

# Proposal to Modify Allocation of Rate Schedule 1

Chris Russell, Manager, Customer Settlements  
New York Independent System Operator, Inc.  
Management Committee  
July 27, 2011

# Background

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- ◆ Rate Schedule 1 (RS1) required a vote of the Management Committee during Q3 2010 to determine whether to conduct a study of the allocation of the NYISO's annual budget during late-2010 and 2011 to allow modification of the 80%/20% cost allocation, if warranted by the results of the study, to be implemented by January 1, 2012.
- ◆ On July 21, 2010, the Management Committee approved a motion requesting the NYISO to perform such a RS1 study.

# Background

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- ◆ The RS1 study scope was discussed with Market Participants at the August 12, 2010 and September 24, 2010 BPWG meetings.
- ◆ Following the completion of an RFP process, the NYISO selected Black & Veatch (B&V) as the consultant to perform the study.
- ◆ During January – June 2011, B&V met with the BPWG to discuss study parameters and results.
- ◆ Please refer to B&V final RS1 study report under meeting materials to this MC.

## Review of other ISO Rate Recovery

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- ◆ Based on communication with other ISO/RTO representatives and review of other ISO/RTO tariffs and regulatory filings, B&V provided Market Participants with a summary of the respective rate recovery mechanisms and methodologies.
- ◆ Each ISO /RTO has varying degrees of bundled vs. unbundled methodologies. In order to compare rates, B&V converted all rates to a bundled Load / Supply equivalent rate.

# Review of other ISO Rate Recovery (cont'd)

- ◆ ISO/ RTO Equivalent Bundled Rates:

Summary of Cost Recovery from Load and Supply (1)		
Company	Load Share %	Supply Share %
ERCOT	100%	0%
Southwest Power Pool	100%	0%
NYISO (2)	80%	20%
PJM	79%	21%
ISO-New England	78%	22%
MISO	75%	25%
California ISO	67%	33%

Notes:  
 (1) Approximate current ratio based on contact with RTO/ISO staff and available published documents  
 (2) NYISO varies somewhat based on collections for TCCs, Virtuals, and Demand Response. The 2011 budget includes an assumption that approximately \$9M in recoveries from participants in the non-physical TCC, Virtual and Demand Response markets will be rebated to physical load and supply for a net Rate Schedule 1 allocation of 75% to load, 19% to supply and 6% to non-physical markets.

# Black & Veatch Study

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- ◆ Approach
  - *Created a survey for Market Participants to identify priorities.*
  - *Conducted mini-sector meetings to get additional feedback and identify concerns.*
  - *Reviewed NYISO cost data for 2007-2010 historical periods as well as the 2011 budget year.*
  - *Conducted interviews with members of NYISO management to gain broader understanding of data and existing services provided by the NYISO.*

## Black & Veatch Study (con't)

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- ◆ Service Categories
  - *The following Service Categories were utilized to aggregate costs for allocation:*
    - Grid and Energy Market Operations
    - Capacity Markets
    - Demand Response
    - System and Resource Planning
    - TCC Market Operations
    - Virtual Market Operations
    - Shared Services

## Black & Veatch Study (cont'd)

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- ◆ Study Results: Rate Design
  - *B&V's study provided results for both a Bundled and Unbundled rate design.*
  
  - *B&V recommends that the current NYISO bundled rate design assessed to billing withdrawals and injections (with a potential change in load/supply split) is appropriate for RS1 recovery, including the practice of rebating collections from non-physical markets to the physical Market Participants.*

## Black & Veatch Study (cont'd)

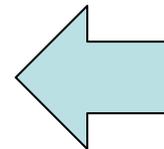
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- ◆ Study Results: Rate Scenarios
  - *The study results developed two allocation scenarios providing the upper and lower bounds of a reasonable split between load and supply. The difference between the two scenarios results from varying allocations of “Shared Services”.*
  
  - *B&V recommends a change from the existing NYISO 80%/20% split between load and supply to something closer to the midpoint (average) of the two scenarios.*

# Black & Veatch Study (cont'd)

## ◆ Study Results: Allocations

Description	Scenario 1		Scenario 2	
	Costs (\$000)	% Share	Costs (\$000)	% Share
<b>Direct Assigned Costs</b>				
Load	\$28,781	78%	\$28,781	78%
Supply	\$5,976	16%	\$5,976	16%
Non-Physical	\$2,003	5%	\$2,003	5%
	<u>\$36,760</u>		<u>\$36,760</u>	
<b>Total Costs Including Shared Services</b>				
Load	\$100,998	75%	\$80,480	60%
Supply	\$25,875	19%	\$46,392	34%
Non-Physical	\$7,520	6%	\$7,520	6%
	<u>\$134,393</u>		<u>\$134,393</u>	
<b>Average of Both Scenarios</b>				
Load		67%		
Supply		27%		
Non-Physical		6%		



## Black & Veatch Study (cont'd)

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- ◆ Proposed Rate Structure: Physicals
  - *Prior to rebating any RS1 recoveries from non-physical markets, the midpoint (average) of the B&V study results in a Bundled rate allocation of:*
    - 72% Withdrawals/ 28% Injections\*

*\* NYISO Market Mitigation and Analysis notes that generators may include RS1 costs as a variable cost in their reference levels (as is current practice).*

## Black & Veatch Study (cont'd)

- ◆ Proposed Rate Structure: Non-Physicals
  - *~\$7.5M in NYISO RS1 revenue requirements (6% total) would be targeted for recovery from Non-Physical market transactions (and subsequently rebated to physical market activity) as follows:*

<u>Market</u>	<u>% of NYISO Revenue Req.</u>	<u>\$ Revenue Req.</u>	<u>2012 Rate/MWh</u>
TCC Market Ops	~4%	\$4.9M	\$0.0372
Virtual Market Ops	~2%	\$2.6M	\$0.0871
SCR/EDRP	<1%	~\$10K	TBD as injection rate in 2012 budget

## Black & Veatch Study (cont'd)

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- ◆ Proposed Rate Structure: Non-Physicals (cont'd)
  - *Per current RS1, non-physical rates for 2012 were posted by July 15, 2011. Tariff filing to modify RS1 per this proposal would require adjustment of the posted 2012 rates.*
  - *The resetting of rate provisions for non-physical RS1 charges, per section 6.1.2.4.4 of RS1, would continue.*
  - *The distribution methodology to rebate collections from non-physical markets, as specified in section 6.1.2.5 of RS1, would also continue.*

## Duration of Study Results

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- ◆ B&V noted that consideration should be given as to how long the proposed rates would be in place.
- ◆ Consistent with the most recent RS1 study, NYISO recommends that the revised rates should be in place for a minimum of 5 years (2012-2016).

## Duration of Study Results (cont'd)

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- ◆ NYISO further recommends that the process established in the current RS1 to determine if an additional study is warranted should also continue (using updated timeframes).
  - *During Q3 2015, a vote would be taken by the Management Committee as to whether a new study should be conducted during 2016, for potential implementation of revised rates, if warranted by the study, on January 1, 2017.*
  - *The remainder of the process outlined in paragraph 6.1.2.3 of Rate Schedule 1 would also continue using updated timeframes.*

# Proposal Summary

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- ◆ Rate Design: Bundled rate structure
- ◆ Rate Allocation: 72% to billing withdrawals (e.g. loads) / 28% to billing injections (e.g. suppliers)
- ◆ Non-Physical Treatment: 6% assessed to non-physical market activity and rebated on a monthly basis to physical market activity, continuing current processes/practice
- ◆ Duration: 5 years (2012-2016), with a MC vote in Q3 2015 to determine if a new study would be conducted during 2016 (along with process in RS 1 paragraph 6.1.2.3)

## Next Steps

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- ◆ Proposed Timeline:
  - *August 16, 2011: Board of Directors Meeting*
  - *September 2011: FERC Filing*
  - *November 2011: FERC Approval (targeted)*
  - *January 1, 2012: Implementation of revised rates*

The New York Independent System Operator (NYISO) is a not-for-profit corporation that began operations in 1999. The NYISO operates New York's bulk electricity grid, administers the state's wholesale electricity markets, and provides comprehensive reliability planning for the state's bulk electricity system.

[\*\*\*www.nyiso.com\*\*\*](http://www.nyiso.com)

**76 FERC - 101 FERC, 100 FERC ¶¶61,315, New York Independent System Operator, Inc., Docket Nos. ER02-1961-000 and ER02-1961-001, (Sep. 25, 2002), (Sep. 25, 2002)**

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**New York Independent System Operator, Inc., Docket Nos. ER02-1961-000 and ER02-1961-001  
[62,411]**

**[¶61,315]**

**New York Independent System Operator, Inc., Docket Nos. ER02-1961-000 and ER02-1961-001  
Order on Revised Tariff Sheets**

**(Issued September 25, 2002)**

**Before Commissioners: Pat Wood, III, Chairman; William L. Massey, Linda Breathitt, and Nora Mead Brownell.**

1. On May 31, 2002, as supplemented on August 5, 2002,<sup>1</sup> pursuant to Section 205 of the Federal Power Act (FPA), the New York Independent System Operator, Inc (NYISO) submitted proposed revisions to its funding mechanism in Schedule 1 of both its Open Access Transmission Tariff (OATT) and its Market Administration and Control Area Services Tariff (Services Tariff). As discussed below, we will accept the proposed revisions for filing. This order will benefit the public by ensuring a more equitable distribution among market participants of NYISO's fixed annual operating budget and Commission-assessed regulatory fees.

*Background*

2. NYISO's budgeted annual operating costs are currently assessed 100 percent to Loads.<sup>2</sup> The proposed revisions would reallocate responsibility for those costs, 85 percent to

**[62,412]**

Loads and other withdrawals of energy from the New York Control Area (NYCA), and 15 percent to all injections, *i.e.*, generators and other suppliers, supplying energy into the NYCA Locational-Based Marginal Price (LBMP) market.

3. In support of the proposed 85/15 cost reallocation, NYISO states that it conducted an extensive review of its administrative cost centers. NYISO maintains that it closely analyzed the components of its overhead expenses, interviewing key personnel in each department, to determine the primary beneficiaries of the services associated with its major cost centers. NYISO determined that approximately 14.5 percent of its overhead costs were incurred in the performance of functions that most directly benefit suppliers. NYISO further states that the proposed reallocation was introduced by a market participant, passed by a majority vote of the Management Committee, and approved by NYISO's Board of Directors.

4. The proposed revisions would be implemented as follows. Transmission customers taking service exclusively under the OATT would pay "ISO Services Charges" for a portion of NYISO's budget costs and Commission-assessed regulatory fees, the Residual Adjustment Charge, and the bid production guarantee entirely under the OATT. Transmission Customers taking both OATT and Services Tariff service would pay a designated portion of NYISO's annual budgeted operating costs and Commission-assessed regulatory fees, as determined under the Services Tariff, and residual adjustment and bid production guarantee charges, as provided for under the OATT.

5. Furthermore, NYISO would calculate rates and bills on the basis of both energy injections and energy withdrawals. Withdrawal billing units for NYISO's budgeted annual operating costs and Commission-assessed regulatory fees would be comprised of actual energy withdrawals to supply load, schedule energy wheels

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through, and exports. In addition, injection billing units would consist of scheduled energy injections to supply the LBMP market energy in the NYCA. However, billing units for ISO operating costs not included in the fixed annual budget would continue to be recovered exclusively on the basis of energy withdrawals.

6. NYISO states that it would not be in a position to implement the billing software changes necessary to apply the new cost allocation methodology until sometime in the fourth quarter of 2002. Nevertheless, NYISO requests that the proposed revisions be allowed to take effect June 1, 2002, so that it may apply the new allocation methodology from that date forward through true-up billings starting in the fourth quarter of 2002.

#### *Notice of the Filing and Responsive Pleadings*

7. Notice of the May 31 filing was published in the *Federal Register*,<sup>3</sup> with comments, protests and interventions due on or before June 21, 2002. The following entities filed a timely motion to intervene: the New York Power Authority; Sithe Marketing, LP and Sithe/Independence Power Partners, L.P.; Dynegy Power Marketing, Inc. Keyspan-Ravenswood, Inc.; and H.Q. Energy Services (US). Member Systems and the New York Transmission Owners each filed a timely motion to intervene and comments in the support of the filing. The Municipal Electric Utilities Association of New York State (MEUA) filed a timely motion to intervene and protest, as well as a motion to consolidate.

8. Notice of the August 5 supplement to May 31 filing was published in the *Federal Register*,<sup>4</sup> with comments, protests and interventions due on or before August 26, 2002. Reliant Resources, Inc., filed a timely motion to intervene. Multiple Intervenors and the New York Transmission Owners filed a timely motion to intervene and comments in support of the filings. Allegheny Electric Cooperative, Inc. (AEC) filed a timely motion to intervene and protest, and MEUA filed a timely supplemental protest. MEUA and AEC shall be collectively referred to as the protestors.

9. Although the protestors consider the proposed Schedule 1 revisions to be an improvement over the current assignment of 100 percent of budgeted operating costs to Loads, they assert that NYISO provides no cost support for the proposed 85/15 reallocation. In addition, MEUA asserts that the proposed revisions are defective in not addressing the variable components of the Schedule 1 charges, in addition to the fixed budget for operating costs, and in not allocating any cost responsibility to parties engaged in virtual bidding. Moreover, MEUA contends that NYISO should revise its funding mechanism to allocate costs for non-transmission services to the parties that benefit from those services, so that non-benefitting parties do not, in effect, subsidize those costs. MEUA also requests that this proceeding be consolidated with Docket No. ER97-1523-028, which MEUA contends involves related issues pertaining to revisions of NYISO's funding mechanism.<sup>5</sup> The protestors further assert that

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the proposed revisions should be set for hearing or expedited hearing so that the proper allocation may be determined.

10. Since the protestors view the 85/15 reallocation as an improvement over the current assignment of costs, they support a June 1, 2002 effective date for the proposed revisions on an interim basis, and subject to adjustment and refund based upon the outcome of any Commission-ordered hearing.

#### *Discussion*

##### *Procedural Matters*

11. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, [18 C.F.R. §385.214](#) (2000), each timely, unopposed motion to intervene serves to make the entity that filed it a party to this proceeding.

##### *Analysis*

12. We will accept NYISO's proposed revisions, effective June 1, 2002, as no party objects to the requested June 1, 2002 effective date. We are unpersuaded by the protestors' arguments that NYISO has failed to adequately support the proposed 85/15 cost allocation. In the August 5 filing, NYISO provides two cost studies<sup>6</sup>

supporting an assignment of costs of 14.5 percent to Generators. It is evident from both of the studies, based on extensive review of its cost centers, that approximately 15 percent of NYISO's overhead costs are incurred as a result of performing functions that most directly benefit suppliers.

13. We note that in its August 5 filing, NYISO states that "the Management Committee resolution that adopted 85/15 split in costs also requested further examination to determine whether the split is an appropriate long-term allocation, which the NYISO is currently undertaking." We encourage NYISO to complete its examination of that issue as soon as possible, and expect that NYISO will revise its cost allocation, if necessary, in accordance with its findings.

14. We find to be outside of the scope of this proceeding MEUA's argument that NYISO's funding mechanism should be revised to address the variable components of Schedule 1 charges and to allocate cost responsibilities for virtual bidding. In the filings at issue here, NYISO focused upon only its fixed budget for operating costs. It may be appropriate for NYISO to consider the variable components of Schedule 1 charges and cost responsibilities for virtual bidding in conducting its study of whether the 85/15 cost allocation represents an appropriate long-term funding mechanism, and indeed, we encourage NYISO to do so.

15. We further reject MEUA's contention that these proceedings should be consolidated with Docket No. ER97-1523-028 . As MEUA states, that proceeding addresses issues related to separation of NYISO's transmission costs from its costs for non-transmission services, rather than the allocation among market participants of NYISO's fixed budget for operating costs involved here. Finally, we reject the protestors' assertion that NYISO's filings should be set for hearing. As we previously stated, we find that NYISO has provided sufficient support for the proposed 85/15 cost allocation.

*The Commission orders:*

NYISO's proposed revisions are hereby accepted for filing, effective June 1, 2002, as discussed in the body of this order.

**-- Footnotes --**

**[62,411]**

**Footnotes**

- 1 NYISO filed the August 5 supplement in response to a Commission deficiency letter, issued on July 5, 2002.
- 2 Costs recovered under the Schedule 1 to the Services Tariff are related to the functions that the NYISO performs under it, including the administration of the LBMP markets, ICAP markets and some control area services, while NYISO recovers all other operating costs under Schedule 1 to the OATT. The determinations of applicable billing units, and the computations of rates for recovering these costs, are based exclusively on energy withdrawals for serving loads in the NYCA or for exporting energy from the NYCA.

**[62,412]**

- 3 67 *Fed. Reg.* 40,709 (2002).
- 4 67 *Fed. Reg.* 54,179 (2002).
- 5 MEUA states that in that proceeding, the Commission ordered NYISO to revise its funding mechanism

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to allocate costs for non-transmission services to the parties that benefit from them.

- 6 The cost information is derived from summaries of two presentations to stakeholders on May 24, 2001, and June 15, 2001. NYISO assigned its total 2001 annual operating cost of \$95.6 million to various services to Market Participants in 2001. See August 5 filing at 4.

# 102 FERC - 139 FERC, New York Independent System Operator, Inc., Docket No. ER04-1229-000, 109 FERC ¶61,161, Federal Energy Regulatory Commission, (Nov. 15, 2004)

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[61,768]

New York Independent System Operator, Inc.,

Docket No. ER04-1229-000

Order Accepting Proposed Tariff Revisions

November 15, 2004

Before Commissioners: Pat Wood, III, Chairman; Nora Mead Brownell, Joseph T. Kelliher, and Suedeem G. Kelly.

1. In this order, we will accept revisions filed by the New York Independent System Operator, Inc. (NYISO) to its funding mechanism in Rate Schedule 1 of both its Open-Access Transmission Tariff (OATT) and its Market Administration and Control Area Services Tariff (Services Tariff) effective January 1, 2005, as requested.<sup>1</sup> This order will benefit the public by ensuring a more equitable distribution among market participants of NYISO's fixed annual operating budget and Commission-assessed regulatory fees.

## **Background**

2. NYISO proposes to revise the allocation percentages for NYISO's Operating Costs in Rate Schedule 1. Currently, 85 percent of NYISO's budgeted annual operating costs are assessed to withdrawals of energy from and within the New York Control Area (Load). The remaining 15 percent of NYISO's budgeted annual operating costs are assessed to injections of energy, except wheel-throughs (Supply). Prior to 2002, when the current allocation rates became effective, these costs were allocated entirely to Load. When the Commission approved the current allocation, it did so with the recommendation that NYISO examine the appropriateness of the 85/15 split for the fixed budget for operating costs and the variable components of Rate Schedule 1 over the long-term.

<sup>2</sup> NYISO's filing represents its response to this directive.

3. NYISO's proposal would allocate 80 percent to Load and 20 percent to Supply for a minimum term of five years. NYISO states that this proposal requires the review of the allocation methodology during the fourth quarter of 2008 if significant market changes merit its review. NYISO states that the five-year minimum term was a crucial aspect of the proposal for many of NYISO's market participants who ultimately voted for it. NYISO states that the five-year term provides a level of certainty for parties entering into long-term bilateral contracts and considering construction of new capacity and, additionally, supports the development of futures markets. NYISO also suggests that, because it operates on a five-year budget in addition to an annual budget, market participants will be better served if they know that the methodology for allocating NYISO's Operating Costs is fixed for at least five years.

4. NYISO states that the proposal was approved by the Management Committee with an overwhelming majority of 87.63 percent and received broad support across all sectors.<sup>3</sup> In addition, NYISO states that the proposal is supported by a study performed by the consulting firm of R.J. Rudden Associates, Inc. (Rudden). NYISO states that it contracted with Rudden to study the appropriateness of the 85/15 allocation and to examine the possible unbundling of Rate Schedule 1. NYISO states that Rudden's review included interviewing NYISO staff regarding their activities and an examination of the rate designs at other ISOs/RTOs that have unbundled recovery of their operating costs. According to NYISO, Rudden reviewed five components of NYISO's overhead

expenses to determine the primary beneficiaries of the services associated with its major cost centers.<sup>4</sup> Based on its analysis, NYISO explains, Rud

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den recommended allocating 77 percent of NYISO's Operating Costs to Load and 23 percent to Supply after unbundling the rates. However, NYISO explains, based on Rudden's work and the input from stakeholders, Rudden ultimately recommended keeping the current straight percentage allocation methodology instead of unbundling the Rate Schedule 1 rate. Thus, according to NYISO, Rudden recommended to adopt the 80/20 split, which is consistent with the results of the study. NYISO states that Rudden was concerned that developing a fully unbundled rate, especially one with market participant support, could not be accomplished within a reasonable amount of time and at a reasonable cost. NYISO points out that after seven months of discussions among the parties little progress had been made regarding how Rate Schedule 1 would be unbundled. Based on these circumstances, NYISO states that Rudden concluded that the more appropriate approach was to modify the current allocation percentages to closely approximate the results of a full unbundling. NYISO states that market participants then decided to adopt an 80/20 allocation as a compromise solution that approximates the results of full unbundling.

5. NYISO seeks an effective date of January 1, 2005 for the proposed tariff revisions, but requests that the Commission issue an order approving the proposed tariff changes by November 15, 2004, so that it can have time to implement any required changes to its billing system.

6. NYISO states that the proposed amendments were appealed to NYISO's Board by the Entergy Nuclear Entities<sup>5</sup> and by a group of New York Municipal electric utilities (New York Municipals),<sup>6</sup> but that NYISO's Board denied these appeals. Appellants (before NYISO's Board) argued that the straight percentage allocation methodology unfairly allocates costs to parties engaging in bilateral transactions. Specifically, these parties argued that customers engaging in bilateral transactions should not be allocated costs through Rate Schedule 1 that are related to credit support or scheduling and billing services because bilateral transactions do not require the same level of services from the NYISO as transactions in the locational-based marginal price (LBMP) market. NYISO states that it reviewed its operations and determined that: (1) parties engaged in bilateral transactions utilize credit support functions for portions of bilateral transactions; (2) the scheduling burden for bilateral and LBMP energy is the same; and (3) cost to NYISO for billing a bilateral transaction is not less than the cost of billing a transaction through the LBMP market. NYISO states that based on these findings, parties engaging in bilateral transactions are appropriately allocated costs under Rate Schedule 1.

#### **Notice of Filing and Pleadings**

7. Notice of NYISO's filing was published in the *Federal Register*, 69 *Fed. Reg.* 59,913 (2004), with protests and interventions due on or before October 6, 2004. Timely motions to intervene were filed by the AES Eastern Energy, L.P. (AES), NRG Companies, Keyspan-Ravenswood, LLC (Ravenswood), Independent Power Producers of New York (IPPNY), Entergy Nuclear Entities, and, jointly, by Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., Long Island Power Authority, New York Power Authority, New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, Orange and Rockland Utilities, Inc., and Niagara Mohawk Power Corporation (collectively, New York Transmission Owners).

8. Timely motions to intervene and protests were filed by Edison Mission Energy, Inc. and Edison Mission Marketing and Trading Inc. (collectively, Edison Mission), New York Municipal Power Agency (NYMPA) and New York Municipals.

9. AES supports NYISO's filing and emphasizes that the proposal was approved by NYISO's stakeholders as a package that guarantees that costs will not be unbundled and that the proposed 80/20 cost allocation ratio will remain in place for at least five years to allow market participants to properly assess their risk exposure for the

payment of NYISO's Operating Costs. In addition, AES supports NYISO's conclusion that parties engaged in bilateral contracts must continue to pay NYISO's Operating Costs because they extensively use these services.

