Introduction
For the reasons described below, Clean Path New York does not believe that any bid including new transmission can reasonably expect to secure capacity revenues that could, as outlined in Section 4.03(b) of the Standard Form Tier 4 Renewable Energy Certificate Purchase and Sale Agreement, be deducted from the Index REC price and thus reduce the Levelized Net REC Cost associated with that project.

This alternate bid is identical to the primary bid, with three exceptions. First, the UDR value is set to 1,300 MW. Second, the COD is 12 months later due to the Class Year process described above. Finally, the bid price includes a premium to cover the risks of upgrade costs and delays from the Class Year

Unforced Delivery Rights
As outlined in Section 5.7 of the base bid proposal narrative, any new transmission line connecting into Zone J with the intention of offering capacity in the NYISO market would have to secure Capacity Resource Interconnection Service (CRIS) rights through the Class Year process pursuant to Attachment X of the NYISO open access transmission tariff (OATT). If awarded CRIS rights, the project could request Unforced Capacity Deliverability Rights (UDR), which are rights associated with a specific controllable and schedulable transmission facility with a terminus in a NYISO Locality. With CRIS and UDR, the project could perfect a right to offer unforced capacity (UCAP) into NYISO’s capacity market and potentially earn capacity revenues.

New transmission connecting into Zone J from other zones within the NYCA would have to secure internal UDR as opposed to external UDR, which are associated with controllable transmission facilities connecting the NYCA to an External Control Area (e.g., PJM). While the construct of internal UDRs exists within the NYISO Open Access Transmission Tariff (OATT), the NYISO market rules that are necessary for the implementation of these internal UDRs do not exist. Moreover, there are no NYISO market rules necessary to contemplate operation of an intra-NYCA controllable transmission facility. The absence of these rules currently prevents any intrastate controllable transmission facility from obtaining capacity revenues.

The NYISO is contemplating a project for 2022 to begin to develop such rules, but at present it is not known whether this project will be included in the NYISO’s 2022 budget or when such rules may take effect.

Buyer-side Mitigation
New transmission lines connecting into Zone J from External Control Areas face different challenges than intrastate controllable transmission lines with respect to securing capacity revenues. To be clear, external controllable transmission lines can earn capacity revenues. Indeed, several currently operating controllable transmission projects, including the Cross Sound Cable and Linden VFT transmission projects, have been awarded external UDRs that enable the delivery of capacity physically located outside of the NYCA over their transmission facilities into a NYISO Locality.

However, any new transmission line seeking to sell capacity in Zone J must clear another hurdle – the buyer-side mitigation (BSM) test. While there is a renewable resource exemption from BSM in place, it is not clear whether that exemption would apply to a transmission line.
Because the transmission line would receive Tier 4 payments, it is not eligible for a competitive entry exemption. Whether a controllable transmission line – regardless of being internal or external – would pass the BSM test depends on a series of assumptions made by the NYISO and cannot be predicted with certainty. Given the cost of a new transmission line, it is very likely that any controllable transmission line would be subject to mitigation.

If so, a controllable transmission line must bid in its capacity at an offer floor based on its net costs, despite the fact that the offer floor would likely be well above the market-clearing price of capacity. In other words, the transmission line is unlikely to clear the capacity market or receive capacity revenues.

Additionally, renewable generation tends to have higher unit Cost of New Entries (CONE) than conventional sources of generation. As such, these units are likely to be subject to mitigation unless they qualify for a renewable resource exemption. The Federal Energy Regulatory Commission (FERC) has made clear that it wants the NYISO to reform and limit the scope of its BSM rules. However, as of the date this submission, the NYISO has yet to present any specific proposals to do so, and the nature and timing of BSM reform is unknown.

Another important factor is that the New York Public Service Commission commenced a proceeding to reconsider resource adequacy in New York. The outcome of that proceeding, and its impact on the NYISO’s capacity markets, is not known and cannot presently be predicted with any accuracy.

Clean Path New York: Position on Capacity
For the reasons outlined above, under current market rules, any new transmission line built with the express purpose to deliver renewable generation into Zone J, whether originating internal to or external to the NYCA, cannot currently reasonably expect to secure capacity market revenues. Even if the NYISO changed market rules to accommodate internal UDR, buyer-side mitigation would likely prevent any Tier 4 project from receiving capacity revenues. This is the considered view of the partners behind Clean Path New York, who have deep experience in legal and regulatory policy towards energy markets both in New York and nationwide.

Leveraging this experience, Clean Path New York has initiated conversations with the Interconnection, Market Design, and Market Operations teams at the NYISO to discuss the path forward for development and implementation of new market rules associated with intra-NYCA controllable transmission facilities. Clean Path New York is also leading an effort currently before the NYISO Budget & Priorities Working Group for the NYISO to prioritize resources to develop and implement new market rules for operation of the transmission line that will ensure high utilization of the line with renewable assets.

In prudence, Clean Path New York has taken the decision that for the sake of representing an accurate expectation of a proposal that it can reasonably expect to execute upon, it must assume that it will be unable to secure capacity revenues in the base proposal.

Most importantly, the Project will result in substantially the same amount of system benefits and ultimate ratepayer savings regardless of whether the Project secures UDRs and capacity revenues. The only difference would be the path by which to realize those benefits. In either case, the Project will provide a highly reliable 1300 MW connection between Zone J and the Rest of State capacity zone. If the Project does not secure UDRs and capacity revenues, the transmission line should reduce the Locational Capacity Requirement (LCR) in Zone J. A lower LCR will translate to lower demand for capacity and reduce the market-clearing price for capacity in Zone J to the benefit of customers. If the Project were able to secure UDRs and capacity revenues despite all of the obstacles discussed above, Clean Path New York would pass the benefit along to ratepayers via the Index REC contract settlement.
Notwithstanding the above, NYSERDA may have a different outlook regarding the likelihood of a Tier 4 project securing capacity revenues and may place a different weight on benefits to capacity markets versus those that flow through the Tier 4 contract. Clean Path New York would be just as capable of pursuing UDRs and capacity revenues as other bidders and will do so if NYSERDA determines this to be the preferable approach.

Therefore, we submit this alternate bid with our pricing under a scenario where Clean Path New York is able to secure 1,300 MW of internal UDR and offer UCAP in Zone J.

**Purchase and Sale Agreement Memorandum**

The structure of this alternate proposal prompts inclusion of another comment on Tier 4 Renewable Energy Certificate Standard Form Purchase and Sale Agreement, in addition to the memorandum offered as a part of the base proposal:

<table>
<thead>
<tr>
<th>Section</th>
<th>Nature of Issue to be Discussed</th>
<th>Explanation of Concern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 4.03</td>
<td>Index Tier 4 REC Price</td>
<td>If the NYISO does not adopt modifications to the market rules necessary to accommodate internal UDR, the Parties shall negotiate in good faith to amend this Agreement, specifically the language in Section 4.03(a)(iii)(D) regarding factors which adjust the Reference Capacity Price to contemplate Buyer’s inability to secure internal UDR due to circumstances beyond their control, comparable to the Mitigation Factor</td>
</tr>
</tbody>
</table>

Tier 4 REC Standard Form Purchase and Sale Agreement comment.