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President & CEO

September 13, 2017

*The Honorable Fred Upton, Chairman,
Committee on Energy and Commerce
Subcommittee on Energy
2125 Rayburn House Office Building
Washington, DC 20515-6115*

Re: July 26, 2017 Hearing – Response to Additional Questions for the Record

Dear Chairman Upton:

Please accept our thanks to you, your fellow Subcommittee members, and your staff, for the opportunity to testify before the Subcommittee on Energy of the Committee on Energy and Commerce of the U.S. House of Representatives on Wednesday, July 26, 2017 at the hearing entitled, “Powering America: A Review of the Operation and Effectiveness of the Nation’s Wholesale Electricity Markets”.

We also thank you for your August 29, 2017 letter which offered an additional opportunity to address questions of subcommittee members. Attached are responses to those additional questions, per your letter.

Should you have any questions with regard to the attached, please do not hesitate to contact me.

Sincerely,

Bradley C. Jones

*cc: The Honorable Bobby L. Rush, Ranking Member, Subcommittee on Energy
Ms. Elena Brennan, Legislative Clerk at U.S. House of Representatives*

Attachment-Additional Questions for the Record

The Honorable Fred Upton

1. It has been more than 7 years since FERC embarked on its efforts to promulgate new transmission planning reforms which resulted in Order No. 1000. Your RTO is designated as "Order 1000 transmission planning regions." Now that you have had real-world experience with these reforms, do you think FERC's efforts at reforming transmission planning and cost allocation have succeeded, failed, or landed somewhere in between?

NYISO Response:

New York State and the NYISO are working together to make progress on transmission expansion through the Public Policy Transmission Planning Process implemented under FERC Order 1000. This process provides an opportunity for the State of New York to identify transmission expansion needs based upon public policy needs. The NYISO administers this public policy process with stakeholders, developers, the New York Public Service Commission, and the Federal Energy Regulatory Commission to select transmission projects that will be built and paid for through NYISO's tariffs. As further detailed below, the Order 1000 process has produced two important public policy initiatives that are currently underway in New York, and a third effort considering further public policy initiatives has begun.

The NYISO believes that it is premature at this time to draw any actionable conclusions regarding the effectiveness of Order 1000, or suggest any specific revisions to the public policy transmission planning processes associated with the Order. FERC should continue to monitor each of the regions' progress and refrain from proposing any major changes at this time. Such efforts could be premature in nature and could add uncertainty to interregional planning processes currently underway, potentially resulting in delay in the implementation of these processes.

2. You describe the diversity of the fuel portfolio upstate versus downstate as a "tale of two grids." What steps is NYISO taking to ensure that cleaner power sources from upstate can access downstate markets with higher demand?

NYISO Response:

The Public Policy Transmission Planning Process in New York has been focused on expanding downstate markets access to renewable energy sources located in upstate regions. As discussed on July 26th, two such public policy planning processes are currently well underway, while a third effort is in the early stages of development.

- *First, the NYISO is in the final stages of a detailed evaluation of ten projects that will address public policy needs in western New York State identified by the New York State Public Service Commission. Specifically, these transmission projects are expected to relieve congestion in western New York to allow access to increased output from the Niagara Power Project and additional imports of renewable energy from Ontario, and increase operational flexibility and efficiency in the region. The NYISO has issued a draft Western New York Public Policy Transmission Planning Report for review by developers and our stakeholders, and we expect Board action on a final report in early autumn 2017.*
- *Second, the New York State Public Service Commission has identified a public policy need for transmission to relieve congestion between western and northern New York state and southeastern New York. Referred to as the "AC Transmission" public policy initiative, these projects are expected to improve the flow of power from upstate renewable resources to meet*

downstate demand. The NYISO is conducting detailed evaluations of thirteen projects designed to provide additional transmission capacity to move power from upstate to downstate. A final report is expected to be ready for consideration by the NYISO Board in the first quarter of 2018.

The NYISO is also active in a new Public Policy Transmission cycle currently underway which is considering additional public policy needs, including potential needs for further actions to enable upstate renewable resource access to downstate markets.

3. Your RTOs and ISOs play a central role in operating the wholesale electricity markets and (with the exception of ERCOT) your primary regulator is the Federal Energy Regulatory Commission. Do you believe that FERC is appropriately engaged in overseeing wholesale electricity markets?
 - a. Are there additional areas of regulatory oversight that requires the attention of this Subcommittee?

NYISO Response:

The NYISO has a very positive level of engagement with FERC Commissioners and staff in all matters associated with oversight of New York's wholesale energy markets. The NYISO looks forward to continuing our collaborative efforts with existing and new Commissioners and staff. The NYISO does not have specific suggestions to offer at this time regarding additional areas of regulatory oversight that should be considered.

The Honorable John Shimkus

1. If, as we learned at the hearing, markets were structured to build only the least expensive generation, we would build nothing but natural gas plants right now.
 - a. Is that correct? Is that what's happening?
 - b. If not, how do you explain other generation sources entering the market?