10. Ravenswood also views NYISO's proposal as a package and points out that the five-year minimum term for the new cost allocation methodology will provide certainty to suppliers that their burden will not increase in the near future. Ravenswood agrees that the split allocation of costs is a more efficient solution than full unbundling. Finally, Ravenswood indicates that "suppliers had little choice in the matter-accept the new proposal or face one that would shift an even

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more unreasonable cost responsibility to supply." <sup>7</sup> In line with Ravenswood, IPPNY states that it "reluctantly supports the NYISO's 80/20 allocation as a package proposal" coupled with the minimum five-year term as a compromise. <sup>8</sup>

11. Both Edison Mission and NYMPA request that the Commission reject NYISO's proposal and order NYISO to unbundle its rates. In particular, Edison Mission argues that a bundled cost allocation approach adversely affects the economic efficiency of energy markets and transfers an embedded sunk cost into the overall market clearing prices leading to higher costs to customers. Edison Mission explains that by applying the old cost of service model to allocate costs to the current market design for energy, ancillary services and unforced capacity, the current rate allocation mechanism distorts price signals for suppliers of these goods. Edison Mission recommends, in addition to the full unbundling of the NYISO's Operating Costs, that participants in the non-physical markets administered by NYISO ( e.g., markets for transmission congestion credits and virtual transactions) be assessed the cost of operating those markets.

12. NYMPA disputes the specific allocation of costs among service categories recommended by Rudden. First, it argues that System Reliability costs, which the Rudden study assigned to Load only, should be allocated to all who benefit-including Supply. As an example, NYMPA suggests that reliability services might facilitate exports and wheel-throughs, which would benefit Supply. Second, NYMPA requests a further explanation of why 100 percent of Real-Time Operations costs are charged to Load. Third, NYMPA questions the 60/40 Load/Supply allocation of the Energy and Ancillary Services market costs and points out that an earlier Rudden report suggested a broad range of possible allocation ratios (from a 60/40 split to a 40/60 split between Load and Supply). Fourth, NYMPA disagrees with the 60/40 Load/Supply allocation for administering the transmission congestion contracts market, arguing that the costs should be borne by those who participate in these markets, including third-party institutions, and notes that many Loads and Suppliers do not participate in this market at all. Fifth, NYMPA disputes the 50/50 allocation of Management Service Costs <sup>9</sup> and argues that it is not clear who benefits from these fees. Finally, NYMPA urges the Commission to require NYISO to split its Schedule 1 costs more appropriately to those who benefit and asks the Commission to set for hearing any disputed issues of fact that cannot be decided based on the pleadings.

13. New York Municipals protest NYISO's failure to unbundle and functionalize its costs so that transmission service customers of NYISO do not continue to subsidize customers using non-transmission services of the NYISO. New York Municipals contend that prior Commission orders mandated that NYISO revise its funding mechanism to allocate costs for the non-transmission services to the parties that benefit from these services. <sup>10</sup>

14. New York Municipals accept the 80/20 allocation of the NYISO's fixed budget costs on an interim basis, but argue that the proposed minimum term of five years is excessive and inconsistent with the need for NYISO to revise its funding mechanism to reflect proper cost functionalization.

15. New York Municipals also argue that the proposed cost allocation is unreasonable in light of the Commission's Notice of Inquiry in [Docket No. RM04-12-000](#) <sup>11</sup> and possible actions that might result from this Inquiry. They are concerned that, if the Commission accepts the present NYISO proposal, it might prevent the

Commission from requiring NYISO to revise its rates and charges, consistent with the findings we may make in [Docket No. RM04-12-000](#), for at least five years.

16. Finally, New York Municipals argue that the proposed five-year term is not reasonable, because it results in dramatic cost shifts between Load and Suppliers. In support of this argument, New York Municipals contend that: (1) NYISO's arguments in favor of a five-year term are not strong enough because recent findings have shown that NYISO charges are not a barrier to new RTO development, and thus NYISO charges should not be of significant importance for market participants; and (2) five-year budget targets were adopted to provide NYISO's Board of Directors with certainty that market participants would accept the debt financing associated with information technology improvements and therefore are not relevant for cost-allocation among participants.

17. NYISO and Entergy Nuclear Entities each filed for leave to file an answer to the protests.

### **Discussion**

18. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, [18 C.F.R. §385.214](#) (2004), the timely, unopposed motions to intervene serve to make the entities that filed

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them parties to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, [18 C.F.R. §385.213\(a\)\(2\)](#) (2004), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We are not persuaded to accept the answers of Entergy Nuclear Entities or NYISO, and will, therefore, reject them.

19. We will accept NYISO's proposed revisions, effective January 1, 2005, as requested. By employing an independent consultant, working through its stakeholder process, and achieving overwhelming support of the Management Committee, NYISO has adequately responded to our request to examine the appropriateness of the 85/15 split for allocating NYISO's Operating Costs.<sup>12</sup> We also note that the proposed 80/20 cost allocation ratio is supported by a larger majority (87.63 percent) of market participants than previously supported the 85/15 split (approved by 61.38 percent of the vote in 2002). In this regard, we agree with NYISO's characterization (as supported by AES, Ravenswood and IPPNY) that the proposal must be viewed as a package, and that this package includes the use of the new cost allocation ratio for a minimum of five years.

20. While it is true, as argued by New York Municipals, that the 80/20 allocation ratio does not freeze NYISO's operating costs for five years, the allocation ratio does play a large part in determining the total amount of this charge borne by NYISO market participants and, thus, the argument that the five-year minimum term gives budget stability to NYISO's market participants has merit. However, given that changes in the market conditions occur over time, we also agree that cost allocation ratios should be reviewed by NYISO at the end of 2008 to ensure that they are just and reasonable.

21. NYMPA's criticisms of the results of the Rudden study make much of the fact that Rudden's final report differed from the allocations of specific cost categories between Load and Supply contained in earlier drafts of the report. While this is true, the fact that Rudden used an iterative approach in preparing its final report does not show that its final recommendation was less valid than those advanced in its earlier drafts and does not show that the final report did not represent Rudden's objective independent analysis of the issue. The supporting study conducted by Rudden evaluated the merits of unbundling Schedule 1, as advocated by certain parties, and, in so doing, made comparisons between NYISO and three other RTOs/ISOs—ISO-NE, PJM, and CAISO. It is apparent from the filing and the interventions that the proposed revision of the allocation and the five-year term reflects a compromise among NYISO stakeholders in order to effectuate the results of the Schedule 1 unbundling project.<sup>13</sup> The Commission concludes that NYISO has presented evidence that the proposal reasonably allocates NYISO's Operating Costs to those who use the services. Therefore, we will reject the protestors' assertion that NYISO's filing should be set for hearing.

22. We also find that NYISO has adequately addressed both cost functionalization and unbundling issues in the Rudden report, commissioned by NYISO. After examining which customer groups benefit most from each of the five service categories, the Rudden report proposed a cost allocation methodology that yielded a 77/23 cost split. Based on Rudden's recommendation and the input from stakeholders, NYISO decided not to unbundle the rates, and to accept an 80/20 cost split that closely approximates the one recommended by Rudden. We find that NYISO's cost allocation methodology and functionalization of costs is just and reasonable. Therefore, we conclude that New York Municipals' argument that NYISO has not addressed the Commission mandated order to functionalize and unbundle its rates is without merit.

23. We also reject the New York Municipals' argument that our approval here of the minimum five-year term for the 80/20 allocation ratio will tie our hands if we decide that another allocation ratio is preferable when we take final action in the proceeding in [Docket No. RM04-12-000](#). The decisions we are reaching in this case are based on the results of the Rudden study and a consensus package approved by a majority of NYISO's members (where the parties agreed on an overall result without reaching agreement on any underlying principles). Nothing in that package will preclude the Commission from reviewing the package after the issuance of a final order in the ongoing rulemaking proceeding in [Docket No. RM04-12-000](#) and determining whether or not revisions are necessary. We also note that our action here does not preclude us, acting *sua sponte*, from investigating rates, terms and conditions under the "just and reasonable" standard of Section 206 of the Federal Power Act at such times and under such circumstances as the Commission deems appropriate.

**The Commission orders:**

(A) NYISO's proposed revisions to its Open- Access Transmission Tariff and its Market Administration and Control Area Services Tariff are hereby accepted for filing to become effective on January 1, 2005.

(B) NYISO is hereby directed to review the appropriateness of the cost allocation ratio and make a filing with the Commission at least 60 days prior to the end of the five-year term of the new cost allocation methodology.

**Footnotes**

- 1 Among other things, NYISO's Rate Schedule 1 prescribes how it allocates its budgeted annual operating costs and its Commission assessed regulatory fees (collectively referred to as "NYISO's Operating Costs") to its market participants.
- 2 *New York Independent System Operator, Inc.*, [103 FERC ¶61,324 at P15](#) (2003).
- 3 According to NYISO, a majority of each of the five sectors voted in favor of the proposal, with three sectors voting unanimously to support the proposal.
- 4 According to Rudden, if NYISO's overhead expenses are allocated based on which customer groups benefit most from each service, the five service categories are properly allocated as follows: (1) System Reliability Costs-100 percent allocation to Load; (2) Real-Time Operation Costs-100 percent allocation to Load; (3) Energy and Ancillary Services Markets Costs-60.5 percent allocation to Load and 39.5 percent allocation to Supply; (4) Capacity Markets Costs-50 percent allocation to Load and 50 percent allocation to Supply; and (5) Transmission Congestion Contracts Markets Costs-60.5 percent allocation to Load and 39.5 percent allocation to Supply. See NYISO filing, Attachment I.
- 5 Entergy Nuclear Entities are comprised of: Entergy Nuclear Indian Point 2, LLC; Entergy Nuclear Indian Point 3, LLC; and Entergy Nuclear Fitzpatrick, LLC.
- 6 New York Municipals are comprised of: the Village of Bergen; Freeport Electric Department; Green Island Power Authority; Greenport Municipal Utilities; City of Jamestown Board of Public Utilities; Town of Massena Electric Department; Village of Rockville Centre; Salamanca Board of Public Utilities; Village of Sherburne; City of Sherrill Power & Light.
- 7 Ravenswood Motion to Intervene at 3.

- 8 IPPNY Motion to Intervene at 3.
- 9 NYMPA states that the March 19, 2004 Rudden Report finds that Management Services Costs include: (1) costs that support the activities required for all of the service categories; and (2) activities that cannot be assigned or allocated to another Service Category.
- 10 In this regard, New York Municipals cite *Central Hudson Gas & Electric Corp.*, [92 FERC ¶61,279](#) (2000).
- 11 In the Notice of Inquiry on Financial Reporting and Cost Accounting, Oversight and Recovery Practices for Regional Transmission Organizations and Independent System Operators ( [Docket No. RM04-12-000](#)) dated September 16, 2004, FERC invited comments on its accounting and financial reporting requirements for and oversight of regional transmission organization (RTO) and independent system operator (ISO) costs.
- 12 *New York Independent System Operator, Inc.* , [103 FERC ¶61,324 at P 15](#) (2003).
- 13 See Attachment I of the September 15, 2004 filing.

# 102 FERC - 139 FERC, New York Independent System Operator, Inc., Docket No. ER12-89-000, 137 FERC ¶61,240, Federal Energy Regulatory Commission, (Dec. 28, 2011)

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New York Independent System Operator, Inc.,

Docket No. ER12-89-000

Order Accepting Tariff Revisions

December 28, 2011

Before Commissioners: Jon Wellinohoff, Chairman; Philip D. Moeller, John R. Norris, and Cheryl A. LaFleur.

1. On October 14, 2011, New York Independent System Operator, Inc. (NYISO) filed proposed revisions to Rate Schedule 1 of its Open Access Transmission Tariff (OATT) pursuant to section 205 of the Federal Power Act <sup>1</sup> (October 14, 2011 Filing), to be effective January 1, 2012. NYISO proposes to revise section 6.1.2.3 of Rate Schedule 1 of its OATT to change the allocation among NYISO market participants of NYISO's budgeted annual operating costs and Commission- assessed regulatory fees (Operating Costs) and to maintain this new allocation for a period of at least five years. We find that NYISO's proposed tariff revisions comply with its tariff and are just and reasonable and, therefore, accept the proposed revisions, effective January 1, 2012, as requested.

## I. Background

2. Rate Schedule 1 of the OATT contains procedures to allocate NYISO's annual Operating Costs to be billed to transmission customers and currently provides in section 6.1.2.3 for NYISO to allocate 80 percent of its Operating Costs to load and 20 percent to supply. Section 6.1.2.5 of Rate Schedule 1 of the OATT also allows NYISO to recover a portion of the Operating Costs from entities engaging in virtual bids and entities purchasing Transmission Congestion Contracts (TCC) (collectively non-physical transactions), as well as from Special Case Resources (SCR) and Emergency Demand Response Program (EDRP) participants. Under this provision, on a monthly basis NYISO credits the funds collected from non- physical transactions to load and suppliers using the current 80 percent/20 percent allocation.

3. Further, section 6.1.2.3 of Rate Schedule 1 provides that the cost allocations set forth therein shall remain unchanged until such point in time that a study is conducted and the results of the study warrant changing the 80 percent/20 percent allocation. A positive vote of 58 percent of the NYISO Management Committee in the third quarter of 2010 is required for NYISO to retain a consultant to conduct such a study. Section 6.1.2.3(iv) also sets forth a timeline and procedures for completing the study and sharing the results of the study with market participants.

## II. Proposed Tariff Revisions

4. NYISO states that in July 2010, a majority of NYISO stakeholders voted to undertake a new, independent study of NYISO's allocation of its Operating Costs. NYISO asserts that it worked with its stakeholders to identify the scope of the study and selected Black & Veatch (B&V) as a consultant to perform the study. NYISO contends that B&V reviewed the study parameters and interim results with stakeholders and issued a final study report in July 2011 (B&V Study). <sup>2</sup>

5. Based on the results of the B&V Study and discussions with stakeholders, NYISO proposes to revise the formula in section 6.1.2.2 of Rate Schedule 1 of the OATT to replace the current allocation of its Operating Costs of 80 percent to load and 20 percent to suppliers with a new allocation of 72 percent to load and 28 percent to suppliers. NYISO also proposes to revise section 6.1.2.5 of Rate Schedule 1 of the OATT, which provides for crediting to each transmission customer (either a load

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or supplier) the Operating Costs recovered from market participants engaging in non-physical transactions, SCRs, and EDRP participants, to replace the current 80 percent/20 percent allocation with a 72 percent/28 percent allocation. NYISO states that B&V exercised its judgment in a rational and equitable manner and that its proposed 72 percent/28 percent allocation constitutes a reasonable and equitable allocation of the Operating Costs between load and suppliers.<sup>3</sup> Additionally, NYISO states that the 72 percent/28 percent allocation falls within the range of cost allocations used in other RTO/ISO regions.

6. NYISO also proposes to revise sections 6.1.2.4.1 and 6.1.2.4.2 of Rate Schedule 1 of the OATT, to update the rates used to calculate the portion of its Operating Costs charged to market participants that engage in non-physical transactions, in accordance with the findings of the B&V Study. NYISO determined, together with its stakeholders, that the initial 2010 rates for calculating Operating Costs charged to these market participants were based upon the best data then available and were the rates applied by other RTOs/ISO for similar services. NYISO states that, in contrast, the B&V Study provides an independent, NYISO- specific determination of the Operating Costs attributable to these market participants engaging in non-physical transactions.<sup>4</sup>

7. Specifically, NYISO proposes to specify that for 2012 the rate applied to a market participant engaging in virtual transactions will be \$0.0871 per cleared virtual transaction in the billing period, based on a projected annual revenue requirement in 2012 of \$2.6 million. In addition, NYISO proposes to specify that for 2012 the rate applied to a market participant purchasing TCCs will be \$0.0372 for each TCC held during the billing period, based on a projected annual revenue requirement in 2012 of \$4.9 million. NYISO states that, pursuant to section 6.1.2.4.4 of Rate Schedule 1, it will start the rate reset process, including any over or under collection amounts, anew using the new 2012 annual revenue requirement amounts proposed in this filing as the starting point for post-2012 rate re-sets.

8. NYISO also proposes to revise section 6.1.2.4.3 of Rate Schedule 1 of the OATT to adjust the rate used to calculate the portion of its Operating Costs charged to market participants that are SCRs or that participate in the EDRP. NYISO states that this rate corresponds to the rate applied to suppliers, so the rate will be similarly revised to replace the current 20 percent allocation with the proposed 28 percent allocation.

9. Finally, NYISO proposes to modify section 6.1.2.3 of Rate Schedule 1 of the OATT to continue to apply the stakeholder process, with updated dates, for review and modification of the cost allocation of NYISO's Operating Costs going forward.<sup>5</sup> NYISO proposes to maintain the new 72 percent/28 percent allocation for a period of at least five years, through December 31, 2016. The Management Committee will vote in the third quarter of 2015 to determine whether a new study should be undertaken to review the 72 percent/28 percent allocation. NYISO states that a set, five- year period will provide NYISO market participants with a level of certainty regarding their responsibility for the Operating Costs.

### **III. Notice of the Filing and Responsive Pleadings**

10. Notice of the filing was published in the *Federal Register*, 76 *Fed. Reg.* 65,715 (2011), with interventions and protests due on or before November 4, 2011. Timely motions to intervene were filed by Entergy Nuclear Power Marketing, LLC (ENPM) and GenOn Energy Management, LLC and GenOn Bowline, LLC (collectively GenOn Parties). The New York State Public Service Commission (NYPSC) filed a timely notice of intervention and comments. Independent Power Producers of New York, Inc. (IPPNY) and Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., Long Island Power Authority, New York Power

Authority, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., and Rochester Gas & Electric Corporation (collectively New York Transmission Owners or NYTOs) and Multiple Intervenors<sup>6</sup> filed timely motions to intervene and protests. R.E. Ginna Nuclear Power Plant, LLC and Nine Mile Point Nuclear Station, LLC (collectively CENG Nuclear Entities) filed a timely motion to intervene and comments in support of the protest filed by IPPNY. The New York Association of Public Power (NYAPP) and the NYTOs and Multiple Intervenors filed motions to intervene out of time. On November 21, 2011, NYTOs and Multiple Intervenors filed an answer to IPPNY's protest. On November 23, 2011, NYISO filed an answer to certain protests and comments in this proceeding.

11. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, [18 C.F.R. §385.214](#) (2011), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, [18 C.F.R. §385.214\(d\)](#) (2011), the Commission will grant NYAPP's and NYTOs' and Multiple Intervenors' late-filed motions to intervene given their interests in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

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12. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, [18 C.F.R. §385.213\(a\)\(2\)](#) (2011), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept NYISO's and the NYTOs' and Multiple Intervenors' answers because the answers have provided information that assisted us in our decision-making process.

#### **IV. Protest and Comments**

13. IPPNY contends that the Commission should reject the October 14, 2011 Filing and asserts that the proposed revisions will result in a 40 percent increase in allocation of NYISO Operating Costs to suppliers without any justification for the change in allocations. IPPNY states that NYISO does not satisfy NYISO's burden of establishing that the proposed change in allocation of Operating Costs is just and reasonable. IPPNY states that prior to B&V conducting the B&V Study, NYISO produced no indication that the 80 percent/20 percent allocation was no longer just and reasonable. IPPNY also asserts that, in the period between 2004 and 2011, there have been no significant changes in the types of costs incurred by NYISO in the administration of its tariff and no significant changes in the allocation of its resources. IPPNY similarly asserts that there have been no major changes to the market design in this period. IPPNY adds that the revised allocation of NYISO Operating Costs would be essentially immediate, without any phase-in or other mechanism to temper the severity of the shift in costs. IPPNY contends that, under the proposed cost allocation, certain suppliers under long-term bilateral contracts have no mechanism to recover these substantial cost increases.<sup>7</sup>

14. Similarly, IPPNY asserts that NYISO has failed to show that the B&V Study reaches a just and reasonable result with respect to the proposed change to the current cost allocation. IPPNY objects to the B&V Study's second proposed method for allocating unassigned costs, under which the costs are split evenly between load and supply, and states that B&V provided no support for adopting this second approach. IPPNY asserts that applying this second alternative approach resulted in an unsupportable overall cost allocation between load and suppliers of 63 percent/37 percent and that, because B&V used this cost allocation as the lower end of range of allocation results, the B&V Study arrives at a 72 percent/28 percent mid-point within a fictitious zone of reasonableness. IPPNY argues that while the B&V Study claims its second approach bounds the limit of a reasonable cost allocation, the resulting cost allocation proposed in this proceeding is not just and reasonable on its own merits or as it stands in comparison to other ISOs/RTOs.

15. IPPNY further states that NYISO's reliance on comparable ISO allocations is selective and flawed and that NYISO has incorrectly claimed its proposed change in cost allocation is within the range of the cost allocation applied by other ISOs/RTOs. IPPNY states that NYISO's conclusion that the 72 percent/28 percent split for

Operating Costs is within the range of proxy ISOs is selective and does not address the full analysis of all ISO/RTO regions that B&V included in its B&V Study. For example, IPPNY points out that NYISO does not include in its range Southwest Power Pool or the Electric Reliability Council of Texas, regions in which the ISO/RTO operating costs are allocated 100 percent to load. Additionally, IPPNY notes that NYISO ignores certain significant differences between NYISO and other ISOs/RTOs, which limits their usefulness as comparisons. IPPNY also notes that NYISO offers no justification that it is just and reasonable to allocate Commission fees using the same 72 percent/28 percent allocation as recommended for other costs. IPPNY contends that none of the other ISOs/RTOs except CAISO allocate Commission fees to suppliers.<sup>8</sup>

16. IPPNY also argues that NYISO has failed to demonstrate that the fundamental differences between NYISO's previous cost allocation study, conducted by R.J. Rudden Associates, Inc. (Rudden),<sup>9</sup> and the B&V Study are warranted. In particular, IPPNY asserts that there are significant differences between the two studies with respect to the identification and allocation of directly assignable costs. IPPNY protests that the B&V Study does not provide an adequate justification for the difference between its method for assigning direct and shared costs among load and suppliers and the method used in the Rudden Study.

17. In their initial comments, NYTOs and Multiple Intervenors support the proposal as a step in the right direction and as an acceptable resolution of the cost allocation issue. However, NYTOs believe that the B&V Study justifies an even greater shift in NYISO Operating Costs from load to suppliers. NYTOs and Multiple Intervenors contend that moving towards a more equitable sharing of NYISO Operating Costs is one of the most effective ways to ensure that the size of NYISO's budget is reasonable relative to the functions it is required to perform. NYTOs and Multiple Intervenors assert that such a shift would make the

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market participants who cause the NYISO to expend resources directly responsible for paying for those expenditures. NYTOs and Multiple Intervenors believe such effect is a sound policy basis for the shift in cost allocation.

18. New York State Public Service Commission also supports NYISO's proposed tariff revisions. NYPSC states that the proposed cost allocation is adequately supported by the B&V Study and is within the zone of reasonableness compared with other ISO/RTO regions.

## **V. Answers**

19. NYISO, NYTOs, and Multiple Intervenors contest IPPNY's claim that NYISO does not satisfy its burden to establish the proposed cost allocation is just and reasonable. NYISO, NYTOs, and Multiple Intervenors assert that NYISO's tariff has no material change prerequisite to an adjustment to the cost allocation. NYISO asserts that the conduct of the B&V Study, and NYISO's subsequent proposed revisions, is consistent with section 6.1.2.3 of Rate Schedule 1, which establishes the process by which shareholders vote to initiate a new study of the allocation of NYISO's Operating Costs and, if warranted by the results of the study, revise the cost allocation. Specifically, NYISO notes that, in accordance with the requirements in section 6.1.2.3(i), 67.75 percent of the stakeholder Management Committee voted on July 21, 2010 to initiate a new study. NYISO adds that following extensive discussions of the study results among NYISO, stakeholders, and B&V, approximately two-thirds of NYISO stakeholders and the NYISO Board determined that changes to the cost allocation were warranted and approved the proposed cost allocation as just and reasonable. NYTOs and Multiple Intervenors note that IPPNY and all other stakeholders had a full and fair opportunity to provide input and raise concerns. In addition, NYTOs and Multiple Intervenors note that IPPNY provided no evidence for its conclusion that there have been no significant changes in NYISO expenditures or markets since 2004.

20. NYISO, NYTOs, and Multiple Intervenors assert that IPPNY mischaracterizes the section 205 standard by contending that the revised cost allocation should be considered based on whether NYISO has documented the differences between the results of the B&V Study and NYISO's previous Rudden Study, rather than based

on whether NYISO's proposed cost allocation is just and reasonable. NYISO also states that nothing in section 6.1.2.3 of Rate Schedule 1 requires the new study to revisit the results of a previous study or justify any departures from a previous study's methodologies. NYISO adds that IPPNY has provided no basis for the Commission to find that the B&V Study is flawed or that the proposed cost allocation is not just and reasonable.

