives to such facilities shall supply upon request and subject to applicable confidentiality requirements of the ISO New England Information Policy/Code of Conduct any information (including cost estimates) any data reasonably required to prepare an RSP or to perform a transmission enhancement and expansion study. Any other information or data provided shall be subject to the rights and obligations of the ISO New England Information Policy/Code of Conduct.

As indicated above, ISO-NE provides all interested parties the opportunity to review its regional system plans, and provides Participants the opportunity to review the specific operability characteristics of transmission projects to ensure no adverse impacts occur on Participants' equipment.

Principle 5: Comparability

Transmission Provider, after considering the data and comments supplied by customers and other stakeholders, to develop a transmission system plan that (1) meets the specific requests of its transmission customers and (2) otherwise treats similarly situated customers (e.g., network and retail native load) comparably in transmission system planning. (P 494)

Demand resources should be considered on a comparable basis to the service provided by comparable generation resources where appropriate. (P 494)

By its independent nature, ISO-NE treats all participants in New England comparably. Moreover, the open and inclusive nature of ISO-NE's planning process serves as a method by which any interested party can remain apprised of how ISO-NE is carrying out the planning function.

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As stated above, under the planning process, market solutions, including demand response resources, may be proposed to address identified system needs

Principle 7: Dispute Resolution

Transmission Providers [are required] to develop a dispute resolution process to manage disputes that arise from the Final Rule's planning process. (P 501)

An existing dispute resolution process may be utilized, but those seeking to rely on an existing dispute resolution process must specifically address how its procedures will be used to address planning disputes. (P 501)

The dispute resolution process should be available to address both procedural and substantive issues. (P 501)

The dispute resolution process should be a three step process consisting of negotiation, mediation, and arbitration. (P 503)

Schedule 12C of the OATT, which corresponds to the determination of Localized Costs provides Participants the right to dispute an ISO-NE determination of Localized Costs and to engage in good faith negotiations with ISO-NE to try to resolve the dispute. In the event that no satisfactory resolution is attained at the end of the negotiations, Schedule 12C specifically identifies Section 206 rights for Participants.

Importantly, ISO-NE's planning process relies on regular public meetings in which all potentially impacted parties may discuss and debate the merits of proposed projects, thereby facilitating resolution of any disputes that may arise before any project is finally approved by ISO-NE. In addition, the joint interregional planning process engaged in by ISO-NE, NYISO and PJM, contains dispute resolution provisions among those entities (section 5) that call for resolution first by the respective senior executives, next by a third party dispute resolution, and ultimately through the Commission.

For Discussion: Although the ISO-NE's planning process provides regular public meetings in which all potentially impacted parties may discuss and debate the merits of proposed projects, thereby facilitating resolution of any disputes that may arise before any project is finally approved by ISO-NE, the regional planning process does not contain a provision that specifies a dispute resolution process. Section I.6 of the Tariff sets forth a dispute resolutions process that meets Order 890's requirements, and may be cross-referenced in a new provisions as the process to address planning-related disputes. Section I.6 provides a dispute resolution process by which to address both procedural and substantive planning issues. The provisions call for resolution first by the respective senior executives, next by a third party dispute resolution, and ultimately through the Commission. Section I.6 also provides for resolution through arbitration as an alternative.

Principle 7: Regional Participation

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In addition to preparing a system plan for its own control area on an open and nondiscriminatory basis . . . each Transmission Provider [is] required to coordinate with interconnected systems to: (1) share system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data, and (2) identify system enhancements that could relieve “significant and recurring” transmission congestion. (P 523)

Transmission Providers should provide a specification of the broader region in which they propose to conduct coordinated regional planning. (P 523, n. 313)

FERC does not mandate the geographic scope of a particular planning region, but indicates that it should be “governed by the integrated nature of the regional power grid and the particular reliability and resource issues affecting individual regions and sub-regions.” (P 527)

ISO-NE, the NYISO and PJM each have transmission planning processes for their regions, which examine reliability needs and solutions considering the impacts of and upon neighboring systems.