NYISO Response:

As discussed in the NYISO's 2017 edition of Power Trends, the NYISO continues to see an investment in wind generation resources in the upstate regions of the State where wind generation sites are most attractive from an investment perspective, while downstate, proposed generation is predominantly natural gas-fired or dual-fuel capable (natural gas and oil). This is a reflection of state environmental policy goals associated with the integration of renewable energy sources, and market and investment signals associated with projects under development in the southeast region of the State that are investing in natural gas and dual-fuel capable generating resources.

The Honorable Billy Long

1. RTO development began in late 1999 with ISO development soon to follow. Both organizations help to monitor our electric power system. There are still a number of gaps in our electric system where problems could occur. What are your thoughts about the creation of another RTO that could include the states of Nevada, Arizona, Colorado, and other western states? Should it be an RTO or an ISO?

NYISO Response:

The NYISO does not have a position on the potential creation of new ISOs or RTOs, or the expansion of existing ISOs and RTOs, in Nevada, Arizona, Colorado, or the other western states.

2. How are you planning to manage the growing surplus of generation in your respective regions?

NYISO Response:

While continuing to meet stringent reliability standards, the NYISO's 2017 edition of Power Trends reports that the NYISO has seen progressively more narrow margins of generation surplus excess. Effective market designs and operations have incented more efficient operation of the generation resources and the grid since NYISO inception, resulting in over \$7.8B in reduced fuel costs due to improved grid efficiencies and \$600M in savings from reduced energy reserve needs, all while meeting or exceeding operational requirements and reliability standards.

The Honorable Frank Pallone, Jr.

1. Consumer advocates have identified the resource imbalance between the stakeholder members of the RTO/ISO Boards and the small consumer community as a major barrier to having meaningful representation of consumer viewpoints included in decisions about grid operation and capital project evaluation and approvals. What mechanisms, reductions in costs of stakeholder participation, or other support does your RTO/ISO provide to the small consumer community to facilitate their participation in RTO/ISO governance?
2. You indicated at the hearing that New York ISO had a formal structure (e.g. committee or liaison position) for obtaining input on consumer views and concerns on grid management. Please provide detail about how consumer views are incorporated into decision-making at your RTO/ISO.
 - a. Do consumer advocates have voting representation on the Board?
 - b. Do consumer advocates participate actively in the development and approval of grid planning?
 - c. Are there funds available to support full-time staff that serve the interests of consumer advocates? If so, what is the source of those funds?

NYISO Response to Questions 1 and 2:

Consumer interests in the NYISO's markets are supported through the establishment of a "Consumer Liaison" department at the NYISO. The NYISO's Consumer Liaison is fully funded as part of the NYISO's overall annual budget. The Consumer Liaison is responsible for regular and ongoing dialog with consumer interests, including advocates for consumer interests, to communicate and inform interested parties on key issues being addressed by the NYISO, address questions and take feedback from consumer interests, and provide an annual report to the NYISO Board of Directors and

stakeholders on activities engaged to support of consumer-focused interests. Further, the Consumer Liaison office is responsible for conducting consumer impact analyses of various initiatives under consideration in the NYISO's shared governance process.

Further, the NYISO's shared governance process has, since inception of the NYISO, included a sector of participants focused on consumer issues. This "End Use" Sector holds a fixed 20% voting share in the NYISO's shared governance process.ⁱ Eligible members of the End Use sector may be "(i) a Large Consumer, (ii) a Small Consumer, (iii) an organization that represents Small Consumers, (iv) a governmental agency that advocates on behalf of Small Consumers, or (v) a governmental agency that acts as a retail Load aggregator primarily for Small Consumers; or (vi) a Large Energy Using Governmental Agency".

The annual membership fees for members of the End Use Sector are significantly discounted from the fees charged to members of the other four shared governance sectors, and governmental agencies representing small consumers are not charged annual membership fees at all. The New York State Utility Intervention Unit (UIU), charged with representing consumer interests, is an active member of the End Use sector. Currently, the UIU's technical advisor for NYISO matters is funded through a multi-million dollar allocation of funds under a settlement agreement between FERC and Constellation. In addition, the New York State Public Service Commission is an active participant in the NYISO's shared governance process as a non-voting member.

The NYISO Agreement, which is filed with FERC and serves as our organization's foundational document, has included since inception of the NYISO language addressing the experience and background of NYISO Board of Directors members. Sections 5.02 and 5.04 of the NYISO Agreement call for the Board of Directors to include a "cross-section of skills and experience" including consumer advocacy experience. Since the inception of the NYISO, the Board of Directors has included at least one member with experience serving on a state Public Service or Public Utility Commission. Further, the NYISO Agreement has required the NYISO Board of Directors to select and appoint a consumer advocate. The New York State UIU is the currently-appointed consumer advocate.

ⁱ Each sector in NYISO's shared governance process holds a fixed percentage voting share. The Generator Owners sector is allocated 21.5% of the total votes; the Other Suppliers sector is allocated 21.5% of the total votes; the Transmission Owners sector is allocated 20% of the total votes; the End-Use Consumer sector is allocated 20% of the total votes; and the Public Power/Environmental Parties sector is allocated 17% of the total votes.