21. NYTOs and Multiple Intervenors assert that IPPNY failed to demonstrate that NYISO's proposed revision to its cost allocation is unjust and unreasonable. NYTOs and Multiple Intervenors add that while the allocation to supply is somewhat higher than in neighboring ISOs/RTOs, such difference does not render the proposed cost allocation unreasonable. NYTOs and Multiple Intervenors similarly assert that the fact that some ISOs/RTOs allocate 100 percent of Commission fees to load does not mean that the allocation of a portion of those fees to supply is a violation of the just and reasonable standard. NYTOs and Multiple Intervenors contend that IPPNY failed to provide any substantive basis for its conclusion that NYISO's proposed cost allocation violates the just and reasonable standard. NYTOs and Multiple Intervenors state that the affidavit by David W. Segal, which IPPNY submitted in support of its contention that the NYISO's revised cost allocation violates the section 205 just and reasonable standard, provides no information, analysis or other substantive support for its contention and should be accorded no weight. NYTOs and Multiple Intervenors note that cost allocation methodologies for ISOs/RTOs are still evolving and assert that the Commission should permit ISOs/RTOs to continue to develop their cost allocation methodologies without mandating a single uniform methodology.

22. NYTOs and Multiple Intervenors also respond to IPPNY's protest that the proposed cost allocation would essentially go into immediate effect. NYTOs and Multiple Intervenors assert that the revision does not warrant any type of phase-in, because all affected market participants have been on notice for several years that the rate was subject to change, as expressly stated in the NYISO OATT, and the actual shift in cost responsibility is very moderate.

23. Responding to IPPNY's claim that the B&V Study is flawed and cannot be used to demonstrate that the proposed revision is just and reasonable, NYTOs and Multiple Intervenors assert that the conclusions and recommendation in the B&V Study are reasonable and based on extensive review and independent professional analysis. NYTOs and Multiple Intervenors state that IPPNY provides no evidence of any errors in the B&V analysis regarding unassigned costs and assert that there is no basis for concluding that the B&V Study's independent analysis of directly and indirectly assigned costs is not reasonable.

24. In response to IPPNY's protest of the B&V Study's second proposed method for allocating unassigned costs, NYTOs and Multiple Intervenors respond that it was reasonable for B&V to use the two scenarios for the treatment of unassigned costs as the upper and lower bounds of a reasonable allocation between load and supply and to recommend that the allocation be near the midpoint between the two scenarios. NYTOs and Multiple Intervenors point out that the B&V Study determined that for a significant portion of unassigned costs, a reasonable argument could be made for either an allocation according to directly assigned costs or on a 50 percent/50 percent basis. NYTOs and Multiple Intervenors note B&V's

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conclusion that "[s]ince an argument can rationally be made for allocating either way, and that decision has a large impact on the outcome of the study, it made sense to compare the results both ways."<sup>10</sup>

25. In response to IPPNY's assertion that the proposed cost allocation will shift costs to certain suppliers with long-term bilateral contracts that will be unable to recover the cost increases, NYISO states that such suppliers have been on notice since 2004 that NYISO would from time to time study and adjust the cost allocation. NYISO points out that in 2009, a substantial majority of NYISO stakeholders voted to revise section 6.1.2.3 of Rate Schedule 1 to provide that stakeholders would vote annually on whether NYISO should conduct a study and, if warranted, adjust the allocation of Operating Costs.<sup>11</sup>

## VI. Commission Determination

26. We will accept NYISO's proposed revisions, effective January 1, 2012, as requested. We find that NYISO has complied with the tariff's requirements, by procuring an independent, expert consultant to conduct a thorough study of the cost allocation issue upon achieving at least a 58 percent vote from the Management Committee to conduct a study and, following review and comment by Market Participants, by reflecting the results of that study in its proposed revised cost allocations. NYISO contends that 67.75 percent of the stakeholder Management Committee voted pursuant to section 6.1.2.3 of the OATT to initiate a new study of the allocations of NYISO's Operating Costs.<sup>12</sup> We note that NYISO's proposed tariff revisions were approved by the Management Committee by majority vote of 67.03 percent and by a majority vote of the NYISO Board of Directors.<sup>13</sup> Accordingly, in recognition that cost allocation determinations involve expert opinion, which may vary among experts depending in some measure on which Market Participant they represent, we find that the tariff leaves the determination of NYISO Operating Cost allocation to an independent consultant with no stake in the outcome. Therefore, we will not address alternate opinions or arguments respecting the details or relative merits of the particular analyses of the consultant here. We will, however, address below certain issues that the protests raise regarding the filing requirements imposed by the FPA and NYISO's tariff.

27. IPPNY argues that NYISO produced no indication that its current allocation is no longer just and reasonable. IPPNY also suggests that, since 2004, there have been no significant changes in the types of costs NYISO incurs, the allocation of NYISO's resources, or in market design that would warrant a change in the allocation of NYISO costs. In the November 15, 2004 cost allocation order, the Commission ordered NYISO to review the cost allocation ratios at the end of 2008 to ensure that they are still just and reasonable.

<sup>14</sup> Accordingly, in December 2008, NYISO concluded that no significant market changes had occurred since 2005 to require a review of the allocation at that time.<sup>15</sup> In 2009, NYISO established a specific stakeholder process to determine when to review and, if warranted by the review, to modify the allocation going forward, which NYISO has complied with here.

28. Specifically, section 6.1.2.3 of Rate Schedule 1 currently states that the current cost allocation methodology shall remain unchanged through at least December 31, 2011, and shall continue to remain unchanged until such time that a study is conducted and the results of the study warrant changing the cost allocation. The section states that a positive vote of 58 percent is required to go forward with the study and contains no "material change" standard. We therefore find that the tariff does not require a substantial change to the NYISO market design to support a change in cost allocation. Further, the FPA only requires that the filing entity, NYISO, show that its proposed change is just and reasonable; it has no obligation to show that the existing rate is unjust or unreasonable. By showing that it has fully complied with its tariff, NYISO has made the required showing. Therefore, we reject IPPNY's argument that NYISO has the burden to prove that its current allocation is no longer just and reasonable. We also find that NYISO's tariff does not require a phase-in period to temper what IPPNY alleges is the severity of the new cost allocation, and we will not order such a phase-in here.

29. IPPNY argues that NYISO has failed to demonstrate that the fundamental differences between the Rudden Study and the B&V Study are warranted and that the B&V Study reaches a just and reasonable result with respect to the proposed change to the current cost allocation. In particular, IPPNY argues that there are significant differences with respect to the direct allocation of costs. The Commission finds that because the B&V [62,543]

Study and its recommendation are based on the independent consultant's thorough review and professional analysis, the requirements of the tariff have been satisfied. In particular, the study conducted by B&V involved an extensive review of NYISO's operating costs to determine specific cost assignments between load and supply as well as an upper and lower bound of operating costs for shared services attributable to both load and supply. In addition, the study identified operating costs associated with non-physical transactions. B&V's analysis of NYISO's operating costs involved: 1) a thorough review of NYISO's operating cost data for the period 2007 through 2010; 2) interviews with NYISO management to obtain information pertaining to NYISO's services and cost centers; 3) conducting mini-sector meetings to obtain additional feedback and identify concerns; and

4) consulting with other RTOs and ISOs to provide feedback to the stakeholders on operating cost allocation methods employed in other regions. Nothing in NYISO's tariff requires that the current study be an update of or include a comparison to previously conducted studies. NYISO's Board of Directors found that "B&V was commissioned to conduct a new and independent cost allocation study of the NYISO's annual operating costs; its charge was not to consider or update the results of the Rudden study."<sup>16</sup> B&V provides a very thorough, detailed study and analysis with sufficient justification of their recommendations. We therefore reject IPPNY's protest that NYISO has failed to demonstrate that the B&V Study reaches a just and reasonable result.

30. Finally, we reject IPPNY's argument that NYISO's reliance on other RTO/ISO allocations and methodologies is selective and flawed. This argument rests on the opinions of David W. Segal in the affidavit attached to IPPNY's protest and reflects a difference of opinion from those of the independent consultant in the B&V Study. The recommendations in the B&V Study are based on the independent consultant's extensive review and professional analysis and, therefore, satisfy the tariff's requirements.

**The Commission orders:**

NYISO's proposed revisions to its OATT are hereby accepted to become effective January 1, 2012.

**Footnotes**

- 1 [16 U.S.C. §824d](#) (2000).
- 2 NYISO October 14, 2011 Filing at 2; see NYISO, *Rate Schedule 1 Study Final Report* (July 2011), available at <[http://www.nyiso.com/public/webdocs/committees/mc/meeting\\_materials/2011-07-27/agenda\\_05\\_072711\\_Final\\_Report\\_RS1\\_Study.pdf](http://www.nyiso.com/public/webdocs/committees/mc/meeting_materials/2011-07-27/agenda_05_072711_Final_Report_RS1_Study.pdf)>.
- 3 *Id.* at 6.
- 4 *Id.* at 7.
- 5 *Id.* at 8.
- 6 Multiple Intervenors is an unincorporated association of approximately 55 large industrial, commercial, and institutional energy consumers with manufacturing and other facilities located throughout New York State.
- 7 IPPNY November 4, 2011 Protest at 2.
- 8 IPPNY November 4, 2011 Protest at 15.
- 9 The Commission accepted NYISO's former 85 percent/15 percent allocation in *New York Independent System Operator, Inc.*, [100 FERC ¶61,315](#) (2002). When the Commission accepted NYISO's 85 percent/15 percent allocation, the Commission encouraged NYISO to study whether the 85/15 allocation was appropriate for the long term. *NYISO*, 100 FERC ¶61,315 at P 13. Consequently, NYISO states, it engaged Rudden to study the appropriateness of the 85 percent/15 percent allocation between load and suppliers (Rudden Study). NYISO October 14, 2011 Filing at 4. NYISO adds that following the completion of the Rudden Study, NYISO and its stakeholders negotiated the current allocation of NYISO's Operating Costs that assigns 80 percent to load and 20 percent to suppliers. *Id.*
- 10 NYTOs and Multiple Intervenors November 21, 2011 Answer at 8 (citing B&V Study at 49).
- 11 *Citing New York Independent System Operator, Inc.*, Proposed Tariff Revisions Regarding the Recovery of Certain Charges Assessed under the Appropriate Schedules of Its Open-Access Transmission Tariff and Its Market Administration and Control Area Services Tariff, Docket No. ER09-971-000 (April 8, 2009); *citing also New York Independent System Operator, Inc.*, Docket No. ER09-971-000 (May 15, 2009) (delegated letter order).
- 12 NYISO November 23, 2011 Answer at 2.

- 13 NYISO October 14, 2011 Filing at 2.
- 14 *New York Independent System Operator, Inc .*, [109 FERC ¶61,161](#) (2004).
- 15 NYISO October 14, 2011 Filing at 4 (citing NYISO's "Rate Schedule 1 Allocation" presentation at the December 3, 2008, Management Committee meeting at: <[http://www.nyiso.com/public/webdocs/committees/mc/meeting\\_materials/2008-12-03/agenda\\_04\\_Pres\\_re\\_RS1\\_unbundling\\_v2.pdf](http://www.nyiso.com/public/webdocs/committees/mc/meeting_materials/2008-12-03/agenda_04_Pres_re_RS1_unbundling_v2.pdf)>).
- 16 IPPNY November 4, 2011 Protest, Attachment II at 3 (NYISO Board of Directors' Decision on appeal of the Management Committee's July 27, 2011, Decision to Approve a Modified Rate Schedule 1 Cost Recovery Allocation).



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October 14, 2011

**By Electronic Delivery**

Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street N.E.  
Washington, D.C. 20426

**Re: New York Independent System Operator, Inc.'s Proposed Tariff Revisions  
Regarding the Allocation of Its Operating Costs Among Market Participants;  
Docket No. \_\_\_\_\_**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,<sup>1</sup> the New York Independent System Operator, Inc. (“NYISO”) hereby submits proposed revisions to Rate Schedule 1 of its Open Access Transmission Tariff (“OATT”). The NYISO proposes to revise Section 6.1.2 of Rate Schedule 1 to change the allocation among NYISO market participants of the NYISO’s budgeted annual operating costs and Commission-assessed regulatory fees (“Operating Costs”) and to maintain this new allocation for a period of at least five years.<sup>2</sup> As described below, the proposed allocation is a reasonable and equitable distribution of the NYISO’s Operating Costs among market participants.

Section 6.1.2 of Rate Schedule 1 of the OATT establishes the method by which the NYISO allocates its Operating Costs among market participants. The NYISO currently recovers 80% of its Operating Costs from market participants that physically withdraw energy in New York (“Loads”) and 20% from market participants that physically supply energy in New York (“Suppliers”). The NYISO then rebates back to Loads and Suppliers on an 80/20 basis a portion of its Operating Costs that the NYISO separately recovers from market participants that engage in virtual transactions, that purchase Transmission Congestion Contracts (“TCCs”), that are

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<sup>1</sup> 16 U.S.C. § 824d.

<sup>2</sup> Capitalized terms that are not otherwise defined herein shall have the meaning specified in Article 1 of the OATT and Article 2 of the Market Administration and Control Area Services Tariff (“Services Tariff”).

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Special Case Resources (“SCRs”),<sup>3</sup> or that participate in the Emergency Demand Response Program (“EDRP”).<sup>4</sup> With this rebate amount included, the current cost allocation among market participants is approximately 75% to Loads, 19% to Suppliers, and 6% to market participants that engage in virtual transactions, purchase TCCs, are SCRs, or are EDRP participants.

In July 2010, a majority of NYISO stakeholders voted pursuant to a specific stakeholder process set forth in Section 6.1.2.3 of Rate Schedule 1 to undertake a new, independent study of the NYISO’s allocation of its Operating Costs. The NYISO worked with its stakeholders to identify the scope of the study and selected Black & Veatch (“B&V”) as a consultant to perform the study. B&V reviewed the study parameters and interim results with stakeholders and issued a final study report in July 2011 (“B&V Study”). The study process is described in detail in Section IV.B of this filing. Based on the B&V Study results and extensive discussions with stakeholders, the NYISO proposes to revise Section 6.1.2 of Rate Schedule 1 to replace the current allocation by which Loads pay 80% and Suppliers pay 20% of the Operating Costs with a new allocation by which Loads pay 72% and Suppliers pay 28%.<sup>5</sup> In addition, the NYISO proposes to update the rates that are used to calculate the portion of the Operating Costs paid by market participants engaging in non-physical transactions, SCRs, and EDRP participants. The NYISO proposes that the new cost allocation be maintained for a period of at least five years.

The proposed tariff revisions were approved by the Management Committee with an affirmative vote of 67.03% on July 27, 2011, and by the NYISO Board of Directors (“Board”) on September 21, 2011.

### **I. List of Documents Submitted**

The NYISO submits the following documents:

1. This filing letter;
2. The Executive Summary of the Black & Veatch Study (“Attachment I”);
3. The NYISO Board’s Decision Regarding an Appeal of the Management Committee Vote (“Attachment II”);

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<sup>3</sup> Special Case Resources (“SCR”) are “Demand Side Resources capable of being interrupted upon demand, and Local Generators, rated 100 kW or higher, that are not visible to the ISO’s Market Information System and that are subject to special rules, set forth in Section 5.12.11.1 of this ISO Services Tariff and related ISO Procedures, in order to facilitate their participation in the Installed Capacity market as Installed Capacity Suppliers.” Services Tariff, Article 2.

<sup>4</sup> The NYISO Emergency Demand Response Program (“EDRP”) is “a program pursuant to which the ISO makes payments to Curtailment Service Providers that voluntarily take effective steps in real time, pursuant to ISO procedures, to reduce NYCA demand in Emergency conditions.” Services Tariff, Article 2.

<sup>5</sup> The current 80/20 allocation and proposed 72/28 allocation discussed in this filing describe the allocation of the Operating Costs to Loads and Suppliers prior to the NYISO’s distribution of any rebate amount recovered from market participants that engage in virtual transactions, purchase TCCs, are SCRs, or are EDRP participants.

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4. A clean version of the proposed revisions to the OATT (“Attachment III”); and
5. A blacklined version of the proposed revisions to the OATT (“Attachment IV”).

## **II. Copies of Correspondence**

Copies of correspondence concerning this filing should be served on:

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## **III. Service List**

The NYISO will send an electronic link to this filing to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, and to the New Jersey Board of Public Utilities. In addition, the complete public version of this filing will be posted on the NYISO’s website at [www.nyiso.com](http://www.nyiso.com).

## **IV. Description of Proposed Revisions**

### **A. Development of the NYISO’s Current Allocation of its Operating Costs Among Market Participants**

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<sup>6</sup> The NYISO respectfully requests waiver of 18 C.F.R. § 385.203(b)(3) (2008) to permit service on counsel for the NYISO in both Washington, D.C. and Richmond, VA.

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When it began operation in 1999, the NYISO recovered its Operating Costs entirely from Load. On June 1, 2002, the NYISO adjusted this allocation to recover 85% of its Operating Costs from Load and 15% from Suppliers.<sup>7</sup> When it accepted this re-allocation, the Commission encouraged the NYISO to study whether the 85/15 allocation was appropriate for the long term.<sup>8</sup> Shortly thereafter, the NYISO contracted with a consultant, R.J. Rudden Associates, Inc. (“Rudden”), to examine the appropriateness of the 85/15 allocation. Following the completion of the Rudden study, the NYISO and its stakeholders negotiated a new allocation of the Operating Costs that took effect on January 1, 2005, assigning 80% to Load and 20% to Suppliers.<sup>9</sup> Section 6.1.2.2 of Rate Schedule 1 of the OATT establishes this 80/20 allocation.

The 80/20 allocation was initially set for a term of five years – through December 31, 2009.<sup>10</sup> Pursuant to Rate Schedule 1 of the OATT, the NYISO was required to review the 80/20 allocation during the fourth quarter of 2008 and to determine whether significant market changes had occurred since 2005 to merit a review of the allocation.<sup>11</sup> In December 2008, the NYISO concluded that no significant market changes had occurred since 2005 to require a review of the 80/20 allocation at that time.<sup>12</sup> The NYISO then proposed on April 8, 2009, and the Commission accepted on May 15, 2009, a two year extension of the 80/20 allocation – through December 31, 2011 – and the establishment of a specific stakeholder process to determine when to review and, if warranted by the review, to modify the allocation going forward.<sup>13</sup> The stakeholder process expressly removed the requirement that the NYISO identify a significant market change as a prerequisite for reviewing or modifying the existing allocation of the Operating Costs. Instead, the stakeholder process – as set forth in Section 6.1.2.3 of Rate Schedule 1 of the OATT – requires that the Management Committee vote in the third calendar quarter of 2010 on whether a new study should be conducted. If changes to the allocation are warranted by the new study, the NYISO is required to seek FERC acceptance of a revised allocation for a January 1, 2012, effective date. An affirmative vote of at least 58% is required to initiate a study. As described below, 67.75% of the Management Committee voted on July 21, 2010 to undertake a new study.

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<sup>7</sup> See *New York Independent System Operator, Inc.*, 100 FERC ¶ 61,315 (2002) (accepting the 85/15 allocation with a June 1, 2002, effective date).

<sup>8</sup> *Id.* at P. 13.

<sup>9</sup> See *New York Independent System Operator, Inc.*, 109 FERC ¶ 61,161 (2004) (accepting the 80/20 allocation with a January 1, 2005, effective date).

<sup>10</sup> See *id.*

<sup>11</sup> The NYISO described the review requirement in its 2004 filing proposing the 80/20 allocation. *New York Independent System Operator Inc.*, Filing of Tariff Revisions to Modify Recovery of Certain Charges Assessed under Rate Schedule 1 of its Open-Access Transmission Tariff and Market Administration and Control Area Services Tariff, Docket No. ER04-1229-000, at p. 6 (September 15, 2004).

<sup>12</sup> See the NYISO’s “Rate Schedule 1 Allocation” presentation at the December 3, 2008, Management Committee meeting at: [http://www.nyiso.com/public/webdocs/committees/mc/meeting\\_materials/2008-12-03/agenda\\_04\\_Pres\\_re\\_RS1\\_unbundling\\_v2.pdf](http://www.nyiso.com/public/webdocs/committees/mc/meeting_materials/2008-12-03/agenda_04_Pres_re_RS1_unbundling_v2.pdf).

<sup>13</sup> See *New York Independent System Operator, Inc.*, Proposed Tariff Revisions Regarding the Recovery of Certain Charges Assessed under the Appropriate Schedules of Its Open-Access Transmission Tariff and Its Market Administration and Control Area Services Tariff, Docket No. ER09-971-000 (April 8, 2009); see also Commission letter order, Docket No. ER09-971-000 (May 15, 2009).

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In addition to recovering the Operating Costs from Load and Suppliers, the NYISO began on January 1, 2010, to recover a portion of the Operating Costs from market participants that engage in virtual transactions, purchase TCCs, are SCR, or participate in the EDRP.<sup>14</sup> Specifically, pursuant to Section 6.1.2.4.1 of Rate Schedule 1, a market participant that engages in virtual transactions pays the product of a set rate and its total cleared virtual transactions each billing period. Similarly, pursuant to Section 6.1.2.4.2 of Rate Schedule 1, a market participant that purchases TCCs pays the product of a set rate and the number of TCCs it holds each billing period. The initial rates used for these calculations were set for calendar year 2010 through discussions among the NYISO and its stakeholders, using similar rates applied by PJM Interconnection and the Midwest Independent System Operator as benchmarks. As set forth in Section 6.1.2.4.4 of Rate Schedule 1, these rates are re-set each July for the following year based on that year's projected annual revenue requirement for virtual transactions and TCCs and market activity, adjusted for under-or-over collection in the prior year. In addition, pursuant to Section 6.1.2.4.3 of Rate Schedule 1, a market participant that is an SCR or an EDRP participant pays a charge for Operating Costs that is the product of its Load reduction and the rate applied to Suppliers in connection with physical transactions, which is calculated using the current 20% allocation to Suppliers.<sup>15</sup>

Pursuant to Section 6.1.2.5 of Rate Schedule 1, the NYISO rebates all of the revenues that it collects through the non-physical, SCR, and EDRP charges to Loads and Suppliers each billing period on an 80/20 basis.<sup>16</sup> With this rebate amount included, the current cost allocation of the NYISO's Operating Costs among market participants is approximately 75% to Loads, 19% to Suppliers, and 6% to market participants that engage in virtual transactions, purchase TCCs, are SCR, or are EDRP participants.

## **B. Performance of a New, Independent Cost Allocation Study**

On July 21, 2010, 67.75% of the Management Committee voted pursuant to Section 6.1.2.3 of Rate Schedule 1 to undertake a new, independent study of the allocation of the NYISO's Operating Costs. Pursuant to the requirements in Section 6.1.2.3, the NYISO discussed the scope of the study with stakeholders at the August 2010 and September 2010

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<sup>14</sup> See *New York Independent System Operator, Inc.*, Proposed Tariff Revisions to Allocate a Portion of Rate Schedule 1 Charges to Non-Physical Market Transactions, to Special Case Resources, and to Emergency Demand Response Program Participants and Request for Shortened Comment Period and for Expedited Action, Docket No. ER10-95-000 (October 23, 2009); see also Commission letter order, Docket No. ER10-95-000 (December 12, 2009).

<sup>15</sup> The rate is calculated by multiplying 20% by the NYISO's annual budgeted costs in the current calendar year, and dividing this amount by the estimated Withdrawal Billing Units for all Transmission Customers for the current calendar year.

<sup>16</sup> Because the amount that the NYISO recovers from non-physicals, SCR, and EDRPs changes from year to year due to changes in market activity, the NYISO initially recovers 100% of its Operating Costs from Loads (80%) and Suppliers (20%) to ensure the full recovery of its Operating Costs. The NYISO then rebates to Loads and Suppliers the amounts that it recovers from non-physicals, SCR, and EDRPs.

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Billing & Priorities Working Group (“BPWG”) meetings. The NYISO then undertook an RFP process and selected B&V as the consultant to perform the study.

