

STATE OF NEW YORK

# Public Service Commission

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FOR RELEASE: IMMEDIATELY

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## **POLICY STATEMENT TO MAINTAIN RELIABILITY ADOPTED**

### **— Maintaining Reliability of Grid Key Responsibility of Commission —**

Albany, NY—04/23/08—The New York State Public Service Commission (Commission) today adopted a Policy Statement to address short-term regulatory reliability backstop issues related to maintaining system reliability. The Commission expects collaborative efforts among interested parties to continue to address longer-term goals and to create a long-term integrated electric resource plan (ERP) and infrastructure planning process.

“To discharge our responsibilities under the Public Service Law (PSL), it is imperative that the Commission has in place a process to ensure electricity infrastructure is constructed or sufficient energy/demand reductions occur to maintain system reliability,” said Commission Chairman Garry Brown. “Our action today implements our authority to oversee the regulated backstop selection process and to review costs associated with non-transmission, regulated backstop solutions in order to ensure that rates are just and reasonable.”

Based upon an assessment by the New York Independent System Operator (NYISO), a regulatory backstop project may be needed to ensure system reliability in the near-term of 2012-2013. To address this need, the Commission in a December 2007 order initiated a collaborative process to develop a long-range plan and to create mechanisms that will facilitate the choice among competing regulatory backstop proposals and assist the Commission in the coordination of its obligations under the PSL and under the Federal Energy Regulatory Commission’s (FERC) tariffs.

The Commission initially requested interested parties to address two limited issues—cost recovery and allocation—associated with regulated reliability backstop proposals. These cost issues should be coordinated with FERC, which oversees transmission investments. The Commission’s request to initially address these issues resulted in the March 7, 2008 filing of a report entitled *All-Parties Report on Initiative One: Cost Allocation and Cost Recovery for Regulated Backstop Solutions under Public Service Commission Jurisdiction* (Report) for the Commission’s consideration.

The Report presented several options for cost allocation and recovery mechanisms. Upon a comprehensive review of the options presented in the Report, the Commission today adopted as policy the Model 1 approach to cost-recovery supported by Staff of the Department of Public Service (Staff), Multiple Intervenors, and the New York State Consumer Protection Board. The Model 1 approach retains the Commission’s jurisdiction over the costs of jurisdictional projects and is consistent with the Commission’s obligations under PSL.

The Commission recognizes the need for fairness and appropriate allocation of costs on an equitable basis for projects needed to maintain system reliability. To address this concern and other allocation issues, the Commission today adopted as policy market rules for allocating costs for non-transmission, regulated backstop reliability projects as recommended by Staff.

The Commission will revisit allocation methodologies if improved methodologies are offered or if changes are required to address any market bias in transmission versus non-transmission cost allocation methodologies. A copy of the Commission’s written decision in Case 07-E-1507, when issued, will be available on the Commission’s [www.dps.state.ny.us](http://www.dps.state.ny.us) Web site by accessing the File Room section of the homepage. Many libraries offer free Internet access. Commission orders can also be obtained from the Files Office, 14<sup>th</sup> floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).