

## NY Order Kicks Power Grid Modernization Into High Gear

By **Kevin Blake** (May 27, 2020, 3:49 PM EDT)

On May 14, the New York State Public Service Commission issued a transmission planning order that marks a turning point in the state's electric grid modernization efforts. The order was issued in response to the Accelerated Renewable Energy Growth and Community Benefit Act — also known as the Accelerate Act — which was signed into law on April 3.

The Accelerate Act directs the Public Service Commission to conduct a comprehensive power grid study to identify distribution, transmission and bulk investments to facilitate timely achievement of the state's nation-leading clean energy objectives, set forth in the Community Leadership and Community Protection Act, or CLCPA. Upon completion of the power grid study, the Accelerate Act directs the commission to establish utility-specific capital plans to support the development and implementation of appropriate electric system upgrades.



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The transmission planning order boldly proclaims that the Accelerate Act will require the commission to "revisit the traditional decision-making framework" that has underpinned the last century of distribution and transmission investments. Using language that sounds akin to traditional integrated resource planning conducted by vertically integrated state utility commissions, the transmission planning order explains that this transition will involve "identifying a ... portfolio" and "evaluat[ing] and weigh[ing]" various objectives to support "system planning."

The Public Service Commission acknowledges that this transition will require reexamination of traditional utility cost recovery mechanisms and development of new criteria to guide utilities in evaluating and prioritizing projects. The commission is frank that it will need to "develop new approaches where existing mechanisms are deficient."

To initiate the power grid study, the transmission planning order directs the state's investor-owned utilities to prepare an extraordinarily expedited review of their distribution and local transmission infrastructure. Bulk transmission planning will be addressed in a separate proceeding.

By Aug. 1 — just over two months from now — each utility must provide a preliminary report on the "necessary or appropriate" distribution and local transmission upgrades that will facilitate timely achievement of the CLCPA targets. Such upgrades may include new facilities or improvements to existing infrastructure, and will also include an evaluation of available capacity, system constraints and

opportunities to replace aging infrastructure — including how best to utilize and leverage existing interconnection points at locations when fossil fuel electric plants are scheduled to retire.

Shortly thereafter, by Nov. 1, each utility must provide a final report to the commission, along with a recommendation for integrating the identified upgrades into their capital programs. All of this is occurring in the context of unprecedented declines in electric demand — an 8% decline in peak energy usage, according to the New York Independent System Operator — while utilities are collecting less revenue, as commercial and industrial entities have ceased or curtailed operations.

However, the commission is not limiting the power grid study to the reports generated by the above-referenced utilities. The transmission planning order also seeks proposals and input from interested stakeholders on a variety of topics, including:

- How to ensure a transparent planning process;
- How to develop and evaluate criteria for meeting CLCPA targets;
- How to prioritize certain projects in the context of general utility capital expenditures;
- The development of cost-benefit analyses to guide the rollout of identified investments; and
- Cost containment or cost recovery methodologies.

It is noteworthy that the transmission planning order only applies to certain investor-owned utilities, such as Consolidated Edison Inc., Orange & Rockland Utilities Inc., New York State Electric & Gas Corp., Rochester Gas & Electric Corp., CH Energy Group Inc. and National Grid PLC.

Municipal and cooperative utilities in New York state appear to be carved out entirely. Additionally, consideration of the New York Power Authority's role and responsibilities appears to have been deferred to a forthcoming bulk transmission planning proceeding.

Just as the Public Service Commission has limited the scope of the power grid study to certain utilities, it also appears to have drawn boundaries around the definition of distribution and local transmission infrastructure. While the Accelerate Act does not define the key operative terms "distribution" and "local transmission," the commission has chosen — at least for now — to define those terms as lines and substations that "generally serve local load" and operate at less than 200 kilovolts.

New York's utilities have long had varying definitions of distribution, transmission and subtransmission infrastructure, which may need to finally be aligned for purposes of developing a unified system for planning objectives or for categorizing and evaluating system upgrades. Developing such alignment and consistency may also further engage and expedite location-based assessments of renewable energy and economic development entities that depend on critical localized planning data, such as hosting capacity, to identify and prioritize opportunities.

Key market participants and other regional planning entities, such as regional economic development councils, may also provide valuable economic growth and demand projection insight. As this distribution and local transmission data becomes more detailed and accessible to third parties, the market will be better positioned to identify nonwires alternatives and cost-effective solutions to localized constraints and inefficiencies.

The type of regional and system planning envisioned by the transmission planning order should involve those entities, among others, who can provide insight and data that may have otherwise been overlooked in the traditional capital planning process. The transmission planning order also foreshadows forthcoming overhauls to traditional ratemaking policy.

Noting that some projects identified in the power grid study will align with "traditional investment criteria," other upgrades, which may otherwise address key CLCPA goals, may not square with such criteria, and would need to be reviewed in the context of newly developed cost recovery criteria and mechanisms. The commission expressly urged utilities to propose solutions to address gaps in defining and quantifying benefits and recovering such costs in an equitable manner.

At the commission's session meeting on May 14, Commissioner Diane Burman expressed her desire that the commission play an active role in exercising its technical and regulatory expertise in discharging its duties under the Accelerate Act, rather than simply serving as a "pass-through."

Between the Accelerate Act and the rapidly approaching CLCPA targets, the commission will surely play a critical role in modernizing the physical nature of the electric system and the policies that tie it together. Interested stakeholders should be cognizant of this short, but impactful, opportunity to shape the future of New York State's electric grid.

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