Between January and June 2011, B&V met with the BPWG to discuss study parameters and interim study results. As part of this process, B&V: (i) created a survey for market participants to identify priorities, (ii) conducted mini-sector meetings to obtain additional feedback and identify concerns, (iii) reviewed NYISO cost data for the 2007-2010 historical periods, as well as for the 2011 budget year, and (iv) conducted interviews with members of NYISO management regarding the NYISO’s various services and cost centers. B&V also consulted with representatives of other RTO/ISOs, reviewed other RTO/ISO tariffs and regulatory filings, and provided stakeholders with a summary of the respective RTO/ISO rate recovery mechanisms and methodologies.

The B&V Study was completed in July 2011. The B&V Study identified the assorted costs included in the Operating Costs and developed two allocation scenarios that established an upper and lower bound of a reasonable allocation. Specifically, B&V directly assigned specific Operating Costs to Loads and Suppliers, where possible, and then used two different methodologies for assigning those costs associated with “shared services” that are attributable to both Loads and Suppliers. The difference in the allocation of the “shared services” costs set the upper and lower bounds of a reasonable cost allocation. The B&V Study recommended that the NYISO replace the current 80/20 allocation between Loads and Suppliers with a new allocation at the midpoint of these upper and lower bounds. Under this new allocation, Load would be responsible for 72% of the Operating Costs, and Suppliers would be responsible for 28%. When the charges associated with non-physical transactions, SCRs, and EDRP participants are included, the allocation would be approximately 67% for Load, 27% for Suppliers, and 6% for market participants engaging in non-physical transactions, SCRs, and EDRP participants. The Executive Summary of the B&V Study describing its findings is enclosed as Attachment I to this submission.

### **C. Proposed Allocation of Operating Costs Among Market Participants**

Based on the results of the independent B&V Study and extensive discussions with stakeholders, the NYISO proposes to replace the 80/20 allocation with a new allocation of 72/28. Given the difficulty in precisely attributing costs associated with shared services to a particular category of market participants, B&V’s analysis necessarily involved a degree of professional judgment. However, the NYISO believes that B&V exercised its judgment in a rational and equitable manner and that its proposed 72/28 allocation constitutes a reasonable and equitable allocation of the Operating Costs between Loads and Suppliers. In addition, the 72/28 allocation falls well within the range of cost allocations used in other RTO/ISO regions. While the 28% assigned to Suppliers is somewhat higher than the percentage used by certain RTO/ISOs, it is lower than the 33% assigned to Suppliers under the California Independent System Operator’s recently revised cost allocation.

The NYISO also proposes to update the rates used to calculate the portion of its Operating Costs charged to a market participant that engages in non-physical transactions (i.e.,

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virtual transactions or TCCs) in accordance with the findings in the B&V Study. As discussed above, the initial 2010 rates for calculating the Operating Costs charged to a market participant that engages in non-physical transactions were determined by the NYISO and stakeholders based on the best data then available to them, which were the rates applied for similar services by PJM Interconnection and the Midwest Independent System Operator. The rates for each year following 2010 are derived from these initial rates. The B&V Study provided an independent, NYISO-specific determination of the Operating Costs attributable to market participants engaging in non-physical transactions. For this reason, the NYISO proposes to apply updated rates for 2012 based on the data determined by the B&V Study.

In addition, the NYISO proposes to adjust the rate used to calculate the Operating Costs charged to market participants that are SCRs or EDRP participants. As described above, this rate corresponds to the rate applied to Suppliers, and will be similarly revised to replace the current 20% allocation to Suppliers with the proposed 28% allocation.

The NYISO proposes to maintain the new cost allocation for a period of at least five years. A set five year period will provide NYISO market participants with a level of certainty regarding their responsibility for the Operating Costs. Moreover, the Commission has previously accepted a five year term as it provides budget stability.<sup>17</sup> The NYISO proposes to continue to use the existing stakeholder process in Section 6.1.2.3 of Rate Schedule 1, with updated dates, to determine when to review and, if necessary, modify the 72/28 allocation going forward.

#### **D. Approval of Proposed Cost Allocation through NYISO Stakeholder Process**

On July 27, 2011, the Management Committee considered the NYISO's proposed tariff revisions. The Management Committee approved the proposals by an affirmative vote of 67.03%. One stakeholder - the Independent Power Producers of New York ("IPPNY") – appealed the Management Committee decision to the Board. IPPNY argued that the B&V Study contained significant deficiencies and that the resulting cost allocation would adversely impact Suppliers. After careful consideration, the Board denied IPPNY's appeal, finding that the proposed costs allocation is a reasonable and equitable allocation of the Operating Costs among NYISO market participants, which will result in relatively modest additional costs to Suppliers and which falls well within the range of other RTO/ISOs' cost allocations. The Board's Decision is enclosed as Attachment II to this submission. On September 21, 2011, the Board approved the NYISO's proposed tariff revisions.

### **V. Proposed Tariff Revisions**

#### **A. Proposed 72/28 Allocation of Operating Costs**

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<sup>17</sup> See *New York Independent System Operator, Inc.*, 109 FERC ¶ 61,161, at P. 20 (2004).

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The NYISO proposes to revise the formula in Section 6.1.2.2 of Rate Schedule 1 of the OATT for calculating a Load or Supplier's payment each billing period for the Operating Costs to replace “.2” and “.8” in the formula with “.28” and “.72.” In addition, the NYISO proposes to revise the formula in Section 6.1.2.5 of Rate Schedule 1 of the OATT for rebating to a Load or Supplier the Operating Costs recovered from market participants engaging in non-physical transactions, SCRs, and EDRP participants to replace “.2” and “.8” in the formula with “.28” and “.72.”

**B. Updated Stakeholder Process for Review and Modification of Allocation of Operating Costs**

Section 6.1.2.3 of Rate Schedule 1 of the OATT establishes the process for stakeholders to vote to review and, if warranted by the review, to modify the current 80/20 allocation. The NYISO proposes to revise Section 6.1.2.3 to continue to apply the stakeholder process for the review and modification of the cost allocation of the NYISO's Operating Costs going forward. Specifically, the NYISO proposes to replace the references in Section 6.1.2.3 to the 80/20 allocation with references to the 72/28 allocation. In addition, the NYISO proposes to update the dates in Section 6.1.2.3. Under the revised provisions, the 72/28 allocation will be maintained for a period of at least five years – through at least December 31, 2016. The Management Committee will hold a vote in the third quarter of 2015 to determine whether a study should be undertaken to review the 72/28 allocation. If the Management Committee votes by 58% to undertake a new study, a study will be performed in late 2015 through 2016, with the NYISO requesting that FERC accept any modifications to the 72/28 allocation to become effective on January 1, 2017. If the Management Committee votes against undertaking a study, the Management Committee will hold a vote each year until it requests that a study be performed. However, in subsequent years, a vote of 58% of the Management Committee will be required to decline to undertake a study.

**C. Proposed Modifications to the Allocation of Operating Costs to Market Participants Engaging in Non-Physical Transactions, SCRs, and EDRP Participants**

Sections 6.1.2.4.1 and 6.1.2.4.2 of Rate Schedule 1 of the OATT contain the formulas for calculating the portion of the NYISO's Operating Costs charged to a market participant that engages in virtual transactions or purchases TCCs. As discussed above, the NYISO proposes to set the rates in these formulas for calendar year 2012 based on the recent determinations made in the B&V Study. Specifically, the NYISO proposes to revise the rate and annual revenue requirement data set forth in Sections 6.1.2.4.1 and 6.1.2.4.2. The NYISO proposes to specify that for 2012 the rate applied to a market participant engaging in virtual transactions will be \$0.0871 per cleared virtual transaction in the billing period, based on a projected annual revenue requirement in 2012 of \$2.6 million. In addition, the NYISO proposes to specify that for 2012 the rate applied to a market participant purchasing TCCs will be \$0.0372 for each TCC held during the billing period, based on a projected annual revenue requirement in 2012 of \$4.9 million.

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These proposed rates for calendar year 2012 will replace the currently posted rates for 2012 that the NYISO calculated in July 2011 in accordance with the rate re-set requirements in Section 6.1.2.4.4 of Rate Schedule 1 and that are derived from the initial 2010 rates. The NYISO will start the rate re-set process in Section 6.1.2.4.4, including any over or under collection amounts, anew, using the new 2012 annual revenue requirement amounts proposed in this filing as the starting point for post-2012 rate re-sets.

In addition, Section 6.1.2.4.3 of Rate Schedule 1 of the OATT contains the formula for calculating a SCR or EDRP participant's charge for a portion of the NYISO's Operating Costs. As discussed above, the rate for this formula is the same rate applied in Section 6.1.2.2 to Suppliers in connection with physical transactions, which is being revised from 20% to 28%. For this reason, the NYISO proposes to revise the formula in Section 6.1.2.4.3 to replace ".2" with ".28."

#### **VI. Effective Date**

The NYISO respectfully requests a January 1, 2012, effective date for the proposed tariff revisions, so that the proposed cost allocation will take effect on the date set forth in Section 6.1.2.3 of Rate Schedule 1 of the OATT.

#### **VII. Conclusion**

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept the proposed tariff changes identified in this filing.

Respectfully submitted,

/s/ Ted J. Murphy

Ted J. Murphy

Counsel for

New York Independent System Operator, Inc.

cc: Michael A. Bardee  
Gregory Berson  
Connie Caldwell  
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Jignasa Gadani  
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Jeffrey Honeycutt  
Michael Mc Laughlin  
Kathleen E. Nieman  
Daniel Nowak  
Rachel Spiker

# Attachment I

## EXECUTIVE SUMMARY

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NEW YORK INDEPENDENT SYSTEM OPERATOR  
RATE SCHEDULE 1 STUDY

### 1.0 EXECUTIVE SUMMARY

The purpose of this report is to provide Black & Veatch's independent observations and recommendations related to the following:

- The identification of an unbundled list of products or services provided by the NYISO that might be separately priced based on costs and benefits
- The use of a 2011 budget year and a five-year average from 2007 – 2011 as test periods to develop a cost of service study that determines cost functionalization, classification and allocation for each service or product identified
- The evaluation of the current split of costs between load and supply to determine if that split remains reasonable based on the cost of service study test
- The evaluation of the robustness of the current cost study based analysis of historical years costs
- The identification of appropriate billing determinants for unbundled products or services
- The development of proposed rate or rates for the recovery of NYISO costs currently recovered under RS-1
- Rate structures and cost recovery methodologies used by other RTO/ISO
- The final recommendation related to use of an unbundled rate schedule or continuation with the current RS-1 rate with or without modification of the cost split between load and generation.

After considerable analysis and scenario-testing, we found that while there were different results associated with each of a number of alternative allocation scenarios, the effective cost splits between load generation, supply, and non-physical fell between 75% / 19% / 6% and 60% / 34% / 6%. When excluding the non-physical market allocation, the effective load/supply split of these scenarios is 80% / 20% and 63% / 37%. In our opinion, and for reasons discussed in the report, each of the scenarios bounds the upper and lower limit of what is a reasonable cost allocation based on the principles of cost causation and benefits received. The midpoint of the two cost studies is 67% / 27% / 6%. When excluding the non-physical market transactions, the effective split between load and supply (using the midpoint of the two scenarios) is 72% / 28%.

Black and Veatch recommends that the RS-1 rate continue to be billed on a bundled basis, with a percentage split of costs among load, supply, and non-physical markets approximately equal to the midpoint between the results of the two cost studies. The current procedure of rebating all revenue collected from non-physical markets to physical injections and withdrawals on a monthly basis is appropriate for continued use. The ratio of the rebate between load and supply should be the ratio that results from this study. We further recommend that a true up provision be added to the rate that assures timely recovery of the actual budget dollars approved for each year including any approved adjustments to the budget resulting from extraordinary circumstances. We reach this conclusion as discussed in detail below based on the input of stakeholders and NYISO Staff; a review of RTO/ISO cost recovery mechanisms; an independent cost of service analysis for the 2011 budget test year and a five-year average test period; and other factors discussed in detail in the report. We believe the cost of service results are robust based on the historic annual costs for the NYISO.

Finally, as we discuss in this report, there is no single definitive cost of service study scenario that we have relied on for our conclusions. Generally, we have directly assigned costs wherever possible and then used two different methods for allocation of shared service costs to bound the outcomes of our cost of service work. This resulted in the two afore-mentioned scenarios. Ultimately, if bundled rates are to be continued, we recommend a change from the current 80/20 split to a split that is at or around the midpoint

## EXECUTIVE SUMMARY

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NEW YORK INDEPENDENT SYSTEM OPERATOR  
RATE SCHEDULE 1 STUDY

of 72/28. We find that the upper and lower bounds of the studies represent the limits of what would be reasonable, and therefore recommend a split near the midpoint as a reasonable settling point.

While Black & Veatch supports the continued use of a bundled rate for the recovery of Rate Schedule 1, we also have presented the unbundled rates that would be implemented, should the NYISO and the Market Participants choose to do so. The recommended unbundled rates are shown in Table 5-11, and represent the midpoint of the two cost studies.

Based on the results of the cost allocation study, we recommend that FERC expenses be allocated in the same ratio of load, supply, and non-physical. We reach this conclusion based on the fact that FERC expenses represent a corporate overhead expense that, had they been included in the budget used for our cost of service study, would have been shared in an approximately similar proportion to the results of the overall study.

## Attachment II

**NYISO BOARD OF DIRECTORS' DECISION**  
**ON**  
**APPEAL OF THE MANAGEMENT COMMITTEE'S JULY 27, 2011, DECISION TO APPROVE A**  
**MODIFIED RATE SCHEDULE 1 COST RECOVERY ALLOCATION**

**SEPTEMBER 28, 2011**

**INTRODUCTION**

The Independent Power Producers of New York, Inc. ("IPPNY") filed an appeal of the Management Committee's ("MC") actions on July 27, 2011, recommending that the New York Independent System Operator ("NYISO") Board of Directors ("Board") file revisions to Rate Schedule 1 of the NYISO Open Access Transmission Tariff ("OATT") pursuant to Section 205 of the Federal Power Act ("FPA"). The proposed tariff amendments would modify the current ratio for allocating the NYISO's annual operating costs between market participants that physically withdraw energy ("Loads") and market participants that physically supply energy ("Suppliers"). Specifically, the amendments would replace the current allocation ratio by which Loads pay 80% and Suppliers pay 20% of the NYISO's annual operating costs with a new ratio by which Loads pay 72% and Suppliers pay 28%. Three motions in opposition to IPPNY's appeal were submitted.<sup>1</sup> The Board heard oral arguments on this matter on September 21, 2011.

For the reasons set forth below, the Board denies IPPNY's appeal and directs NYISO management to file the tariff revisions recommended by the MC with the Federal Energy Regulatory Commission ("FERC") pursuant to Section 205 of the FPA.

**BACKGROUND**

NYISO stakeholders have developed a specific process set forth in Rate Schedule 1 of the OATT for reviewing and modifying the allocation of the NYISO's annual operating costs among market participants. Pursuant to this process, NYISO stakeholders approved a motion in July 2010 requesting that the NYISO conduct a new study of the NYISO's annual operating costs and how these costs should be allocated among market participants. After issuing an RFP and considering several candidates with utility cost-of-service expertise, the NYISO retained Black & Veatch ("B&V") to perform the study ("Study").

Stakeholders in the MC's Budget & Priorities Working Group ("BPWG") thoroughly reviewed and vetted the scope, parameters, and results of the B&V Study. Between January and June 2011, B&V met with the BPWG to discuss study parameters and results. Based on communications with representatives of other RTO/ISOs and a review of their tariffs and regulatory filings, B&V provided market participants with a

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<sup>1</sup> Motions in opposition were filed (i) by the New York State Department of Public Service Staff; (ii) jointly by Multiple Intervenors and the City of New York; and (iii) jointly by Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation d/b/a National Grid, Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corporation, the Long Island Power Authority, and the New York Power Authority.

summary of the respective RTO/ISOs' rate recovery mechanisms and methodologies. B&V then (i) created a survey for market participants to identify priorities, (ii) conducted mini-sector meetings to get additional feedback and identify concerns, (iii) reviewed NYISO cost data for 2007-2010 historical periods as well as the 2011 budget year, and (iv) conducted interviews with members of NYISO management regarding NYISO's various services and cost centers. The B&V Study recommended a change in the cost allocation from an 80/20 split between Loads and Suppliers to a 72/28 split.<sup>2</sup> In July 2011, the MC considered, and a majority of its members (67.03%) affirmatively voted to approve, a proposal by NYISO management to implement B&V's recommendations and modify the allocation of the NYISO's annual operating costs to adopt the 72/28 split.

On August 10, 2011, IPPNY appealed the MC's actions approving the revised cost allocation. IPPNY argues that the B&V Study contains significant deficiencies that have not been addressed and that the new cost allocation resulting from this Study will have significant adverse impacts on Suppliers. IPPNY alleges that the proposed allocation would harm Suppliers selling under long-term bilateral contracts because those Suppliers cannot increase their offer prices to account for the additional costs in the way that Suppliers selling into the spot markets can. In addition, IPPNY argues that the revised cost allocation increases the costs assigned to Suppliers participating in the NYISO markets beyond the percentages assigned to Suppliers that participate in adjoining RTO/ISOs. Finally, IPPNY asserts that the increased allocation of the NYISO's annual operating costs would cause Suppliers in New York to increase their offer prices, thereby skewing the evaluation of imports from adjoining regions by artificially making them appear economic. IPPNY requests that the Board remand the matter to the BPWG for further review. Alternatively, IPPNY requests a three-year phase in period, with a supplemental study to be conducted during that time.

On August 16 and 17, 2011, three parties filed motions in opposition to IPPNY's appeal. The opposing parties argue that the appeal should be denied because the new cost allocation is reasonable and supported by the analysis and data in the new, independent B&V Study. They assert that the deficiencies IPPNY alleges in the B&V Study are not deficiencies, but rather conclusions with which IPPNY disagrees. The opposing parties also argue that the new cost allocation is reasonable as it falls within the range of allocations used by other RTO/ISOs. Finally, the opposing parties argue that the impact on Suppliers will be minimal and fair given the extent of the NYISO's activities that are focused on Supplier-related matters.

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<sup>2</sup> The NYISO's current rate design for the recovery of its annual operating costs allocates 80% of the costs to Loads that physically withdraw energy and 20% of the costs to Suppliers that physically supply energy. The NYISO also recovers a small percentage of its annual operating costs from market participants that participate in non-physical market activity. To accomplish this, the NYISO recovers a tariff-specified amount from market participants that participate in non-physical market activity (Virtual Transactions and Transmission Congestion Contracts), the Special Case Resource program, and the Emergency Demand Response program. The NYISO then rebates the amount collected above 100% of the NYISO's annual operating costs to Loads and Suppliers using the same 80/20 ratio. The cost allocation percentages stated in this decision describe the percentages for allocating the NYISO's annual operating costs to Loads and Suppliers, and the percentage for allocating the rebate to Loads and Suppliers.

## BOARD DECISION

We deny IPPNY's appeal. Absent a compelling showing that the revised cost allocation is improper or unreasonable, we are reluctant to overturn the MC's decision.<sup>3</sup> The MC's proposal is consistent with a specific tariff-based process established by NYISO stakeholders to review and, if warranted, modify, NYISO's Rate Schedule 1 allocation. For the reasons set forth below, we conclude that IPPNY has not adequately supported its assertions that the B&V Study was flawed or that the resulting 72/28 cost allocation is improper.

IPPNY argues that the B&V Study is flawed because it does not provide adequate justification for certain findings in its study that are different from findings in a previous study of the NYISO's operating costs and cost allocation conducted in 2004 by R.J. Rudden & Associates ("Rudden"). However, B&V was commissioned to conduct a new and independent cost allocation study of the NYISO's annual operating costs; its charge was not to consider or update the results of the Rudden study. All Stakeholders had ample opportunity to review and provide input on the scope and parameters of the B&V Study, which was a more rigorous examination of NYISO costs than the Rudden Study performed seven years ago.<sup>4</sup> B&V's analysis necessarily involved a degree of professional judgment which we believe B&V exercised rationally and equitably. The MC properly based its proposed cost allocation upon B&V's new, independent determination.

Similarly, IPPNY argues that there have been no "material" changes to the NYISO market design since 2004 that would justify revising the current cost allocation. In determining this appeal, however, we need not reach the issue of whether material changes have occurred. The NYISO tariffs do not require that there be a material change to the NYISO market design to support a change in the cost allocation. While Rate Schedule 1 previously required that there be a finding of a material change in the NYISO markets prior to studying a revised cost allocation, NYISO stakeholders amended Rate Schedule 1 in 2009 to establish the current process in which the tariff simply calls for a revision to the allocation of costs if "warranted by the results of the study." In accordance with the tariff, NYISO Staff determined, and a majority of the MC agreed, that a revised cost allocation was warranted by the results of the B&V Study.

IPPNY asserts that the proposed allocation would adversely impact Suppliers selling under long-term bilateral contracts, because these Suppliers may not be able to recover the additional costs under the terms of their agreements. In contrast, Suppliers selling into the markets can increase their offer prices by the amount of the revised allocation. It is important to put this increased cost into perspective. Based on NYISO's \$150 million budget for 2010, the proposed cost allocation would allocate an additional \$12 million of the NYISO's annual budget among all Suppliers, with a commensurate decrease to Loads. This translates into less than two-tenths of one percent of the NYISO's

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<sup>3</sup> During oral argument both sides stated their view that the NYISO governance process, including the Board's role reviewing the MC's actions, is working.

<sup>4</sup> The prior allocation of 80/20 was the result of a negotiated consensus among market participants following the review of the Rudden Study.

2010 total market volume of \$7 billion. Furthermore, we note that IPPNY, along with all market participants, has been on notice since 2004 that the NYISO would from time to time study and potentially adjust the allocation of its annual operating costs. It appears to us that all parties have had ample opportunity to plan for a reallocation of Rate Schedule 1 and attempt to account for potential rate increases in their commercial arrangements. Indeed, Appellants acknowledged during oral argument that the increased cost to suppliers with bilateral agreements was not significant.

IPPNY also argues that the revised cost allocation increases the share borne by Suppliers participating in the NYISO markets beyond the percentages applied to Suppliers in adjoining RTO/ISOs. A review of other RTOs' and ISOs' tariff provisions reveals that the proposed 72/28 split is well within the range of cost allocations used in other regions. While this amount is somewhat higher than the range used by certain RTO/ISOs, it is lower than the 33% borne by Suppliers under CAISO's recently revised cost allocation. Moreover, it is difficult to reconcile IPPNY's argument with its own proposal at the July MC meeting to adopt the 72/28 allocation after a three year phase-in period.

IPPNY also objects to funding a portion of the NYISO's FERC annual fees, noting that certain RTO/ISOs allocate FERC annual fees 100% to Loads. However, IPPNY fails to offer any substantive justification for its position that these costs should be allocated solely to Loads in New York or to explain why it is only now raising this issue after almost a decade of sharing these costs.

Finally, IPPNY asserts that an increased allocation of the NYISO's annual budget would cause Suppliers to increase their offer prices, thereby skewing the evaluation of imports from adjoining regions by artificially making them appear economic. This concern is unfounded. An increase in the allocation of the NYISO's annual operating costs to Suppliers would not distort the economic evaluation of imports from adjoining regions because the same cost allocation will be applied to both internal generator sales and import sales. All energy injections into the NYCA, including imports, are subject to the same allocation of the NYISO's annual operating costs. As a result, energy that is purchased from generators within the NYCA is treated the same as energy imported from another region. NY generators are not disadvantaged by the modified cost allocation. Both imports and internal generation will be assessed the 28% of the NYISO's annual operating costs allocated to Suppliers.

For the reasons discussed above, we deny the appeal. IPPNY has failed to demonstrate that the revised 72/28 cost allocation is improper or unreasonable or that the process by which it was developed was materially flawed. We are not convinced that further efforts to reach a consensus among stakeholders would be productive at this point, as several attempts facilitated by the NYISO have already failed. Relative to Suppliers' total market revenues, we do not believe that the relatively modest additional costs to be assigned to Suppliers must be phased in over time, especially as Suppliers have been on notice of a potential change for over five years. We believe the B&V Study is sound and the MC's proposal is reasonable.

# Attachment III

## **6.1 Schedule 1 - ISO Annual Budget Charge and Other Non-Budget Charges and Payments**

### **6.1.1 Introduction**

The ISO shall bill each Transmission Customer each Billing Period to recover the ISO's annual budgeted costs as set forth in Article 6.1.2 of this Rate Schedule 1.