In addition, PJM, the NYISO and ISO-NE are signatories to the Northeastern ISO/RTO Planning Coordination Protocol which provides for coordinated planning across the entire Northeast region encompassing New York, New England, PJM, Ontario, Quebec and the Maritimes. The Protocol describes the committee structure established to coordinate inter-area planning activities, procedures for the exchange of planning-related data and information, and the system planning analysis procedures that will be utilized by the parties. The primary purpose of the Protocol is to contribute, through coordinated planning, to the on-going reliability and the enhanced operational and economic performance of the system of the parties. The Protocol requires the parties to coordinate the evaluation, on an on-going basis, of Tariff-provided services to recognize the impacts that result across seams between systems. The parties are also required to develop a Northeastern Coordinated System Plan (“NCSP”) that integrates: (1) the system plans of the parties; (2) on-going load growth and retirements or deactivations of infrastructure; (3) market-based additions to system infrastructure, such as generation or merchant transmission projects; (4) distributed resources, such as demand-side and load response programs; and (5) transmission upgrades identified, jointly, by the parties to resolve seams issues or to enhance the coordinated performance of the systems. Through this Protocol, the ISOs and RTOs in the Northeast have also formed the Joint Interregional Planning Committee (“JIPC”) to further facilitate the coordinate their planning processes and proposed system upgrades. An Inter-area Planning Stakeholder Advisory Committee (“IPSAC”) has also been formed to provide broad stakeholder participation from all sectors for the entire Northeast Region.

The ISO-NE OATT also requires interregional coordination. Specifically, Section II.48.5(f) of the OATT provides that:

The RSP shall be developed in coordination with the similar plans of the surrounding RTOs and Control Areas. Inter-Area planning studies shall be conducted over as broad a region as feasible, including adjacent Canadian systems who are members of NPCC, MAAC and ECAR, the ISO shall convene

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periodic meetings of the Planning Advisory Committee, within the scope of its respective functions of Section II.48.2 of this OATT, to focus to provide input and feedback to the ISO concerning an Inter-Area needs assessment and identification of potential market and regulated responses to the ISO's identification of Inter-Area needs.

ISO-NE participates in NERC and NPCC forums to help ensure that the plans of neighboring systems are well coordinated and do not have an adverse impact on neighboring systems. NPCC, in particular, provides a forum that facilitates ISOs/ RTOs' coordinated planning function. NPCC provides services to its members, including the coordination of studies. ISO-NE is committed to the goals and methods of the NPCC organization, and remains determined to plan and operate the New England system in full compliance with NPCC criteria, guidelines, and procedures, and to participate in NPCC interregional studies and planning initiatives. The NPCC Task Force on Coordination of Planning (TFCP), for instance, reviews the adequacy of the NPCC systems to supply load, considering forecasted demand, installed and planned supply and demand resources, and required reserve margins. All studies are well coordinated across Area boundaries including the development of common data bases that do not double account for resources and can serve as the basis for internal studies by ISO-NE. As an active member of NPCC, ISO-NE fully participates in NPCC's coordinated interregional studies with its neighboring control areas.

In addition, ISO-NE produces market reports and provides updates on "seams issues", such that system enhancements that could relieve transmission congestion among regions could be identified. ISO-NE has additional agreements and protocols that also promote proactive coordinated planning. These activities include sharing of data, scopes of work, and draft results. Through a joint review process, the plans are subject to joint certification of final results and are approved by the relevant ISO. Any jointly planned projects between ISO-NE and neighboring control areas are subject to open stakeholder participation and review.

Principle 8: Economic Planning Studies

Planning must involve both reliability and economic considerations. (P 542)

Customers may request studies that evaluate potential upgrades or other investments that could reduce congestion or integrate new resources and loads on an aggregate or regional basis (e.g., wind developers). (P 544.)

Transmission Providers, in consultation with stakeholders during the development of their Attachment K compliance filings, [are directed] to develop a means to allow the Transmission Provider and stakeholders to cluster or batch requests for economic planning studies so that the Transmission Provider may perform the studies in the most efficient manner. (P 546)

Stakeholders [must] be given the right to request a defined number of high priority studies annually (e.g., five to ten studies) to address congestion and/or integration of new resources or loads. (P 547)

The cost of the defined number of high priority studies would be recovered as part of the overall pro forma OATT cost of service. Once such studies are requested,

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the transmission provider must conduct the studies, including appropriate sensitivity analyses, in a manner that is open and coordinated with the affected stakeholders. (P 547)

The requests for economic planning studies, as well as the responses to the requests, [must] be posted on the Transmission Provider's OASIS or we site, subject to confidentiality requirements. (P 546)

Transmission Provider should be obligated to study the cost of congestion only to the extent it has information to do so. If stakeholders request that a particular congested area be studied, they must supply all relevant data within their possession to enable the Transmission Provider to calculate the level of congestion costs that is occurring or is likely to occur in the near future. Transmission Providers [are directed] to define the information sharing obligations placed on customers in the planning process. (P 550)

Transmission Providers must coordinate [customer's requests that economic upgrades be studied] as necessary in sub-regional and regional planning processes. (P 528)

One of the purposes of the ISO-NE RSP is to identify system reliability and market efficiency needs. The RSP includes Market Efficiency Transmission Upgrades defined as those additions and upgrades that “are designed to reduce bulk power system costs to load system-wide, where the net present value of the reduction in bulk power system costs to load system-wide exceeds the net present value of the cost of the transmission addition or upgrade.” (Section II.1.67 of the OATT) The standards used to identify Market Efficiency Transmission Upgrades (as well as Reliability Transmission Upgrades) are detailed in Attachment N of the ISO-NE OATT.

