



PROTECT OUR COAST - LINY

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Environmental conservation organization created to protect our coastal communities and the surrounding waterways from industrialization to maintain residents' quality of life as well as preserving the rights of nature.

POCLINY PRESS RELEASE ON PROPEL – NY TAXPAYER PROJECT

COMMENTS ON THE PROPEL NY TRANSMISSION PROJECT AND OFFSHORE WIND GOALS

In June 2023, after evaluating 19 bids, the New York State Independent System Operator (NYISO) selected the Propel NY transmission project to bring 3000 MW of offshore wind into and through Long Island to serve electrical loads in the rest of the state. This preferred project was advertised as costing \$3.26 billion with construction starting in 2026 to be in service by 2030. The project is subject to approval by the NY Public Service Commission which must issue a certificate of environmental compatibility and public need under Article VII of the NY Public Service Law.

We believe that this project will neither be compatible with the LI environment nor serve any real public need and thus should be rejected in the interests of the residents and electric ratepayers of the state. NYISO selected and approved this project despite the recommendations of the independent Market Monitoring Unit (MMU) consultant who is required to review and consider its impact on the markets administered by NYISO supplying transmission and power to utility companies serving retail customers in the state.

In its May 2023 report¹ the MMU stated that:

- It is not advisable to move forward with any of the proposed transmission projects at this time.
- If the NYISO determines that it must or should select a project, we recommend that it reconsider its recommendation of the Propel NY since it does not appear to be the most cost-effective.

These recommendations were based on the MMU's review of NYISO's evaluation of the costs and benefits of the proposed bids which it found deeply flawed and unrealistic. The MMU provided its own Benefit-Cost analysis in which it determined that:

¹ NYISO MMU Evaluation of the Long Island Offshore Wind Export PPTP Report, Potomac Economics, May 2023

- NYISO failed to include financing costs incurred during construction and ongoing operation and maintenance costs so that the true present value (PV) cost of the project was 17% higher than NYISO's estimate (\$3.8 billion instead of \$3.26 billion).
- NYISO grossly overvalued future benefits by using unrealistic values for avoiding future investments in new generation. Using more realistic assumptions, the total PV benefit of the project was only \$3 billion compared with \$4 billion estimated by NYISO.
- The Benefit-Cost Ratio (BCR) is only 0.81, well below 1,0 which would be required for a cost-effective project.

Moreover, the MMU determined that any benefits of the project in the near term (2030-2035) were contingent on the status of the Empire Wind II project. If the project does not proceed or if it moves its point of interconnection to avoid curtailment of its output due to existing transmission constraints, the near-term benefits are reduced substantially and the BCR becomes 0.1 or less in the near term. These benefits of the Propel NY project would accrue not to the overall transmission system but to Equinor, the foreign developer of Empire Wind II, because it would avoid a significant amount of interconnection costs that would otherwise be its responsibility under its contract with NYSERDA. This, MMU notes, would "result in a financial windfall for the developer".

In view of the fact that the Empire II contract has in fact since been cancelled and these near term benefits no longer available, the BCR of the Propel NY project is in fact less than 0.5, i.e. costs outweigh benefits by more than 2 to 1.

As the MMU states, "an inefficient project can harm the electricity markets by distorting energy and capacity prices in the short term, crowding-out more cost-effective investment, and inflating market risks in the long-term... Inefficient projects (i.e., projects whose costs exceed the priced and unpriced benefits they produce) harm the NYISO markets and ultimately raise the cost of satisfying the Public Policy Requirement".

In addition to the cost and benefits of the project to NYISO and the transmission and wholesale power markets it operates, we have engaged Whitestrand Consulting to assess the impact on electric rates of the Propel NY project in combination with the offshore wind projects it is meant to serve. Their preliminary findings indicate that:

- The Propel NY will add about 3 cents/kwhr to the transmission component of offshore wind costs and the associated 3000 MW of offshore wind will cost over \$17 cents/kwhr in generation costs.
- The combined 20 cents/kwhr amounts to a ratepayer subsidy of \$40 billion above market prices and will increase average electric bills by about 10% statewide by 2035.
- If these costs are extrapolated to the full 9000 MW of offshore wind mandated by the Climate Leadership and Community Protection Act (CLCPA) and adopted as a Public Policy

Requirement, the ratepayer subsidy would exceed \$100 billion and rates can be expected to increase by 30% or more by 2035.

In view of the analysis and recommendation of these independent consultants, we call upon NYISO to revoke its approval of the Propel NY project and for the Governor and legislature to revisit the mandates for offshore wind. Failing that, we will pursue all legal remedies available to oppose the issuance of an Article VII certificate of need for this project which is not in the public interest.