The ISO shall separately bill each Transmission Customer under this Rate Schedule 1 for certain other charges and payments not related to the ISO annual budget charge. Specifically, the ISO shall bill each Transmission Customer on a quarterly basis to recover NERC and NPCC charges as set forth in Article 6.1.3 of this Rate Schedule 1. The ISO shall also bill each Transmission Customer each Billing Period to recover the following costs or allocate the following received payments under this Rate Schedule 1:

- (i) bad debt loss charges as set forth in Article 6.1.4;
- (ii) Working Capital Fund charges as set forth in Article 6.1.5;
- (iii) non-ISO facilities payment charges as set forth in Article 6.1.6;
- (iv) charges to recover costs for payments made to Suppliers pursuant to incremental cost recovery for units that responded to Local Reliability Rules I-R3 and I-R5 as set forth in Article 6.1.7;
- (v) charges to recover and payments to allocate residual costs as set forth in Article 6.1.8;
- (vi) charges for Special Case Resources and Curtailment Service Providers called to meet reliability needs as set forth in Article 6.1.9;
- (vii) charges to recover DAMAP costs as set forth in Article 6.1.10;

- (viii) charges to recover Import Curtailment Guarantee Payment costs as set forth in Article 6.1.11;
- (ix) charges to recover Bid Production Cost guarantee payment costs as set forth in Article 6.1.12;
- (x) charges to recover and payments to allocate settlements of disputes as set forth in Article 6.1.13; and
- (xi) payments to allocate financial penalties collected by the ISO as set forth in Article 6.1.14.

Transmission Customers who are retail access customers being served by an LSE shall not pay these charges to the ISO; the LSE shall pay these charges.

#### **6.1.2 ISO Annual Budget Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the ISO's recovery of its annual budgeted costs. The ISO annual budgeted costs that are recoverable through this Rate Schedule 1 are set forth in Section 6.1.2.1 of this Rate Schedule 1. The ISO shall calculate the charge for the recovery of these ISO annual budgeted costs from each Transmission Customer on the basis of its participation in physical market activity as indicated in Section 6.1.2.2 of this Rate Schedule 1. The ISO shall calculate this charge for each Transmission Customer on the basis of its participation in non-physical market activity, the Special Case Resource program, and the Emergency Demand Response program as indicated in Section 6.1.2.4 of this Rate Schedule 1. The ISO shall credit the revenue collected through Section 6.1.2.4 of this Rate Schedule 1 to each Transmission Customer on the basis of its physical market activity as indicated in Section 6.1.2.5 of this Rate Schedule 1.

### **6.1.2.1 ISO Annual Budgeted Costs**

The ISO annual budgeted costs to be recovered through Article 6.1.2 of this Rate Schedule 1 include, but are not limited to, the following costs associated with the operation of the NYS Transmission System by the ISO and the administration of the ISO Tariffs and ISO Related Agreements by the ISO:

- Processing and implementing requests for Transmission Service including support of the ISO OASIS node;
- Coordination of Transmission System operation and implementation of necessary control actions by the ISO and support for these functions;
- Performing centralized security constrained dispatch to optimally re-dispatch the NYS Power System to mitigate transmission Interface overloads and provide balancing services;
- Costs related to the ISO's administration and operation of the LBMP market and all other markets administered by the ISO;
- Costs related to the ISO's administration of Control Area Services;
- Costs related to the ISO's administration of the ISO's Market Power Mitigation Measures and the ISO's Market Monitoring Plan;
- Costs related to the maintenance of reliability in the NYCA;
- Costs related to the provision of Transmission Service;
- Preparation of settlement statements;
- NYS Transmission System studies, when the costs of the studies are not recoverable from a Transmission Customer;
- Engineering services and operations planning;
- Data and voice communications network service coordination;
- Metering maintenance and calibration scheduling;
- Record keeping and auditing;
- Training of ISO personnel;

- Development and maintenance of information, communication and control systems;
- Professional services;
- Carrying costs on ISO assets, capital requirements and debts;
- Tax expenses, if any;
- Administrative and general expenses;
- Insurance premiums and deductibles related to ISO operations;
- Any indemnification of or by the ISO pursuant to Section 2.11.2 of this ISO OATT or Section 12.4 of the Services Tariff;
- Regulatory fees; and
- The ISO's share of the expenses of Northeast Power Coordinating Council, Inc. or its successor.

#### **6.1.2.2 Calculation of the ISO Annual Budget Charge for Transmission Customers Participating in Physical Market Activity**

The ISO shall charge, and each Transmission Customer that participates in physical market activity shall pay, an ISO annual budget charge each Billing Period as calculated according to the following formula.

$$\text{ISO Annual Budget Charge}_{c,P} = \left( \text{InjectionUnits}_{c,P} \times \left( 0.28 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right) \right) + \left( \text{WithdrawalUnits}_{c,P} \times \left( 0.72 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right) \right)$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

ISO Annual Budget Charge<sub>c,P</sub> = The amount, in \$, of the ISO annual budgeted costs for which Transmission Customer c is responsible for Billing Period P.

$ISOCosts_{Annual}$  = The sum, in \$, of the ISO's annual budgeted costs for the current calendar year.

$InjectionUnits_{c,P}$  = The Injection Billing Units, in MWh, for Transmission Customer c in Billing Period P.

$WithdrawalUnits_{c,P}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer c in Billing Period P.

$TotalEstWithdrawalUnits_{Annual}$  = The sum, in MWh, of estimated Withdrawal Billing Units for all Transmission Customers in the current calendar year as determined by the ISO in the summer prior to the current calendar year.

### **6.1.2.3 Review and Modification of the ISO Annual Budget Charge Allocation Methodology**

The current 72%/28% cost allocation methodology between Withdrawal Billing Units and Injection Billing Units for the ISO annual budget charge shall remain unchanged through at least December 31, 2016 and shall continue to remain unchanged until such point in time that a study is conducted and the results of the study warrant changing the 72%/28% cost allocation. The following provisions prescribe the process and timeline for the review and, if warranted by the results of a future study, modification of the 72%/28% cost allocation on a going forward basis:

- (i) A vote of the Management Committee will be taken in the third calendar quarter of 2015 on whether a new study should be conducted during late-2015 and 2016 to allow modification of the 72%/28% cost allocation, if warranted by the results of the study, to be implemented by January 1, 2017. A positive vote by 58% of the Management Committee will be required to go forward with the study, but there will no longer be a "material change" standard as was historically applied to the determination of whether a study should be conducted.

- (ii) If the Management Committee vote discussed in (i) above determines that a study should not be conducted, the 72%/28% cost allocation between Withdrawal Billing Units and Injection Billing Units shall be extended through at least December 31, 2017. In the third calendar quarter of 2016, a vote will be taken on whether a new study should be conducted during late-2016 and 2017 to allow modification of the percentage allocation, if warranted by the results of the study, to be implemented by January 1, 2018. Unless a 58% vote of the Management Committee is registered in favor of declining to go forward with the study, the study will be conducted.
- (iii) If the Management Committee vote in the third calendar quarter of 2016 discussed in (ii) above determines that a study should not be conducted, the current 72%/28% cost allocation shall remain unchanged until such point in time as the Management Committee determines that a study shall be conducted and the results of that study warrant changing the percentage allocation between Withdrawal Billing Units and Injection Billing Units. If the Management Committee vote in the third calendar quarter of 2016 discussed in (ii) above determines that a study should not be conducted, the Management Committee will revisit the issue of conducting a study annually in the third calendar quarter of each year using the same voting standard (*i.e.* the study shall be performed unless 58% of the Management Committee votes not to commission the study) that was applied to the Management Committee vote in the third calendar quarter of 2016 discussed in (ii) above.
- (iv) If, and when, the Management Committee determines a study shall be conducted:

- (a) Such study shall be completed, and the results thereof shared with Market Participants, before the end of the second calendar quarter of the year prior to the date on which a possible change to the then current allocation may become effective; and
- (b) The ISO will present a draft study scope to Market Participants for consideration and comment before the ISO issues the study scope as part of its Request For Proposal process to retain a consultant to perform the study. A meeting shall be held with Market Participants to discuss the components (*e.g.*, categories of costs considered, allocation of benefits, unbundling, etc.) that should be included in the draft study scope before the draft is issued by the ISO.

**6.1.2.4 Calculation of the ISO Annual Budget Charge for Transmission Customers Participating in Non-Physical Market Activity, the Special Case Resource Program, or the Emergency Demand Response Program**

**6.1.2.4.1 Charge for Transmission Customers Engaging in Virtual Transactions**

The ISO shall charge, and each Transmission Customer that has its virtual bids accepted and thereby engages in Virtual Transactions shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$VTCharge_{c,P} = VTRate \times VTCleared_{c,P}$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

$VTCharge_{c,P}$  = The amount, in \$, for which Transmission Customer c is responsible for Billing Period P.

VTRate = For calendar year 2012, the applicable rate shall be \$0.0871 per cleared MWh of Virtual Transactions, based on a \$2.6 million projected 2012 annual revenue

requirement. For calendar years following 2012, the applicable rate shall be calculated in accordance with the formula set forth in Section 6.1.2.4.4 of this Rate Schedule 1.

$VTCleared_{c,P}$  = The total cleared Virtual Transactions, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

#### **6.1.2.4.2 Charge for Transmission Customers Purchasing Transmission Congestion Contracts**

The ISO shall charge, and each Transmission Customer that purchases Transmission Congestion Contracts - excluding Transmission Congestion Contracts that are created prior to January 1, 2010 - shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$TCCCharge_{c,P} = TCCRate \times TCCSettled_{c,P}$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$TCCCharge_{c,P}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for Billing Period  $P$ .

$TCCRate$  = For calendar year 2012, the applicable rate shall be \$0.0372 per settled MWh of Transmission Congestion Contracts, based on a \$4.9 million projected 2012 annual revenue requirement. For calendar years following 2012, the applicable rate shall be calculated in accordance with the formula set forth in Section 6.1.2.4.4 of this Rate Schedule 1.

$TCCSettled_{c,P}$  = The total settled Transmission Congestion Contracts, excluding Transmission Congestion Contracts created prior to January 1, 2010, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

#### **6.1.2.4.3 Charge for Transmission Customers Participating in the Special Case Resource Program or Emergency Demand Response Program**

The ISO shall charge, and each Transmission Customer that participates in the ISO's Special Case Resources program or its Emergency Demand Response program shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$\text{SCR and EDR Charge}_{c,P} = \text{DRInjections}_{c,P} \times \left( 0.28 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right)$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$\text{SCR and EDR Charge}_{c,P}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for Billing Period  $P$ .

$\text{DRInjections}_{c,P}$  = The total Load reduction, in MWh, measured and compensated during testing or an actual event for Transmission Customer  $c$  in Billing Period  $P$ .

$\text{ISOCosts}_{\text{Annual}}$  = The sum, in \$, of the ISO's annual budgeted costs in the current calendar year.

$\text{TotalEstWithdrawalUnits}_{\text{Annual}}$  = The sum, in MWh, of estimated Withdrawal Billing Units for all Transmission Customers in the current calendar year as determined by the ISO in the summer prior to the current calendar year.

#### **6.1.2.4.4 Re-setting of Rate for Virtual Transaction and Transmission Congestion Contracts Related Charges**

For each calendar year after calendar year 2012, the ISO shall use the following formula to calculate (i) the rate for the charge to Transmission Customers engaging in Virtual Transactions as determined in Section 6.1.2.4.1 of this Rate Schedule 1, and (ii) the rate for the charge to Transmission Customers purchasing Transmission Congestion Contracts as determined in Section 6.1.2.4.2 of this Rate Schedule 1.

$$\text{ResetRate} = \frac{\text{AnnRevRequirement} - \text{Over/UnderCollection}}{\text{3YearRollingAvgBillUnits}}$$

Where:

ResetRate = For each calendar year after calendar year 2012, this rate will be used for either (i) the VTRate in the formula in Section 6.1.2.4.1 of this Rate Schedule 1, or (ii) the TCCRRate in the formula in Section 6.1.2.4.2 of this Rate Schedule 1.

AnnRevRequirement = The product, in \$, of (i) the prior year's annual revenue requirement for either (A) Virtual Transaction market activity or (B) Transmission Congestion Contract market activity, and (ii) an escalation factor. The ISO shall calculate the escalation factor as the percentage change in the ISO budget between (i) the ISO budget for the calendar year two years prior to the current calendar year ("Calendar Year Minus 2") and (ii) the ISO budget for the calendar year one year prior to the current calendar year ("Calendar Year Minus 1").

Over/Under Collection = The ISO shall calculate the amount, in \$, that it has over or under collected for the prior year's annual revenue requirement for either (A) Virtual Transaction market activity or (B) Transmission Congestion Contract market activity, as the case may be, as follows: (i) The ISO shall divide the annual revenue requirements for the applicable market activity for Calendar Year Minus 2 and for Calendar Year Minus 1 into twelve equal monthly revenue requirements for each of these calendar years. (ii) The ISO shall then calculate the amount of revenue, in \$, that it over or under collected for each of the months from July of Calendar Year Minus 2 through June of Calendar Year Minus 1, which shall be calculated as (a) the revenue amount, in \$, that the ISO collected for each month for the applicable market activity, minus (b) the monthly revenue requirement, in \$, for that month as determined above. If the result of this calculation is positive, then the ISO overcollected for that month. If the result of this calculation is negative, then the ISO undercollected for that month. (iii) The ISO shall then calculate the total over or under collection amount, in \$, for the period of July of Calendar Year Minus 2 through June of Calendar Year Minus 1, which shall be equal to (a) the sum, in \$, of the revenue that the ISO overcollected for each month during this period (i.e., the sum of the positive monthly results determined above), minus (b) the sum, in \$, of the absolute value of the revenue that the ISO undercollected for each month during this period (i.e., the sum of the absolute value of the negative monthly results determined above).

3YearRollingAvgBillUnits = The ISO shall calculate the three year rolling average of billing units, in MWh, using twelve-month averages of the appropriate billing units for the period between July of the calendar year four years prior to the current calendar year ("Calendar Year Minus 4") and June of Calendar Year Minus 1.

The annual rate computed through the formula in this Section 6.1.2.4.4 shall be subject to a 25% maximum increase or decrease for each year.

### 6.1.2.5 Credit for Transmission Customers Participating in Physical Market Activity

The ISO shall distribute each Billing Period the revenue collected pursuant to Section 6.1.2.4 of this Rate Schedule 1 to each Transmission Customer that participates in physical market activity as calculated according to the following formula.

$$\text{ISO Annual Budget Credit}_{c,P} = \left( \text{NonPhysicalActivityRevenue}_P \times \left( 0.28 \times \frac{\text{InjectionUnits}_{c,P}}{\text{TotalInjectionUnits}_P} \right) \right) + \left( \text{NonPhysicalActivityRevenue}_P \times \left( 0.72 \times \frac{\text{WithdrawalUnits}_{c,P}}{\text{TotalWithdrawalUnits}_P} \right) \right)$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$\text{ISO Annual Budget Credit}_{c,P}$  = The amount, in \$, that Transmission Customer  $c$  will receive for Billing Period  $P$ .

$\text{NonPhysicalActivityRevenue}_P$  = The sum, in \$, of the revenue collected by the ISO for Billing Period  $P$  through the charges to Transmission Customers for non-physical market activity, the Special Cases Resource program, and the Emergency Demand Response program as calculated in Section 6.1.2.4 of this Rate Schedule 1.

$\text{InjectionUnits}_{c,P}$  = The Injection Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

$\text{WithdrawalUnits}_{c,P}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

$\text{TotalInjectionUnits}_P$  = The sum, in MWh, of Injection Billing Units for all Transmission Customers in Billing Period  $P$ .

$\text{TotalWithdrawalUnits}_P$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in Billing Period  $P$ .

### 6.1.3 NERC and NPCC Charges

The ISO receives an invoice from NERC and NPCC (as defined below) on a quarterly basis for the recovery of the upcoming calendar quarter's costs related to the dues, fees, and related charges of:

- (i) the NERC for its service as the Electric Reliability Organization for the United States ("ERO"), recovered pursuant to FERC Docket Nos. RM05-30-000, RR06-1-000 and RR06-3-000 and related dockets, and
- (ii) the Northeast Power Coordinating Council: Cross-Border Regional Entity, Inc. ("NPCC"), or its successors, incurred to carry out functions that are delegated by the NERC and that are related to ERO matters pursuant to Section 215 of the FPA.

The ISO shall charge on a quarterly basis, and each Transmission Customer taking service under the ISO Tariffs shall pay, a charge for the recovery of the NERC and NPCC costs in accordance with Section 6.1.3.1 of this Rate Schedule 1.

Notwithstanding any applicable provisions of this ISO OATT or of the ISO Services Tariff, the ISO may supply to NERC the name of any LSE failing to pay any amounts due to NERC and the amounts not paid.

#### 6.1.3.1 Calculation of NERC and NPCC Charges

The ISO shall charge, and each Transmission Customer shall pay, a charge on a quarterly basis to recover the NERC and NPCC costs invoiced to the NYISO by NERC and NPCC for the upcoming calendar quarter. This charge shall be calculated according to the following formula.

$$\text{NERC\&NPCC Charge}_{c,Q} = \text{NERC\&NPCC Costs}_Q \times \frac{\text{TUWithdrawalUnits}_{c,M}}{\text{TU TotalWithdrawalUnits}_M}$$

Where:

$c$  = Transmission Customer.

$Q$  = The relevant calendar quarter, for which the NERC and NPCC costs apply.

NERC&NPCC Charge $_{c,Q}$  = The amount of the NERC and NPCC costs invoiced to the ISO, in \$, for which Transmission Customer  $c$  is responsible for calendar quarter  $Q$ .

NERC&NPCCCosts $_Q$  = The NERC and NPCC costs, in \$, invoiced to the ISO for calendar quarter  $Q$ .

$M$  = The month in which the ISO charges Transmission Customers to recover NERC and NPCC costs for calendar quarter  $Q$ .

TUWithdrawalUnits $_{c,M}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in its four-month true-up invoice that is issued with its regular monthly invoice in month  $M$ , except for Withdrawal Billing Units for Wheels Through and Exports.

TUTotalWithdrawalUnits $_M$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in their four-month true-up invoices that are issued with their regular monthly invoices in month  $M$ , except for Withdrawal Billing Units for Wheels Through and Exports.

In calculating the Withdrawal Billing Units for this NERC and NPCC charge, the ISO shall use the LSE bus meter data that have been submitted by the meter authorities for use in the calculation of the four-month true-up of the Transmission Customer's monthly invoice pursuant to Sections 7.4.1.1.2 and 7.4.1.1.3 of the ISO Services Tariff and Sections 2.7.4.2.1(ii) and 2.7.4.2.1(iii) of this ISO OATT. This calculation of the NERC and NPCC charge shall not be subject to correction or adjustment.

#### **6.1.4 Bad Debt Loss Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the collection of costs related to bad debt losses in accordance with the methodology established in Attachment U of this ISO OATT.

### **6.1.5 Working Capital Fund Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the collection and maintenance of the Working Capital Fund in accordance with the methodology established in Attachment V of this ISO OATT.

### **6.1.6 Non-ISO Facilities Payment Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge in accordance with Section 6.1.6.1 of this Rate Schedule 1 for the recovery of the costs of the ISO's monthly payments to the owners of facilities that are needed for the economic and reliable operation of the NYS Transmission System. At present, the ISO makes such payments to:

- (i) Consolidated Edison Co. of New York, Inc. for the purchase, installation, operation, and maintenance of phase angle regulators at the Branchburg-Ramapo Interconnection between the ISO and PJM Interconnection, LLC, and
- (ii) Rochester Gas & Electric Corporation for the installation of a 135 MVAR Capacitor Bank at Rochester Station 80 on the cross-state 345 kV system.

#### **6.1.6.1 Calculation of Non-ISO Facilities Payment Charge**

##### **6.1.6.1.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a non-ISO facilities payment charge for each Billing Period. This charge shall be equal to the sum of the hourly non-ISO facilities payment charges for the Transmission Customer, as calculated according to the following formula, for each hour in the relevant Billing Period.

Non-ISO Facilities Payment Charge<sub>c,h</sub> =

$$\frac{\text{NonISOFacilitiesCosts}_M}{N} \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$M$  = The relevant month.

$h$  = A given hour in the relevant Billing Period in month  $M$ .

$N$  = Total number of hours  $h$  in month  $M$ .

Non-ISO Facilities Payment Charge $_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$ .

NonISOFacilitiesCosts $_M$  = The sum, in \$, of the ISO's bills for month  $M$  for the non-ISO facilities from (i) Consolidated Edison Co. of New York (less the one-half of such bill paid by PJM Interconnection, LLC) and (ii) Rochester Gas and Electric Corporation.

WithdrawalUnits $_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

TotalWithdrawalUnits $_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers.

#### **6.1.6.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT.**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a non-ISO facilities payment charge for each Billing Period. This charge shall be equal to the sum of the daily non-ISO facilities payment charges for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

Non-ISO Facilities Payment Charge $_{c,d}$  =

$$\frac{\text{NonISOFacilitiesCosts}_M}{N} \times \frac{\text{StationPower}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

d = A given day in the relevant Billing Period in month M.

N = Number of days d in month M.

StationPower<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, of Transmission Customer c used to supply Station Power as a third-party provider for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.6.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.6.1.2 shall be determined for day d.

#### **6.1.6.1.3 Non-ISO Facilities Payment Credit**

The ISO shall credit each Transmission Customer based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the non-ISO facilities payment charge under Section 6.1.6.1.2 of this Rate Schedule 1 for each Billing Period. This credit shall be equal to the sum of daily payments for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

Non-ISO Facilities Payment Credit<sub>c,d</sub> =

$$\text{NonISOFacPayCharge}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

d = A given day in the relevant Billing Period.

Non-ISO Facilities Payment Credit<sub>c,d</sub> = The amount, in \$, that Transmission Customer c will receive for day d.

$\text{NonISOFacPayCharge}_d$  = The sum of non-ISO facilities payment charges, in \$, for all Transmission Customers as calculated in Section 6.1.6.1.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.6.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.6.1.3 shall be determined for day d.

### **6.1.7 Charge to Recover Payments Made to Suppliers Pursuant to Incremental Cost Recovery for Units Responding to Local Reliability Rules I-R3 and I-R5**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a charge for the recovery of the costs of payments to Suppliers pursuant to the incremental cost recovery for units that responded to either (i) Local Reliability Rule I-R3 or (ii) Local Reliability Rule I-R5, as applicable, for each Billing Period. This charge shall be equal to the sum of the daily charges for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period. The ISO shall perform this calculation separately to recover as applicable either (i) the payment costs related to Local Reliability I-R3, or (ii) the payment costs related to Local Reliability Rule I-R5.

Local Reliability Rules Payment Recovery Charge $_{c,d}$  =

$$\text{LRRPayment}_d \times \frac{\text{TDWithdrawalUnits}_{c,d}}{\text{TDTotalWithdrawalUnits}_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

Local Reliability Rules Payment Recovery Charge $_{c,d}$  = The amount, in \$, for which Transmission Customer c is responsible for day d.

LRRPayment $_d$  - The amount, in \$, paid in day d to Suppliers pursuant to the incremental cost recovery for units that responded, as applicable, to either (i) Local Reliability Rule I-

R3 in the Consolidated Edison Transmission District or (ii) Local Reliability Rule I-R5 in the LIPA Transmission District.

$TDWithdrawalUnits_{c,d}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in day  $d$  in either (i) the Consolidated Edison Transmission District (in the case of Local Reliability Rule I-R3) or (ii) the LIPA Transmission District (in the case of Local Reliability Rule I-R5), except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$TDTotalWithdrawalUnits_d$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day  $d$  in either (i) the Consolidated Edison Transmission District (in the case of Local Reliability Rule I-R3) or (ii) the LIPA Transmission District (in the case of Local Reliability Rule I-R5), except for the Withdrawal Billing Units to supply Station Power as third-party providers.