The ISO-NE OATT defines what costs are relevant for determining the types of transmission upgrades are deemed to provide a market efficiency benefit for the region. In addition, ISO-NE provides weekly, monthly, quarterly and annual reports that provide to all of its customers, market participants and any other interested party information on the operation of markets in New England, and how that operation impacts prices. This information may be used by participants and stakeholders in New England to propose any resource solution to address any system needs that they may identify. Under the OATT, ISO-NE must account for such projects when they meet appropriate milestones when ISO-NE prepares its transmission plan. If a market-based solution would timely address or offset a system need for which ISO-NE has identified a regulated transmission solution, ISO-NE is obligated to remove or defer that transmission solution from its Regional System Plan.

The ISO-NE OATT also provides any entity the right to propose and construct the addition of Merchant Transmission Facilities, the costs of which will be borne by that entity. (Section II.48.7) In addition, any entity may propose to fund and construct Elective Transmission Upgrades which may also reduce congestion or integrate new resources and loads on an aggregate or regional basis. (Section II.47.2)

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For Discussion: Whether customer’s request for economic planning studies to be performed under a “cluster approach” and the number of high priority studies that may be requested annually may need to be specified in the RSP.

Principle 9: Cost Allocation

For a planning process to comply it must address the allocation of costs of new facilities. (P 557)

The Commission emphasizes that it is not modifying the existing mechanisms to allocate costs for projects. (P 557)

The cost allocation principle. . . is intended to apply to projects that do not fit under the existing structure, such as regional projects involving several transmission owners or economic projects that are identified through the [economic] study process described above, rather than through individual requests for service. (P 558)

Stakeholders and Transmission Providers are permitted to determine their own specific criteria which best fit their own experience and regional needs. (P 558)

Schedule 12 of the ISO-NE OATT, developed in response to Commission Orders in 2002 and 2003 for ISO-NE and NEPOOL to establish a transmission cost allocation process, provides clear rules for the sharing of transmission costs throughout the New England region. Schedule 12 describes the cost allocation treatment of upgrades, modifications or additions to the New England transmission system. Importantly, the Participating Transmission Owners in New England have the Section 205 rights over the methodology by which the costs of upgrades are allocated, pursuant to the Transmission Operating Agreement.

Section 4.4 of the Northeastern ISO/RTO Planning Coordination Protocol provides that the cost allocation for elements of the NCSP will be addressed consistent with the applicable provisions of each party’s tariff.

Recognizing the importance of planning cost recovery, the Order requires Transmission Providers to develop a mechanism for recovery of transmission planning studies.

Transmission Providers must work with other participants to determine whether all relevant parties (including state agencies) have the ability to recover costs of participating in the planning process. (P 586)

For Discussion: Per P 547 of the Order, the costs of the defined high priority congestion studies (economic studies) may be recovered as part of the overall *pro forma* OATT cost of service.

B. Attachment K – Regional Transmission Planning Process

Attachment K must include provisions regarding:

1. The process for consulting with customers and neighboring Transmission Providers;
2. The notice procedures and anticipated frequency of meetings or planning-related communications;
3. A written description of the methodology, criteria, and processes used to develop transmission plans;
4. The method of disclosure of transmission plans and related studies and the criteria, assumptions and data underlying those plans and studies;
5. The obligations of and methods for customers to submit data to the Transmission Provider;
6. The dispute resolution process;
7. The Transmission Provider's study procedures for economic upgrades to address congestion or the integration of new resources; and
8. The relevant cost allocation procedures or principles.

The provisions addressing each of the numbered items are currently set forth in Sections I.6, II.48, Schedule 12 and Attachment N of the ISO-NE Tariff. As required in Order 890, Section II.48 of the OATT will be moved into a new Attachment K, as further revised to comply with the OATT reforms. Section I.6, Schedule 12 and Attachment N will be incorporated by reference in the appropriate provision in Attachment K.