### **6.1.8 Residual Costs Payment/Charge**

The ISO's payments for market transactions by Transmission Customers will not equal the ISO's payments to Suppliers for market transactions. Part of the difference consists of Day-Ahead Congestion Rent. The remainder comprises a residual adjustment, which the ISO shall calculate and each Transmission Customer shall receive or pay on the basis of its Withdrawal Billing Units. The most significant component of the residual adjustment is the residual costs payment or charge calculated in accordance with Section 6.1.8.1 of this Rate Schedule 1.

#### **6.1.8.1 Calculation of Residual Costs Payment/Charge**

##### **6.1.8.1.1 Transmission Customers Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a residual costs payment or a residual costs charge for each Billing Period. The payment or charge for the relevant Billing Period shall be equal to (i) the sum of the hourly residual costs payments for the Transmission Customer as calculated according to the following formula for each hour in the relevant Billing Period, minus (ii) the sum of the hourly residual costs charges for the

Transmission Customer as calculated in the following formula for each hour in the relevant Billing Period. If the result of this determination is positive, the ISO shall pay the Transmission Customer a residual costs payment for the relevant Billing Period. If the result of this determination is negative, the ISO shall charge the Transmission Customer a residual costs charge for the relevant Billing Period.

Residual Costs Payment/Charge<sub>c,h</sub> =

$$\left( \text{CustomerPayments}_h - \text{ISOPayments}_h \right) \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

Residual Costs Payment/Charge<sub>c,h</sub> = The amount, in \$, for hour h that Transmission Customer c will receive (if positive) or for which Transmission Customer c is responsible (if negative).

WithdrawalUnits<sub>c,h</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in hour h, except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

TotalWithdrawalUnits<sub>h</sub> = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour h, except for the Withdrawal Billing Units to supply Station Power as third-party providers.

CustomerPayments<sub>h</sub> = The ISO's receipts, in \$, for each hour h from Transmission Customers that equal the sum of the following components, which could be either positive or negative amounts:

- (i) payments of the Energy component and Marginal Losses Component of LBMP for Energy scheduled in the LBMP Market in hour h in the Day-Ahead Market;
- (ii) payments of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy purchased in the Real-Time LBMP Market for hour h that was not scheduled Day-Ahead;

- (iii) payments of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy by Suppliers that provided less Energy in the real-time dispatch for hour h than they were scheduled Day-Ahead to provide in hour h for the LBMP Market;
- (iv) the Marginal Losses Component of the TUC payments made in accordance with this ISO OATT for Bilateral Transactions that were scheduled in hour h in the Day-Ahead Market; and
- (v) the Marginal Losses Component and Congestion Component of the real-time TUC payments made in accordance with this ISO OATT for Bilateral Transactions that were not scheduled in hour h in the Day-Ahead Market.

$ISO\text{Payments}_h$  = The ISO's payments, in \$, in each hour h to Suppliers that equal the sum of the following components, which could be either positive or negative amounts:

- (i) payments of the Energy component and Marginal Losses Components of LBMP for Energy to Suppliers that were scheduled to provide in the LBMP Market in hour h in the Day-Ahead Market;
- (ii) payments to Suppliers of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy provided to the ISO in the Real-Time Dispatch for hour h that those Suppliers were not scheduled to provide Energy in hour h in the Day-Ahead Market;
- (iii) payments of the Energy component and Marginal Losses Component of LBMP for Energy to LSEs that consumed less Energy in the real-time dispatch than those LSEs were scheduled Day-Ahead to consume in hour h; and

- (iv) payments of the Marginal Losses Component and Congestion Component of the real-time TUC to Transmission Customers that reduced their Bilateral Transaction schedules for hour h after the Day-Ahead Market.

**6.1.8.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT.**

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a residual costs payment or a residual costs charge for each Billing Period. The payment or charge for the relevant Billing Period shall be equal to (i) the sum of the daily residual costs payments for the Transmission Customer as calculated according to the following formula for each day in the relevant Billing Period, minus (ii) the sum of the daily residual costs charges for the Transmission Customer as calculated in the following formula for each day in the relevant Billing Period. If the result of this determination is positive, the ISO shall pay the Transmission Customer a residual costs payment for the relevant Billing Period. If the result of this determination is negative, the ISO shall charge the Transmission Customer a residual costs charge for the relevant Billing Period.

Residual Costs Payment/Charge<sub>c,d</sub> =

$$\frac{(\text{CustomerPayments}_d - \text{ISOPayments}_d)}{\text{TotalWithdrawalUnits}_d} \times \text{StationPower}_{c,d}$$

Where:

d = A given day in the relevant Billing Period.

StationPower<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, of Transmission Customer c that it used to supply Station Power as a third-party provider for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.8.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.8.1.2 shall be determined for day d.

### 6.1.8.1.3 Residual Costs Adjustment

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a residual costs adjustment for each Billing Period. This adjustment shall be equal to the sum of the daily adjustments (positive and negative) for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period. If the summed amount is positive for the Billing Period, the ISO shall pay the Transmission Customer the adjustment amount. If the summed amount is negative for the Billing Period, the ISO shall charge the Transmission Customer the adjustment amount.

Residual Costs Adjustment<sub>c,d</sub> =

$$\text{ResidCharge/PaymentCosts}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

d = A given day in the relevant Billing Period.

Residual Costs Adjustment<sub>c,d</sub> = The amount, in \$, for day d that Transmission Customer c will receive (if positive) or for which Transmission Customer c is responsible (if negative).

ResidCharge/PaymentCosts<sub>d</sub> = (i) If Transmission Customers were responsible for a residual costs charge for day d pursuant to Section 6.1.8.1.2 of this Rate Schedule 1, the (positive) amount, in \$, of the costs that the ISO has collected through the residual costs charges for all Transmission Customers for day d. (ii) If Transmission Customers received a residual costs payment for day d pursuant to Section 6.1.8.1.2 of this Rate Schedule 1, the (negative) amount, in \$, of the revenue that the ISO has paid through the residual costs payments to all Transmission Customers for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.8.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.8.1.3 shall be determined for day d.

### **6.1.9 Recovery of Special Case Resources and Curtailment Services Providers Costs**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of Special Case Resources and Curtailment Service Providers costs for each Billing Period. This charge shall be equal to the sum of the hourly charges for the Transmission Customer, as calculated in Sections 6.1.9.1 and 6.1.9.2 of this Rate Schedule 1, for each hour in the relevant Billing Period and, where applicable, for each Subzone.

#### **6.1.9.1 Recovery of Costs for Payments for Special Case Resources and Curtailment Service Providers Called to Meet the Reliability Needs of a Local System**

Pursuant to this Section 6.1.9.1, the ISO shall recover the costs of payments to Special Case Resources and Curtailment Service Providers that were called to meet the reliability needs of a local system. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the Subzone for which the reliability services of the Special Case Resources and Curtailment Service Providers were called shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula for each Subzone.

Local Reliability SCR and CSP Charge<sub>c,h</sub> =

$$\text{LocalReliabilityCosts}_h \times \frac{\text{SZWithdrawalUnits}_{c,h}}{\text{SZTotalWithdrawalUnits}_h}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

Local Reliability SCR and CSP Charge<sub>c,h</sub> = The amount, in \$, for which Transmission Customer c is responsible for hour h for the relevant Subzone.

LocalReliabilityCosts<sub>h</sub> = The payments, in \$, for hour h in the relevant Subzone made to Suppliers for Special Case Resources and Curtailment Service Providers called to meet the reliability needs of that Subzone.

SZWithdrawalUnits<sub>c,h</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in hour h in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

SZTotalWithdrawalUnits<sub>h</sub> = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour h in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

#### **6.1.9.2 Recovery of Costs for Payments for Special Case Resources and Curtailment Service Providers Called to Meet the Reliability Needs of the NYCA**

Pursuant to this Section 6.1.9.2, the ISO shall recover the costs of payments to Special Case Resources and Curtailment Service Providers called to meet the reliability needs of the NYCA. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the NYCA shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula.

NYCA Reliability SCR and CSP Charge<sub>c,h</sub> =

$$\text{NYCAReliabilityCosts}_h \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

NYCA Reliability SCR and CSP Charge<sub>c,h</sub> = The amount, in \$, for which Transmission Customer c is responsible for hour h.

$NYCAReliabilityCosts_h$  = The payments, in \$, for hour h made to Suppliers for Special Case Resources and Curtailment Service Providers called to meet the reliability needs of the NYCA.

$WithdrawalUnits_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer c in hour h, except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$TotalWithdrawalUnits_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour h, except for the Withdrawal Billing Units to supply Station Power as third-party providers.

#### **6.1.10. Recovery of Day-Ahead Margin Assurance Payment Costs**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of DAMAP costs for each Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the charges and credits for the Transmission Customer, as calculated in Sections 6.1.10.1 and 6.1.10.2 of this Rate Schedule 1, for each hour or each day, as applicable, in the relevant Billing Period and for each Subzone, where applicable.

##### **6.1.10.1 Recovery of Costs of DAMAPs Resulting from Meeting the Reliability Needs of a Local System**

Pursuant to this Section 6.1.10.1, the ISO shall recover the costs for DAMAPs incurred to compensate Resources for meeting the reliability needs of a local system.

##### **6.1.10.1.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula for each Subzone.

$$\text{Local Reliability DAMAP Charge}_{c,h} = \text{DAMAPCosts}_h \times \frac{\text{SZWithdrawalUnits}_{c,h}}{\text{SZTotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

Local Reliability DAMAP Charge $_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$  for the relevant Subzone.

DAMAPCosts $_h$  = The DAMAP costs, in \$, for hour  $h$  in the relevant Subzone incurred to compensate Resources meeting the reliability needs of that Subzone.

SZWithdrawalUnits $_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

SZTotalWithdrawalUnits $_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

#### **6.1.10.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$\text{Local Reliability DAMAP Charge}_{c,d} = \frac{\text{DAMAPCosts}_d}{\text{SZTotalWithdrawalUnits}_d} \times \text{SZStationPower}_{c,d}$$

Where:

$d$  = A given day in the relevant Billing Period.

SZStationPower $_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  in day  $d$  in the relevant Subzone that are used to supply Station Power as a third-party provider, except for Withdrawal Billing Units for Wheels Through and Exports.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.1.2 shall be determined for day  $d$ .

### 6.1.10.1.3 Local Reliability DAMAP Credit

The ISO shall calculate, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.10.1.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

Local Reliability DAMAP Credit<sub>c,d</sub> =

$$\text{LocRelDAMAPCharge}_d \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_d}$$

Where:

d = A given day in the relevant Billing Period.

Local Reliability DAMAP Credit<sub>c,d</sub> = The amount, in \$, that Transmission Customer c will receive for day d for the relevant Subzone.

LocRelDAMAPCharge<sub>d</sub> = The sum of charges, in \$, for all Transmission Customers in the relevant Subzone as calculated in Section 6.1.10.1.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.1.3 shall be determined for day d.

### 6.1.10.2 Recovery of Costs of All Remaining DAMAPs

Pursuant to this Section 6.1.10.2, the ISO shall recover the costs of all DAMAPs not recovered through Section 6.1.10.1 of this Rate Schedule 1 from all Transmission Customers.

#### 6.1.10.2.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula.

$$\text{Remaining DAMAP Charge}_{c,h} = \text{RemainingDAMAPCosts}_h \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

$\text{Remaining DAMAP Charge}_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$ .

$\text{RemainingDAMAPCosts}_h$  = The DAMAP costs, in \$, for hour  $h$  not recovered by the ISO through Section 6.1.10.1 of this Rate Schedule 1.

$\text{WithdrawalUnits}_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$\text{TotalWithdrawalUnits}_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers.

#### **6.1.10.2.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$\text{Remaining DAMAP Charge}_{c,d} = \frac{\text{RemainingDAMAPCosts}_d}{\text{TotalWithdrawalUnits}_d} \times \text{StationPower}_{c,d}$$

Where:

$d$  = A given day in the relevant Billing Period.

$\text{StationPower}_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  used to supply Station Power as a third-party provider for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.2.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.2.2 shall be determined for day  $d$ .

### 6.1.10.2.3 Remaining DAMAP Credit

The ISO shall calculate, and each Transmission Customer shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.10.2.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$\text{Remaining DAMAP Credit}_{c,d} = \text{RemainingDAMAPCharge}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

$d$  = A given day in the relevant Billing Period.

$\text{Remaining DAMAP Credit}_{c,d}$  = The amount, in \$, that Transmission Customer  $c$  will receive for day  $d$ .

$\text{RemainingDAMAPCharge}_d$  = The sum of charges, in \$, for all Transmission Customers as calculated in Section 6.1.10.2.2 of this Rate Schedule 1 for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.2.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.2.3 shall be determined for day  $d$ .

## 6.1.11 Recovery of Import Curtailment Guarantee Payment Costs

### 6.1.11.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a charge each Billing Period to recover the costs of all Import Curtailment Guarantee Payments paid to Import Suppliers for that Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the hourly charges for the Transmission Customer, as calculated in accordance with the following formula, for each hour in the relevant Billing Period.

$$\text{Import Curtailment Guarantee Charge}_{c,h} = \text{ImportCurtGuarCosts}_h \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

Import Curtailment Guarantee Charge $_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$ .

ImportCurtGuarCosts $_h$  = The costs, in \$, for the Import Curtailment Guarantee Payments to Import Suppliers for hour  $h$ .

WithdrawalUnits $_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

TotalWithdrawalUnits $_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers.

#### **6.1.11.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a charge for each Billing Period to recover the costs of all Import Curtailment Guarantee Payments paid to Import Suppliers for that Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the daily charges for the Transmission Customer, as calculated in accordance with the following formula, for each day in the relevant Billing Period.

$$\text{Import Curtailment Guarantee Charge}_{c,d} = \frac{\text{ImportCurtGuarCosts}_d}{\text{TotalWithdrawalUnits}_d} \times \text{StationPower}_{c,d}$$

Where:

$d$  = A given day in the relevant Billing Period.

$\text{StationPower}_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  used to supply Station Power as a third-party provider for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.11.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.11.2 shall be determined for day  $d$ .

### **6.1.11.3 Import Curtailment Guarantee Credit**

The ISO shall credit each Transmission Customer based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.11.2 of this Rate Schedule 1 above for each Billing Period. This credit shall be equal to the sum of daily payments for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

$$\text{Import Curtailment Guarantee Credit}_{c,d} = \text{ImpCurtGuarCharge}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

$d$  = A given day in the relevant Billing Period.

$\text{Import Curtailment Guarantee Credit}_{c,d}$  = The amount, in \$, that Transmission Customer  $c$  will receive for day  $d$ .

$\text{ImpCurtGuarCharge}_d$  = The sum of charges, in \$, for all Transmission Customers as calculated in Section 6.1.11.2 of this Rate Schedule 1 for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.11.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.11.3 shall be determined for day  $d$ .

### **6.1.12 Recovery of Bid Production Cost Guarantee Payment and Demand Reduction Incentive Payment Costs**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of BPCG and Demand Reduction Incentive Payment costs for each Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the charges and credits for the Transmission Customer, as calculated in Sections 6.1.12.1 through 6.1.12.6 of this Rate Schedule 1, for each day in the relevant Billing Period and for each Subzone, where applicable.

#### **6.1.12.1 Costs of Demand Reduction BPCGs and Demand Reduction Incentive Payments**

After accounting for imbalance charges paid by Demand Reduction Providers, the ISO shall recover the costs associated with Demand Reduction Bid Production Cost guarantee payments and Demand Reduction Incentive Payments from Transmission Customers pursuant to the methodology established in Attachment R of this ISO OATT.

#### **6.1.12.2 Costs of BPCGs for Additional Generating Units Committed to Meet Forecast Load**

If the sum of all Bilateral Transaction schedules, excluding schedules of Bilateral Transactions with Trading Hubs as their POWs, and all Day-Ahead Market purchases to serve Load in the Day-Ahead schedule is less than the ISO's Day-Ahead forecast of Load, the ISO may commit Resources in addition to the reserves that it normally maintains to enable it to respond to contingencies to meet the ISO's Day-Ahead forecast of Load. The ISO shall recover a portion of the costs associated with Bid Production Cost guarantee payments for the additional Resources committed Day-Ahead to meet the Day-Ahead forecast of Load from Transmission Customers pursuant to the methodology established in Attachment T of this ISO OATT. The ISO shall recover the residual costs of such Bid Production Cost guarantee payments not

recovered through the methodology in Attachment T of the ISO OATT pursuant to Section 6.1.12.6 of this Rate Schedule 1.

### **6.1.12.3 Costs of BPCGs Resulting from Meeting the Reliability Needs of a Local System**

Pursuant to this Section 6.1.12.3, the ISO shall recover the costs for Bid Production Cost guarantee payments incurred to compensate Suppliers for their Resources, other than Special Case Resources, that are committed or dispatched to meet the reliability needs of a local system.

#### **6.1.12.3.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$\text{Local Reliability BPCG Charge}_{c,d} = \text{BPCGCosts}_d \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_d}$$

Where:

$c$  = Transmission Customer.

$d$  = A given day in the relevant Billing Period.

Local Reliability BPCG Charge $_{c,d}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for day  $d$  for the relevant Subzone.

BPCGCosts $_d$  = The Bid Production Cost guarantee payments, in \$, made to Suppliers for Resources for day  $d$  in the relevant Subzone arising as a result of meeting the reliability needs of that Subzone, except for the Bid Production Cost guarantee payments made to Suppliers for Special Case Resources.

SZWithdrawalUnits $_{c,d}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in day  $d$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

$SZTotalWithdrawalUnits_d$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day d in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

#### **6.1.12.3.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$\text{Local Reliability BPCG Charge}_{c,d} = \frac{BPCGCosts_d}{SZTotalWithdrawalUnits_d} \times SZStationPower_{c,d}$$

Where:

$SZStationPower_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer c in day d in the relevant Subzone that are used to supply Station Power as a third-party provider, except for Withdrawal Billing Units for Wheels Through and Exports.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.3.1 above,

#### **6.1.12.3.3 Local Reliability BPCG Credit**

The ISO shall calculate, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.12.3.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$\text{Local Reliability BPCG Credit}_{c,d} = \text{LocRelBPCGCharge}_d \times \frac{SZWithdrawalUnits_{c,d}}{SZTotalWithdrawalUnits_d}$$

Where:

Local Reliability BPCG Credit<sub>c,d</sub> = The amount, in \$, that Transmission Customer c will receive for day d for the relevant Subzone.

LocRelBPCGCharge<sub>d</sub> = The sum of charges, in \$, for all Transmission Customers in the relevant Subzone as calculated in Section 6.1.12.3.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.3.1 above.

#### **6.1.12.4 Cost of BPCGs for Special Case Resources Called to Meet the Reliability Needs of a Local System**

Pursuant to this Section 6.1.12.4, the ISO shall recover the costs of Bid Production Cost guarantee payments incurred to compensate Special Case Resources called to meet the reliability needs of a local system. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Special Case Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$\text{Local Reliability SCR BPCG Charge}_{c,d} = \text{BPCGCosts}_d \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

Local Reliability SCR BPCG Charge<sub>c,d</sub> = The amount, in \$, for which Transmission Customer c is responsible for day d for the relevant Subzone.

BPCGCosts<sub>d</sub> = The Bid Production Cost guarantee payments, in \$, made to Suppliers for Special Case Resources for day d in the relevant Subzone arising as a result of meeting the reliability needs of that Subzone.

SZWithdrawalUnits<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in day d in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

$SZTotalWithdrawalUnits_d$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day d in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

#### **6.1.12.5 Cost of BPCG for Special Case Resources Called to Meet the Reliability Needs of the NYCA**

Pursuant to this Section 6.1.12.5, the ISO shall recover the costs for Bid Production Cost guarantee payments to compensate Special Case Resources called to meet the reliability needs of the NYCA. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the NYCA shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$NYCA\ Reliability\ SCR\ BPCG\ Charge_{c,d} = BPCGCosts_d \times \frac{WithdrawalUnits_{c,d}}{TotalWithdrawalUnits_d}$$

Where:

$c$  = Transmission Customer.

$d$  = A given day in the relevant Billing Period.

$NYCA\ Reliability\ SCR\ BPCG\ Charge_{c,d}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for day  $d$ .

$BPCGCosts_d$  = The Bid Production Cost guarantee payments, in \$, made to Suppliers for Special Case Resources called to meet the reliability needs of the NYCA for day  $d$ .

$WithdrawalUnits_{c,d}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in day  $d$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$TotalWithdrawalUnits_d$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day  $d$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers.

#### **6.1.12.6 Costs of All Remaining BPCGs**

Pursuant to this Section 6.1.12.6, the ISO shall recover the costs of all Bid Production Cost guarantee payments not recovered through Sections 6.1.12.1, 6.1.12.2, 6.1.12.3, 6.1.12.4,

and 6.1.12.5 of this Rate Schedule 1, including the residual costs of Bid Production Cost guarantee payments for additional Resources not recovered through the methodology in Attachment T of this ISO OATT, from all Transmission Customers.

**6.1.12.6.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$\text{Remaining BPCG Charge}_{c,d} = \text{RemainingBPCGCosts}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

$c$  = Transmission Customer.

$d$  = A given day in the relevant Billing Period.

$\text{Remaining BPCG Charge}_{c,d}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for day  $d$ .

$\text{RemainingBPCGCosts}_d$  = The BPCG costs, in \$, for day  $d$  not recovered by the ISO through Sections 6.1.12.1, 6.1.12.2, 6.1.12.3, 6.1.12.4, and 6.1.12.5 of this Rate Schedule 1.

$\text{WithdrawalUnits}_{c,d}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in day  $d$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$\text{TotalWithdrawalUnits}_d$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day  $d$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers.

### **6.1.12.6.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$\text{Remaining BPCG Charge}_{c,d} = \frac{\text{RemainingBPCGCosts}_d}{\text{TotalWithdrawalUnits}_d} \times \text{StationPower}_{c,d}$$

Where:

$\text{StationPower}_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  used to supply Station Power as a third-party provider for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.6.1 of this Rate Schedule 1 above.

### **6.1.12.6.3 Remaining BPCG Credit**

The ISO shall calculate, and each Transmission Customer shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.12.6.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$\text{Remaining BPCG Credit}_{c,d} = \text{RemainingBPCGCharge}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

$\text{Remaining BPCG Credit}_{c,d}$  = The amount, in \$, that Transmission Customer  $c$  will receive for day  $d$ .

$\text{RemainingBPCGCharge}_d$  = The sum of charges, in \$, for all Transmission Customers as calculated in Section 6.1.12.6.2 of this Rate Schedule 1 for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.6.1 of this Rate Schedule 1 above.

### 6.1.13 Dispute Resolution Payment/Charge

The ISO shall calculate, and each Transmission Customer shall receive or pay, a dispute resolution payment or charge in accordance with Section 6.1.13.1 of this Rate Schedule 1 for the distribution of funds received by the ISO or the recovery of funds incurred by the ISO in the settlement of a dispute.

#### 6.1.13.1 Calculation of the Dispute Resolution Payment/Charge

The ISO shall calculate, and each Transmission Customer shall receive or pay, a dispute resolution payment or a dispute resolution charge for each Billing Period as calculated according to the following formula.

$$\text{Dispute Resolution Payment/ Charge}_{c,P} = \text{DisputeResolutionCosts}_P \times \frac{\text{WithdrawalUnits}_{c,P}}{\text{TotalWithdrawalUnits}_P}$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$\text{Dispute Resolution Payment/Charge}_{c,P}$  = The amount, in \$, for Billing Period  $P$  that (i) Transmission Customer  $c$  will receive if the ISO is distributing funds that it has collected in the settlement of a dispute, or (ii) Transmission Customer  $c$  will be responsible for if the ISO is recovering funds that it has incurred in the settlement of a dispute.

$\text{DisputeResolutionCosts}_P$  = The amount, in \$, for Billing Period  $P$  that (i) the ISO has collected in the settlement of a dispute or (ii) the ISO has incurred in the settlement of a dispute.

$\text{WithdrawalUnits}_{c,P}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

$\text{TotalWithdrawalUnits}_P$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in Billing Period  $P$ .

### 6.1.14 Credit for Financial Penalties

The ISO shall distribute to each Transmission Customer each Billing Period in accordance with the following formula any payments that it has collected from Transmission Customers to satisfy: (i) Financial Impact Charges issued pursuant to Sections 4.5.3.2 and 4.5.4.2 of the ISO Services Tariff; (ii) ICAP sanctions issued pursuant to Section 5.12.12 of the ISO Services Tariff; (iii) ICAP deficiency charges pursuant to Section 5.14.3.1 of the ISO Services Tariff, except as provided in Section 5.14.3.2 of the ISO Services Tariff; (iv) market power mitigation financial penalties pursuant to Section 23.4.3.6 of Attachment H of the ISO Services Tariff, except as provided in Section 23.4.4.3.2 of Attachment H of the ISO Services Tariff; and (v) any other financial penalties set forth in the ISO Services Tariff or this ISO OATT. The ISO will perform this calculation separately for the allocation of the revenue from each financial penalty.

$$\text{Financial Penalties Credit}_{c,P} = \text{PenaltyRevenue}_P \times \frac{\text{WithdrawalUnits}_{c,P}}{\text{TotalWithdrawalUnits}_P}$$

Where:

$c$  = Transmission Customer.

$P$  = A given day in the relevant Billing Period.

$\text{Financial Penalties Credit}_{c,P}$  = The amount, in \$, that Transmission Customer  $c$  will receive for Billing Period  $P$ .

$\text{PenaltyRevenue}_P$  = The sum, in \$, of revenue that the ISO has collected for Billing Period  $P$  from a Transmission Customer for one of the financial penalties indicated in this Article 6.1.14 of this Rate Schedule 1.

$\text{WithdrawalUnits}_{c,P}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  for Billing Period  $P$ .

$\text{TotalWithdrawalUnits}_P$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers for Billing Period  $P$ .

# Attachment IV

## **6.1 Schedule 1 - ISO Annual Budget Charge and Other Non-Budget Charges and Payments**

### **6.1.1 Introduction**

The ISO shall bill each Transmission Customer each Billing Period to recover the ISO's annual budgeted costs as set forth in Article 6.1.2 of this Rate Schedule 1.

The ISO shall separately bill each Transmission Customer under this Rate Schedule 1 for certain other charges and payments not related to the ISO annual budget charge. Specifically, the ISO shall bill each Transmission Customer on a quarterly basis to recover NERC and NPCC charges as set forth in Article 6.1.3 of this Rate Schedule 1. The ISO shall also bill each Transmission Customer each Billing Period to recover the following costs or allocate the following received payments under this Rate Schedule 1:

- (i) bad debt loss charges as set forth in Article 6.1.4;
- (ii) Working Capital Fund charges as set forth in Article 6.1.5;
- (iii) non-ISO facilities payment charges as set forth in Article 6.1.6;
- (iv) charges to recover costs for payments made to Suppliers pursuant to incremental cost recovery for units that responded to Local Reliability Rules I-R3 and I-R5 as set forth in Article 6.1.7;
- (v) charges to recover and payments to allocate residual costs as set forth in Article 6.1.8;
- (vi) charges for Special Case Resources and Curtailment Service Providers called to meet reliability needs as set forth in Article 6.1.9;
- (vii) charges to recover DAMAP costs as set forth in Article 6.1.10;

- (viii) charges to recover Import Curtailment Guarantee Payment costs as set forth in Article 6.1.11;
- (ix) charges to recover Bid Production Cost guarantee payment costs as set forth in Article 6.1.12;
- (x) charges to recover and payments to allocate settlements of disputes as set forth in Article 6.1.13; and
- (xi) payments to allocate financial penalties collected by the ISO as set forth in Article 6.1.14.

Transmission Customers who are retail access customers being served by an LSE shall not pay these charges to the ISO; the LSE shall pay these charges.

#### **6.1.2 ISO Annual Budget Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the ISO's recovery of its annual budgeted costs. The ISO annual budgeted costs that are recoverable through this Rate Schedule 1 are set forth in Section 6.1.2.1 of this Rate Schedule 1. The ISO shall calculate the charge for the recovery of these ISO annual budgeted costs from each Transmission Customer on the basis of its participation in physical market activity as indicated in Section 6.1.2.2 of this Rate Schedule 1. The ISO shall calculate this charge for each Transmission Customer on the basis of its participation in non-physical market activity, the Special Case Resource program, and the Emergency Demand Response program as indicated in Section 6.1.2.4 of this Rate Schedule 1. The ISO shall credit the revenue collected through Section 6.1.2.4 of this Rate Schedule 1 to each Transmission Customer on the basis of its physical market activity as indicated in Section 6.1.2.5 of this Rate Schedule 1.

### **6.1.2.1 ISO Annual Budgeted Costs**

The ISO annual budgeted costs to be recovered through Article 6.1.2 of this Rate Schedule 1 include, but are not limited to, the following costs associated with the operation of the NYS Transmission System by the ISO and the administration of the ISO Tariffs and ISO Related Agreements by the ISO:

- Processing and implementing requests for Transmission Service including support of the ISO OASIS node;
- Coordination of Transmission System operation and implementation of necessary control actions by the ISO and support for these functions;
- Performing centralized security constrained dispatch to optimally re-dispatch the NYS Power System to mitigate transmission Interface overloads and provide balancing services;
- Costs related to the ISO's administration and operation of the LBMP market and all other markets administered by the ISO;
- Costs related to the ISO's administration of Control Area Services;
- Costs related to the ISO's administration of the ISO's Market Power Mitigation Measures and the ISO's Market Monitoring Plan;
- Costs related to the maintenance of reliability in the NYCA;
- Costs related to the provision of Transmission Service;
- Preparation of settlement statements;
- NYS Transmission System studies, when the costs of the studies are not recoverable from a Transmission Customer;
- Engineering services and operations planning;
- Data and voice communications network service coordination;
- Metering maintenance and calibration scheduling;
- Record keeping and auditing;
- Training of ISO personnel;

- Development and maintenance of information, communication and control systems;
- Professional services;
- Carrying costs on ISO assets, capital requirements and debts;
- Tax expenses, if any;
- Administrative and general expenses;
- Insurance premiums and deductibles related to ISO operations;
- Any indemnification of or by the ISO pursuant to Section 2.11.2 of this ISO OATT or Section 12.4 of the Services Tariff;
- Regulatory fees; and
- The ISO's share of the expenses of Northeast Power Coordinating Council, Inc. or its successor.

#### **6.1.2.2 Calculation of the ISO Annual Budget Charge for Transmission Customers Participating in Physical Market Activity**

The ISO shall charge, and each Transmission Customer that participates in physical market activity shall pay, an ISO annual budget charge each Billing Period as calculated according to the following formula.

$$\begin{aligned}
 &\text{ISO Annual Budget Charge}_{c,P} = \\
 &\left( \text{InjectionUnits}_{c,P} \times \left( .2 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right) \right) + \\
 &\left( \text{WithdrawalUnits}_{c,P} \times \left( .8 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right) \right) \\
 &\left( \text{InjectionUnits}_{c,P} \times \left( 0.28 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right) \right) + \\
 &\left( \text{WithdrawalUnits}_{c,P} \times \left( 0.72 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right) \right)
 \end{aligned}$$

Where:

c = Transmission Customer.

$P$  = The relevant Billing Period.

ISO Annual Budget Charge $_{c,P}$  = The amount, in \$, of the ISO annual budgeted costs for which Transmission Customer  $c$  is responsible for Billing Period  $P$ .

ISOCosts $_{Annual}$  = The sum, in \$, of the ISO's annual budgeted costs for the current calendar year.

InjectionUnits $_{c,P}$  = The Injection Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

WithdrawalUnits $_{c,P}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

TotalEstWithdrawalUnits $_{Annual}$  = The sum, in MWh, of estimated Withdrawal Billing Units for all Transmission Customers in the current calendar year as determined by the ISO in the summer prior to the current calendar year.

### **6.1.2.3 Review and Modification of the ISO Annual Budget Charge Allocation Methodology**

The current ~~8072%/280%~~ cost allocation methodology between Withdrawal Billing Units and Injection Billing Units for the ISO annual budget charge shall remain unchanged through at least December 31, 201~~64~~ and shall continue to remain unchanged until such point in time that a study is conducted and the results of the study warrant changing the ~~8072%/280%~~ cost allocation. The following provisions prescribe the process and timeline for the review and, if warranted by the results of a future study, modification of the ~~8072%/280%~~ cost allocation on a going forward basis:

- (i) A vote of the Management Committee will be taken in the third calendar quarter of 201~~50~~ on whether a new study should be conducted during late-201~~50~~ and 201~~64~~ to allow modification of the ~~8072%/280%~~ cost allocation, if warranted by the results of the study, to be implemented by January 1, 201~~72~~. A positive vote by 58% of the Management Committee will be required to go forward with the

study, but there will no longer be a “material change” standard as was historically applied to the determination of whether a study should be conducted.

- (ii) If the Management Committee vote discussed in (i) above determines that a study should not be conducted, the ~~8072%/280%~~ cost allocation between Withdrawal Billing Units and Injection Billing Units shall be extended through at least December 31, 201~~72~~. In the third calendar quarter of 201~~61~~, a vote will be taken on whether a new study should be conducted during late-201~~61~~ and 201~~72~~ to allow modification of the percentage allocation, if warranted by the results of the study, to be implemented by January 1, 201~~83~~. Unless a 58% vote of the Management Committee is registered in favor of declining to go forward with the study, the study will be conducted.
- (iii) If the Management Committee vote in the third calendar quarter of 201~~61~~ discussed in (ii) above determines that a study should not be conducted, the current ~~8072%/280%~~ cost allocation shall remain unchanged until such point in time as the Management Committee determines that a study shall be conducted and the results of that study warrant changing the percentage allocation between Withdrawal Billing Units and Injection Billing Units. If the Management Committee vote in the third calendar quarter of 201~~61~~ discussed in (ii) above determines that a study should not be conducted, the Management Committee will revisit the issue of conducting a study annually in the third calendar quarter of each year using the same voting standard (*i.e.* the study shall be performed unless 58% of the Management Committee votes not to commission the study) that was

applied to the Management Committee vote in the third calendar quarter of 201~~6~~<sup>1</sup> discussed in (ii) above.

- (iv) If, and when, the Management Committee determines a study shall be conducted:
  - (a) Such study shall be completed, and the results thereof shared with Market Participants, before the end of the second calendar quarter of the year prior to the date on which a possible change to the then current allocation may become effective; and
  - (b) The ISO will present a draft study scope to Market Participants for consideration and comment before the ISO issues the study scope as part of its Request For Proposal process to retain a consultant to perform the study. A meeting shall be held with Market Participants to discuss the components (*e.g.*, categories of costs considered, allocation of benefits, unbundling, etc.) that should be included in the draft study scope before the draft is issued by the ISO.

**6.1.2.4 Calculation of the ISO Annual Budget Charge for Transmission Customers Participating in Non-Physical Market Activity, the Special Case Resource Program, or the Emergency Demand Response Program**

**6.1.2.4.1 Charge for Transmission Customers Engaging in Virtual Transactions**

The ISO shall charge, and each Transmission Customer that has its virtual bids accepted and thereby engages in Virtual Transactions shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$VTCharge_{c,P} = VTRate \times VTCleared_{c,P}$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

$VTCharge_{c,P}$  = The amount, in \$, for which Transmission Customer c is responsible for Billing Period P.

$VTRate$  = For calendar year 2012~~0~~, the applicable rate shall be \$0.0871~~65~~ per cleared MWh of Virtual Transactions, based on a \$2.6~~0~~ million projected 2012~~0~~ annual revenue requirement. For calendar years following 2012~~0~~, the applicable rate shall be calculated in accordance with the formula set forth in Section 6.1.2.4.4 of this Rate Schedule 1.

$VTcleared_{c,P}$  = The total cleared Virtual Transactions, in MWh, for Transmission Customer c in Billing Period P.

#### **6.1.2.4.2 Charge for Transmission Customers Purchasing Transmission Congestion Contracts**

The ISO shall charge, and each Transmission Customer that purchases Transmission Congestion Contracts - excluding Transmission Congestion Contracts that are created prior to January 1, 2010 - shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$TCCCharge_{c,P} = TCCRate \times TCCSettled_{c,P}$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

$TCCCharge_{c,P}$  = The amount, in \$, for which Transmission Customer c is responsible for Billing Period P.

$TCCRate$  = For calendar year 2012~~0~~, the applicable rate shall be \$0.0372~~20~~ per settled MWh of Transmission Congestion Contracts, based on a \$4.96.7 million projected 2012~~0~~ annual revenue requirement. For calendar years following 2012~~0~~, the applicable rate shall be calculated in accordance with the formula set forth in Section 6.1.2.4.4 of this Rate Schedule 1.

$TCCSettled_{c,P}$  = The total settled Transmission Congestion Contracts, excluding Transmission Congestion Contracts created prior to January 1, 2010, in MWh, for Transmission Customer c in Billing Period P.

#### 6.1.2.4.3 Charge for Transmission Customers Participating in the Special Case Resource Program or Emergency Demand Response Program

The ISO shall charge, and each Transmission Customer that participates in the ISO's Special Case Resources program or its Emergency Demand Response program shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$\text{SCR and EDR Charge}_{c,P} = \frac{\text{DRInjections}_{c,P} \times \left( 0.28 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right)}{\text{DRInjections}_{c,P} \times \left( .2 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right)}$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

SCR and EDR Charge<sub>c,P</sub> = The amount, in \$, for which Transmission Customer c is responsible for Billing Period P.

DRInjections<sub>c,P</sub> = The total Load reduction, in MWh, measured and compensated during testing or an actual event for Transmission Customer c in Billing Period P.

ISOCosts<sub>Annual</sub> = The sum, in \$, of the ISO's annual budgeted costs in the current calendar year.

TotalEstWithdrawalUnits<sub>Annual</sub> = The sum, in MWh, of estimated Withdrawal Billing Units for all Transmission Customers in the current calendar year as determined by the ISO in the summer prior to the current calendar year.

#### 6.1.2.4.4 Re-setting of Rate for Virtual Transaction and Transmission Congestion Contracts Related Charges

For each calendar year after calendar year 2012~~0~~, the ISO shall use the following formula to calculate (i) the rate for the charge to Transmission Customers engaging in Virtual Transactions as determined in Section 6.1.2.4.1 of this Rate Schedule 1, and (ii) the rate for the

charge to Transmission Customers purchasing Transmission Congestion Contracts as determined in Section 6.1.2.4.2 of this Rate Schedule 1.

$$\text{ResetRate} = \frac{\text{AnnRevRequirement} - \text{Over/UnderCollection}}{\text{3YearRollingAvgBillUnits}}$$

Where:

ResetRate = For each calendar year after calendar year 2012~~0~~, this rate will be used for either (i) the VTRate in the formula in Section 6.1.2.4.1 of this Rate Schedule 1, or (ii) the TCCRRate in the formula in Section 6.1.2.4.2 of this Rate Schedule 1.

AnnRevRequirement = The product, in \$, of (i) the prior year's annual revenue requirement for either (A) Virtual Transaction market activity or (B) Transmission Congestion Contract market activity, and (ii) an escalation factor. The ISO shall calculate the escalation factor as the percentage change in the ISO budget between (i) the ISO budget for the calendar year two years prior to the current calendar year ("Calendar Year Minus 2") and (ii) the ISO budget for the calendar year one year prior to the current calendar year ("Calendar Year Minus 1").

Over/Under Collection = The ISO shall calculate the amount, in \$, that it has over or under collected for the prior year's annual revenue requirement for either (A) Virtual Transaction market activity or (B) Transmission Congestion Contract market activity, as the case may be, as follows: (i) The ISO shall divide the annual revenue requirements for the applicable market activity for Calendar Year Minus 2 and for Calendar Year Minus 1 into twelve equal monthly revenue requirements for each of these calendar years. (ii) The ISO shall then calculate the amount of revenue, in \$, that it over or under collected for each of the months from July of Calendar Year Minus 2 through June of Calendar Year Minus 1, which shall be calculated as (a) the revenue amount, in \$, that the ISO collected for each month for the applicable market activity, minus (b) the monthly revenue requirement, in \$, for that month as determined above. If the result of this calculation is positive, then the ISO overcollected for that month. If the result of this calculation is negative, then the ISO undercollected for that month. (iii) The ISO shall then calculate the total over or under collection amount, in \$, for the period of July of Calendar Year Minus 2 through June of Calendar Year Minus 1, which shall be equal to (a) the sum, in \$, of the revenue that the ISO overcollected for each month during this period (i.e., the sum of the positive monthly results determined above), minus (b) the sum, in \$, of the absolute value of the revenue that the ISO undercollected for each month during this period (i.e., the sum of the absolute value of the negative monthly results determined above).

3YearRollingAvgBillUnits = The ISO shall calculate the three year rolling average of billing units, in MWh, using twelve-month averages of the appropriate billing units for the period between July of the calendar year four years prior to the current calendar year ("Calendar Year Minus 4") and June of Calendar Year Minus 1.

The annual rate computed through the formula in this Section 6.1.2.4.4 shall be subject to a 25% maximum increase or decrease for each year.

### 6.1.2.5 Credit for Transmission Customers Participating in Physical Market Activity

The ISO shall distribute each Billing Period the revenue collected pursuant to Section 6.1.2.4 of this Rate Schedule 1 to each Transmission Customer that participates in physical market activity as calculated according to the following formula.

ISO Annual Budget Credit<sub>c,P</sub> =

$$\frac{\left( \text{NonPhysicalActivityRevenue}_p \times \left( .2 \times \frac{\text{InjectionUnits}_{c,P}}{\text{TotalInjectionUnits}_p} \right) \right) + \left( \text{NonPhysicalActivityRevenue}_p \times \left( .8 \times \frac{\text{WithdrawalUnits}_{c,P}}{\text{TotalWithdrawalUnits}_p} \right) \right)}{\left( \text{NonPhysicalActivityRevenue}_p \times \left( 0.28 \times \frac{\text{InjectionUnits}_{c,P}}{\text{TotalInjectionUnits}_p} \right) \right) + \left( \text{NonPhysicalActivityRevenue}_p \times \left( 0.72 \times \frac{\text{WithdrawalUnits}_{c,P}}{\text{TotalWithdrawalUnits}_p} \right) \right)}$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

ISO Annual Budget Credit<sub>c,P</sub> = The amount, in \$, that Transmission Customer c will receive for Billing Period P.

NonPhysicalActivityRevenue<sub>p</sub> = The sum, in \$, of the revenue collected by the ISO for Billing Period P through the charges to Transmission Customers for non-physical market activity, the Special Cases Resource program, and the Emergency Demand Response program as calculated in Section 6.1.2.4 of this Rate Schedule 1.

InjectionUnits<sub>c,P</sub> = The Injection Billing Units, in MWh, for Transmission Customer c in Billing Period P.

$WithdrawalUnits_{c,P}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

$TotalInjectionUnits_P$  = The sum, in MWh, of Injection Billing Units for all Transmission Customers in Billing Period  $P$ .

$TotalWithdrawalUnits_P$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in Billing Period  $P$ .

### **6.1.3 NERC and NPCC Charges**

The ISO receives an invoice from NERC and NPCC (as defined below) on a quarterly basis for the recovery of the upcoming calendar quarter's costs related to the dues, fees, and related charges of:

- (i) the NERC for its service as the Electric Reliability Organization for the United States ("ERO"), recovered pursuant to FERC Docket Nos. RM05-30-000, RR06-1-000 and RR06-3-000 and related dockets, and
- (ii) the Northeast Power Coordinating Council: Cross-Border Regional Entity, Inc. ("NPCC"), or its successors, incurred to carry out functions that are delegated by the NERC and that are related to ERO matters pursuant to Section 215 of the FPA.

The ISO shall charge on a quarterly basis, and each Transmission Customer taking service under the ISO Tariffs shall pay, a charge for the recovery of the NERC and NPCC costs in accordance with Section 6.1.3.1 of this Rate Schedule 1.

Notwithstanding any applicable provisions of this ISO OATT or of the ISO Services Tariff, the ISO may supply to NERC the name of any LSE failing to pay any amounts due to NERC and the amounts not paid.

### 6.1.3.1 Calculation of NERC and NPCC Charges

The ISO shall charge, and each Transmission Customer shall pay, a charge on a quarterly basis to recover the NERC and NPCC costs invoiced to the NYISO by NERC and NPCC for the upcoming calendar quarter. This charge shall be calculated according to the following formula.

$$\text{NERC\&NPCC Charge}_{c,Q} = \text{NERC\&NPCC Costs}_Q \times \frac{\text{TUWithdrawalUnits}_{c,M}}{\text{TUTotalWithdrawalUnits}_M}$$

Where:

$c$  = Transmission Customer.

$Q$  = The relevant calendar quarter, for which the NERC and NPCC costs apply.

$\text{NERC\&NPCC Charge}_{c,Q}$  = The amount of the NERC and NPCC costs invoiced to the ISO, in \$, for which Transmission Customer  $c$  is responsible for calendar quarter  $Q$ .

$\text{NERC\&NPCC Costs}_Q$  = The NERC and NPCC costs, in \$, invoiced to the ISO for calendar quarter  $Q$ .

$M$  = The month in which the ISO charges Transmission Customers to recover NERC and NPCC costs for calendar quarter  $Q$ .

$\text{TUWithdrawalUnits}_{c,M}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in its four-month true-up invoice that is issued with its regular monthly invoice in month  $M$ , except for Withdrawal Billing Units for Wheels Through and Exports.

$\text{TUTotalWithdrawalUnits}_M$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in their four-month true-up invoices that are issued with their regular monthly invoices in month  $M$ , except for Withdrawal Billing Units for Wheels Through and Exports.

In calculating the Withdrawal Billing Units for this NERC and NPCC charge, the ISO shall use the LSE bus meter data that have been submitted by the meter authorities for use in the calculation of the four-month true-up of the Transmission Customer's monthly invoice pursuant to Sections 7.4.1.1.2 and 7.4.1.1.3 of the ISO Services Tariff and Sections 2.7.4.2.1(ii) and

2.7.4.2.1(iii) of this ISO OATT. This calculation of the NERC and NPCC charge shall not be subject to correction or adjustment.

#### **6.1.4 Bad Debt Loss Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the collection of costs related to bad debt losses in accordance with the methodology established in Attachment U of this ISO OATT.

#### **6.1.5 Working Capital Fund Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the collection and maintenance of the Working Capital Fund in accordance with the methodology established in Attachment V of this ISO OATT.

#### **6.1.6 Non-ISO Facilities Payment Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge in accordance with Section 6.1.6.1 of this Rate Schedule 1 for the recovery of the costs of the ISO's monthly payments to the owners of facilities that are needed for the economic and reliable operation of the NYS Transmission System. At present, the ISO makes such payments to:

- (i) Consolidated Edison Co. of New York, Inc. for the purchase, installation, operation, and maintenance of phase angle regulators at the Branchburg-Ramapo Interconnection between the ISO and PJM Interconnection, LLC, and
- (ii) Rochester Gas & Electric Corporation for the installation of a 135 MVAR Capacitor Bank at Rochester Station 80 on the cross-state 345 kV system.

### 6.1.6.1 Calculation of Non-ISO Facilities Payment Charge

#### 6.1.6.1.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a non-ISO facilities payment charge for each Billing Period. This charge shall be equal to the sum of the hourly non-ISO facilities payment charges for the Transmission Customer, as calculated according to the following formula, for each hour in the relevant Billing Period.

$$\text{Non-ISO Facilities Payment Charge}_{c,h} = \frac{\text{NonISOFacilitiesCosts}_M}{N} \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$M$  = The relevant month.

$h$  = A given hour in the relevant Billing Period in month  $M$ .

$N$  = Total number of hours  $h$  in month  $M$ .

$\text{Non-ISO Facilities Payment Charge}_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$ .

$\text{NonISOFacilitiesCosts}_M$  = The sum, in \$, of the ISO's bills for month  $M$  for the non-ISO facilities from (i) Consolidated Edison Co. of New York (less the one-half of such bill paid by PJM Interconnection, LLC) and (ii) Rochester Gas and Electric Corporation.

$\text{WithdrawalUnits}_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$\text{TotalWithdrawalUnits}_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers.

### **6.1.6.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT.**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a non-ISO facilities payment charge for each Billing Period. This charge shall be equal to the sum of the daily non-ISO facilities payment charges for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

Non-ISO Facilities Payment Charge<sub>c,d</sub> =

$$\frac{\text{NonISOFacilitiesCosts}_M}{N} \times \frac{\text{StationPower}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

d = A given day in the relevant Billing Period in month M.

N = Number of days d in month M.

StationPower<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, of Transmission Customer c used to supply Station Power as a third-party provider for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.6.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.6.1.2 shall be determined for day d.

### **6.1.6.1.3 Non-ISO Facilities Payment Credit**

The ISO shall credit each Transmission Customer based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the non-ISO facilities payment charge under Section 6.1.6.1.2 of this Rate Schedule 1 for each Billing Period. This credit shall be equal to the sum of daily payments for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

Non-ISO Facilities Payment Credit<sub>c,d</sub> =

$$\text{NonISOFacPayCharge}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

d = A given day in the relevant Billing Period.

Non-ISO Facilities Payment Credit<sub>c,d</sub> = The amount, in \$, that Transmission Customer c will receive for day d.

NonISOFacPayCharge<sub>d</sub> = The sum of non-ISO facilities payment charges, in \$, for all Transmission Customers as calculated in Section 6.1.6.1.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.6.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.6.1.3 shall be determined for day d.

#### **6.1.7 Charge to Recover Payments Made to Suppliers Pursuant to Incremental Cost Recovery for Units Responding to Local Reliability Rules I-R3 and I-R5**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a charge for the recovery of the costs of payments to Suppliers pursuant to the incremental cost recovery for units that responded to either (i) Local Reliability Rule I-R3 or (ii) Local Reliability Rule I-R5, as applicable, for each Billing Period. This charge shall be equal to the sum of the daily charges for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period. The ISO shall perform this calculation separately to recover as applicable either (i) the payment costs related to Local Reliability I-R3, or (ii) the payment costs related to Local Reliability Rule I-R5.

Local Reliability Rules Payment Recovery Charge<sub>c,d</sub> =

$$\text{LRRPayment}_d \times \frac{\text{TDWithdrawalUnits}_{c,d}}{\text{TDTotalWithdrawalUnits}_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

Local Reliability Rules Payment Recovery Charge<sub>c,d</sub> = The amount, in \$, for which Transmission Customer c is responsible for day d.

LRRPayment<sub>d</sub> - The amount, in \$, paid in day d to Suppliers pursuant to the incremental cost recovery for units that responded, as applicable, to either (i) Local Reliability Rule I-R3 in the Consolidated Edison Transmission District or (ii) Local Reliability Rule I-R5 in the LIPA Transmission District.

TDWithdrawalUnits<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in day d in either (i) the Consolidated Edison Transmission District (in the case of Local Reliability Rule I-R3) or (ii) the LIPA Transmission District (in the case of Local Reliability Rule I-R5), except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

TDTotalWithdrawalUnits<sub>d</sub> = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day d in either (i) the Consolidated Edison Transmission District (in the case of Local Reliability Rule I-R3) or (ii) the LIPA Transmission District (in the case of Local Reliability Rule I-R5), except for the Withdrawal Billing Units to supply Station Power as third-party providers.

### **6.1.8 Residual Costs Payment/Charge**

The ISO's payments for market transactions by Transmission Customers will not equal the ISO's payments to Suppliers for market transactions. Part of the difference consists of Day-Ahead Congestion Rent. The remainder comprises a residual adjustment, which the ISO shall calculate and each Transmission Customer shall receive or pay on the basis of its Withdrawal Billing Units. The most significant component of the residual adjustment is the residual costs payment or charge calculated in accordance with Section 6.1.8.1 of this Rate Schedule 1.

### **6.1.8.1 Calculation of Residual Costs Payment/Charge**

#### **6.1.8.1.1 Transmission Customers Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a residual costs payment or a residual costs charge for each Billing Period. The payment or charge for the relevant Billing Period shall be equal to (i) the sum of the hourly residual costs payments for the Transmission Customer as calculated according to the following formula for each hour in the relevant Billing Period, minus (ii) the sum of the hourly residual costs charges for the Transmission Customer as calculated in the following formula for each hour in the relevant Billing Period. If the result of this determination is positive, the ISO shall pay the Transmission Customer a residual costs payment for the relevant Billing Period. If the result of this determination is negative, the ISO shall charge the Transmission Customer a residual costs charge for the relevant Billing Period.

Residual Costs Payment/Charge<sub>c,h</sub> =

$$\left( \text{CustomerPayments}_h - \text{ISOPayments}_h \right) \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

Residual Costs Payment/Charge<sub>c,h</sub> = The amount, in \$, for hour h that Transmission Customer c will receive (if positive) or for which Transmission Customer c is responsible (if negative).

WithdrawalUnits<sub>c,h</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in hour h, except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$TotalWithdrawalUnits_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour h, except for the Withdrawal Billing Units to supply Station Power as third-party providers.

$CustomerPayments_h$  = The ISO's receipts, in \$, for each hour h from Transmission Customers that equal the sum of the following components, which could be either positive or negative amounts:

- (i) payments of the Energy component and Marginal Losses Component of LBMP for Energy scheduled in the LBMP Market in hour h in the Day-Ahead Market;
- (ii) payments of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy purchased in the Real-Time LBMP Market for hour h that was not scheduled Day-Ahead;
- (iii) payments of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy by Suppliers that provided less Energy in the real-time dispatch for hour h than they were scheduled Day-Ahead to provide in hour h for the LBMP Market;
- (iv) the Marginal Losses Component of the TUC payments made in accordance with this ISO OATT for Bilateral Transactions that were scheduled in hour h in the Day-Ahead Market; and
- (v) the Marginal Losses Component and Congestion Component of the real-time TUC payments made in accordance with this ISO OATT for Bilateral Transactions that were not scheduled in hour h in the Day-Ahead Market.

$ISOPayments_h$  = The ISO's payments, in \$, in each hour h to Suppliers that equal the sum of the following components, which could be either positive or negative amounts:

- (i) payments of the Energy component and Marginal Losses Components of LBMP for Energy to Suppliers that were scheduled to provide in the LBMP Market in hour h in the Day-Ahead Market;

- (ii) payments to Suppliers of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy provided to the ISO in the Real-Time Dispatch for hour h that those Suppliers were not scheduled to provide Energy in hour h in the Day-Ahead Market;
- (iii) payments of the Energy component and Marginal Losses Component of LBMP for Energy to LSEs that consumed less Energy in the real-time dispatch than those LSEs were scheduled Day-Ahead to consume in hour h; and
- (iv) payments of the Marginal Losses Component and Congestion Component of the real-time TUC to Transmission Customers that reduced their Bilateral Transaction schedules for hour h after the Day-Ahead Market.

**6.1.8.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT.**

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a residual costs payment or a residual costs charge for each Billing Period. The payment or charge for the relevant Billing Period shall be equal to (i) the sum of the daily residual costs payments for the Transmission Customer as calculated according to the following formula for each day in the relevant Billing Period, minus (ii) the sum of the daily residual costs charges for the Transmission Customer as calculated in the following formula for each day in the relevant Billing Period. If the result of this determination is positive, the ISO shall pay the Transmission Customer a residual costs payment for the relevant Billing Period. If the result of this determination is negative, the ISO shall charge the Transmission Customer a residual costs charge for the relevant Billing Period.

Residual Costs Payment/Charge<sub>c,d</sub> =

$$\frac{(\text{CustomerPayments}_d - \text{ISOPayments}_d)}{\text{TotalWithdrawalUnits}_d} \times \text{StationPower}_{c,d}$$

Where:

d = A given day in the relevant Billing Period.

StationPower<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, of Transmission Customer c that it used to supply Station Power as a third-party provider for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.8.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.8.1.2 shall be determined for day d.

### 6.1.8.1.3 Residual Costs Adjustment

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a residual costs adjustment for each Billing Period. This adjustment shall be equal to the sum of the daily adjustments (positive and negative) for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period. If the summed amount is positive for the Billing Period, the ISO shall pay the Transmission Customer the adjustment amount. If the summed amount is negative for the Billing Period, the ISO shall charge the Transmission Customer the adjustment amount.

Residual Costs Adjustment<sub>c,d</sub> =

$$\text{ResidCharge/PaymentCosts}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

d = A given day in the relevant Billing Period.

Residual Costs Adjustment<sub>c,d</sub> = The amount, in \$, for day d that Transmission Customer c will receive (if positive) or for which Transmission Customer c is responsible (if negative).

ResidCharge/PaymentCosts<sub>d</sub> = (i) If Transmission Customers were responsible for a residual costs charge for day d pursuant to Section 6.1.8.1.2 of this Rate Schedule 1, the (positive) amount, in \$, of the costs that the ISO has collected through the residual costs charges for all Transmission Customers for day d. (ii) If Transmission Customers received a residual costs payment for day d pursuant to Section 6.1.8.1.2 of this Rate Schedule 1, the (negative) amount, in \$, of the revenue that the ISO has paid through the residual costs payments to all Transmission Customers for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.8.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.8.1.3 shall be determined for day d.

### **6.1.9 Recovery of Special Case Resources and Curtailment Services Providers Costs**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of Special Case Resources and Curtailment Service Providers costs for each Billing Period. This charge shall be equal to the sum of the hourly charges for the Transmission Customer, as calculated in Sections 6.1.9.1 and 6.1.9.2 of this Rate Schedule 1, for each hour in the relevant Billing Period and, where applicable, for each Subzone.

#### **6.1.9.1 Recovery of Costs for Payments for Special Case Resources and Curtailment Service Providers Called to Meet the Reliability Needs of a Local System**

Pursuant to this Section 6.1.9.1, the ISO shall recover the costs of payments to Special Case Resources and Curtailment Service Providers that were called to meet the reliability needs of a local system. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the Subzone for which the reliability services of the Special Case Resources and Curtailment Service Providers were called shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula for each Subzone.

Local Reliability SCR and CSP Charge<sub>c,h</sub> =

$$\text{LocalReliabilityCosts}_h \times \frac{\text{SZWithdrawalUnits}_{c,h}}{\text{SZTotalWithdrawalUnits}_h}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

Local Reliability SCR and CSP Charge<sub>c,h</sub> = The amount, in \$, for which Transmission Customer c is responsible for hour h for the relevant Subzone.

LocalReliabilityCosts<sub>h</sub> = The payments, in \$, for hour h in the relevant Subzone made to Suppliers for Special Case Resources and Curtailment Service Providers called to meet the reliability needs of that Subzone.

SZWithdrawalUnits<sub>c,h</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in hour h in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

SZTotalWithdrawalUnits<sub>h</sub> = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour h in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

#### **6.1.9.2 Recovery of Costs for Payments for Special Case Resources and Curtailment Service Providers Called to Meet the Reliability Needs of the NYCA**

Pursuant to this Section 6.1.9.2, the ISO shall recover the costs of payments to Special Case Resources and Curtailment Service Providers called to meet the reliability needs of the NYCA. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the NYCA shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula.

NYCA Reliability SCR and CSP Charge<sub>c,h</sub> =

$$\text{NYCAReliabilityCosts}_h \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

NYCA Reliability SCR and CSP Charge $_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$ .

NYCAReliabilityCosts $_h$  = The payments, in \$, for hour  $h$  made to Suppliers for Special Case Resources and Curtailment Service Providers called to meet the reliability needs of the NYCA.

WithdrawalUnits $_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

TotalWithdrawalUnits $_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers.

#### **6.1.10. Recovery of Day-Ahead Margin Assurance Payment Costs**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of DAMAP costs for each Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the charges and credits for the Transmission Customer, as calculated in Sections 6.1.10.1 and 6.1.10.2 of this Rate Schedule 1, for each hour or each day, as applicable, in the relevant Billing Period and for each Subzone, where applicable.

##### **6.1.10.1 Recovery of Costs of DAMAPs Resulting from Meeting the Reliability Needs of a Local System**

Pursuant to this Section 6.1.10.1, the ISO shall recover the costs for DAMAPs incurred to compensate Resources for meeting the reliability needs of a local system.

### **6.1.10.1.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula for each Subzone.

$$\text{Local Reliability DAMAP Charge}_{c,h} = \text{DAMAPCosts}_h \times \frac{\text{SZWithdrawalUnits}_{c,h}}{\text{SZTotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

Local Reliability DAMAP Charge $_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$  for the relevant Subzone.

DAMAPCosts $_h$  = The DAMAP costs, in \$, for hour  $h$  in the relevant Subzone incurred to compensate Resources meeting the reliability needs of that Subzone.

SZWithdrawalUnits $_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

SZTotalWithdrawalUnits $_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

### **6.1.10.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$\text{Local Reliability DAMAP Charge}_{c,d} = \frac{\text{DAMAPCosts}_d}{\text{SZTotalWithdrawalUnits}_d} \times \text{SZStationPower}_{c,d}$$

Where:

d = A given day in the relevant Billing Period.

$\text{SZStationPower}_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer c in day d in the relevant Subzone that are used to supply Station Power as a third-party provider, except for Withdrawal Billing Units for Wheels Through and Exports.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.1.2 shall be determined for day d.

### 6.1.10.1.3 Local Reliability DAMAP Credit

The ISO shall calculate, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.10.1.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

Local Reliability DAMAP Credit<sub>c,d</sub> =

$$\text{LocRelDAMAPCharge}_d \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_d}$$

Where:

d = A given day in the relevant Billing Period.

Local Reliability DAMAP Credit<sub>c,d</sub> = The amount, in \$, that Transmission Customer c will receive for day d for the relevant Subzone.

LocRelDAMAPCharge<sub>d</sub> = The sum of charges, in \$, for all Transmission Customers in the relevant Subzone as calculated in Section 6.1.10.1.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.1.3 shall be determined for day d.

### **6.1.10.2 Recovery of Costs of All Remaining DAMAPs**

Pursuant to this Section 6.1.10.2, the ISO shall recover the costs of all DAMAPs not recovered through Section 6.1.10.1 of this Rate Schedule 1 from all Transmission Customers.

#### **6.1.10.2.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula.

$$\text{Remaining DAMAP Charge}_{c,h} = \text{RemainingDAMAPCosts}_h \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

$\text{Remaining DAMAP Charge}_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$ .

$\text{RemainingDAMAPCosts}_h$  = The DAMAP costs, in \$, for hour  $h$  not recovered by the ISO through Section 6.1.10.1 of this Rate Schedule 1.

$\text{WithdrawalUnits}_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$\text{TotalWithdrawalUnits}_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers.

### 6.1.10.2.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$\text{Remaining DAMAP Charge}_{c,d} = \frac{\text{RemainingDAMAPCosts}_d}{\text{TotalWithdrawalUnits}_d} \times \text{StationPower}_{c,d}$$

Where:

$d$  = A given day in the relevant Billing Period.

$\text{StationPower}_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  used to supply Station Power as a third-party provider for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.2.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.2.2 shall be determined for day  $d$ .

### 6.1.10.2.3 Remaining DAMAP Credit

The ISO shall calculate, and each Transmission Customer shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.10.2.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$\text{Remaining DAMAP Credit}_{c,d} = \text{RemainingDAMAPCharge}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

$d$  = A given day in the relevant Billing Period.

$\text{Remaining DAMAP Credit}_{c,d}$  = The amount, in \$, that Transmission Customer  $c$  will receive for day  $d$ .

RemainingDAMAPCharge<sub>d</sub> = The sum of charges, in \$, for all Transmission Customers as calculated in Section 6.1.10.2.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.2.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.2.3 shall be determined for day d.

## **6.1.11 Recovery of Import Curtailment Guarantee Payment Costs**

### **6.1.11.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a charge each Billing Period to recover the costs of all Import Curtailment Guarantee Payments paid to Import Suppliers for that Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the hourly charges for the Transmission Customer, as calculated in accordance with the following formula, for each hour in the relevant Billing Period.

$$\text{Import Curtailment Guarantee Charge}_{c,h} = \text{ImportCurtGuarCosts}_h \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

Import Curtailment Guarantee Charge<sub>c,h</sub> = The amount, in \$, for which Transmission Customer c is responsible for hour h.

ImportCurtGuarCosts<sub>h</sub> = The costs, in \$, for the Import Curtailment Guarantee Payments to Import Suppliers for hour h.

WithdrawalUnits<sub>c,h</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in hour h, except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$TotalWithdrawalUnits_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour h, except for the Withdrawal Billing Units to supply Station Power as third-party providers.

#### **6.1.11.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a charge for each Billing Period to recover the costs of all Import Curtailment Guarantee Payments paid to Import Suppliers for that Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the daily charges for the Transmission Customer, as calculated in accordance with the following formula, for each day in the relevant Billing Period.

$$\text{Import Curtailment Guarantee Charge}_{c,d} = \frac{\text{ImportCurtGuarCosts}_d}{\text{TotalWithdrawalUnits}_d} \times \text{StationPower}_{c,d}$$

Where:

$d$  = A given day in the relevant Billing Period.

$StationPower_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  used to supply Station Power as a third-party provider for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.11.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.11.2 shall be determined for day  $d$ .

#### **6.1.11.3 Import Curtailment Guarantee Credit**

The ISO shall credit each Transmission Customer based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.11.2 of this Rate Schedule 1 above for each Billing Period. This credit shall be equal to the sum of daily payments for the Transmission

Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

$$\text{Import Curtailment Guarantee Credit}_{c,d} = \text{ImpCurtGuarCharge}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

$d$  = A given day in the relevant Billing Period.

$\text{Import Curtailment Guarantee Credit}_{c,d}$  = The amount, in \$, that Transmission Customer  $c$  will receive for day  $d$ .

$\text{ImpCurtGuarCharge}_d$  = The sum of charges, in \$, for all Transmission Customers as calculated in Section 6.1.11.2 of this Rate Schedule 1 for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.11.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.11.3 shall be determined for day  $d$ .

### **6.1.12 Recovery of Bid Production Cost Guarantee Payment and Demand Reduction Incentive Payment Costs**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of BPCG and Demand Reduction Incentive Payment costs for each Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the charges and credits for the Transmission Customer, as calculated in Sections 6.1.12.1 through 6.1.12.6 of this Rate Schedule 1, for each day in the relevant Billing Period and for each Subzone, where applicable.

#### **6.1.12.1 Costs of Demand Reduction BPCGs and Demand Reduction Incentive Payments**

After accounting for imbalance charges paid by Demand Reduction Providers, the ISO shall recover the costs associated with Demand Reduction Bid Production Cost guarantee payments and Demand Reduction Incentive Payments from Transmission Customers pursuant to the methodology established in Attachment R of this ISO OATT.

### **6.1.12.2 Costs of BPCGs for Additional Generating Units Committed to Meet Forecast Load**

If the sum of all Bilateral Transaction schedules, excluding schedules of Bilateral Transactions with Trading Hubs as their POWs, and all Day-Ahead Market purchases to serve Load in the Day-Ahead schedule is less than the ISO's Day-Ahead forecast of Load, the ISO may commit Resources in addition to the reserves that it normally maintains to enable it to respond to contingencies to meet the ISO's Day-Ahead forecast of Load. The ISO shall recover a portion of the costs associated with Bid Production Cost guarantee payments for the additional Resources committed Day-Ahead to meet the Day-Ahead forecast of Load from Transmission Customers pursuant to the methodology established in Attachment T of this ISO OATT. The ISO shall recover the residual costs of such Bid Production Cost guarantee payments not recovered through the methodology in Attachment T of the ISO OATT pursuant to Section 6.1.12.6 of this Rate Schedule 1.

### **6.1.12.3 Costs of BPCGs Resulting from Meeting the Reliability Needs of a Local System**

Pursuant to this Section 6.1.12.3, the ISO shall recover the costs for Bid Production Cost guarantee payments incurred to compensate Suppliers for their Resources, other than Special Case Resources, that are committed or dispatched to meet the reliability needs of a local system.

#### **6.1.12.3.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$\text{Local Reliability BPCG Charge}_{c,d} = \text{BPCGCosts}_d \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

Local Reliability BPCG Charge<sub>c,d</sub> = The amount, in \$, for which Transmission Customer c is responsible for day d for the relevant Subzone.

BPCGCosts<sub>d</sub> = The Bid Production Cost guarantee payments, in \$, made to Suppliers for Resources for day d in the relevant Subzone arising as a result of meeting the reliability needs of that Subzone, except for the Bid Production Cost guarantee payments made to Suppliers for Special Case Resources.

SZWithdrawalUnits<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in day d in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

SZTotalWithdrawalUnits<sub>d</sub> = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day d in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

#### **6.1.12.3.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$\text{Local Reliability BPCG Charge}_{c,d} = \frac{\text{BPCGCosts}_d}{\text{SZTotalWithdrawalUnits}_d} \times \text{SZStationPower}_{c,d}$$

Where:

SZStationPower<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, of Transmission Customer c in day d in the relevant Subzone that are used to supply Station Power as a third-party provider, except for Withdrawal Billing Units for Wheels Through and Exports.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.3.1 above,

### **6.1.12.3.3 Local Reliability BPCG Credit**

The ISO shall calculate, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.12.3.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$\text{Local Reliability BPCG Credit}_{c,d} = \text{LocRelBPCGCharge}_d \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_d}$$

Where:

$\text{Local Reliability BPCG Credit}_{c,d}$  = The amount, in \$, that Transmission Customer c will receive for day d for the relevant Subzone.

$\text{LocRelBPCGCharge}_d$  = The sum of charges, in \$, for all Transmission Customers in the relevant Subzone as calculated in Section 6.1.12.3.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.3.1 above.

### **6.1.12.4 Cost of BPCGs for Special Case Resources Called to Meet the Reliability Needs of a Local System**

Pursuant to this Section 6.1.12.4, the ISO shall recover the costs of Bid Production Cost guarantee payments incurred to compensate Special Case Resources called to meet the reliability needs of a local system. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Special Case Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$\text{Local Reliability SCR BPCG Charge}_{c,d} = \text{BPCGCosts}_d \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

Local Reliability SCR BPCG Charge<sub>c,d</sub> = The amount, in \$, for which Transmission Customer c is responsible for day d for the relevant Subzone.

BPCGCosts<sub>d</sub> = The Bid Production Cost guarantee payments, in \$, made to Suppliers for Special Case Resources for day d in the relevant Subzone arising as a result of meeting the reliability needs of that Subzone.

SZWithdrawalUnits<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in day d in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

SZTotalWithdrawalUnits<sub>d</sub> = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day d in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

#### **6.1.12.5 Cost of BPCG for Special Case Resources Called to Meet the Reliability Needs of the NYCA**

Pursuant to this Section 6.1.12.5, the ISO shall recover the costs for Bid Production Cost guarantee payments to compensate Special Case Resources called to meet the reliability needs of the NYCA. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the NYCA shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$\text{NYCA Reliability SCR BPCG Charge}_{c,d} = \text{BPCGCosts}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

NYCA Reliability SCR BPCG Charge<sub>c,d</sub> = The amount, in \$, for which Transmission Customer c is responsible for day d.

BPCGCosts<sub>d</sub> = The Bid Production Cost guarantee payments, in \$, made to Suppliers for Special Case Resources called to meet the reliability needs of the NYCA for day d.

WithdrawalUnits<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in day d, except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

TotalWithdrawalUnits<sub>d</sub> = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day d, except for the Withdrawal Billing Units to supply Station Power as third-party providers.

#### **6.1.12.6 Costs of All Remaining BPCGs**

Pursuant to this Section 6.1.12.6, the ISO shall recover the costs of all Bid Production Cost guarantee payments not recovered through Sections 6.1.12.1, 6.1.12.2, 6.1.12.3, 6.1.12.4, and 6.1.12.5 of this Rate Schedule 1, including the residual costs of Bid Production Cost guarantee payments for additional Resources not recovered through the methodology in Attachment T of this ISO OATT, from all Transmission Customers.

##### **6.1.12.6.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$\text{Remaining BPCG Charge}_{c,d} = \text{RemainingBPCGCosts}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

Remaining BPCG Charge<sub>c,d</sub> = The amount, in \$, for which Transmission Customer c is responsible for day d.

RemainingBPCGCosts<sub>d</sub> = The BPCG costs, in \$, for day d not recovered by the ISO through Sections 6.1.12.1, 6.1.12.2, 6.1.12.3, 6.1.12.4, and 6.1.12.5 of this Rate Schedule 1.

WithdrawalUnits<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in day d, except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

TotalWithdrawalUnits<sub>d</sub> = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day d, except for the Withdrawal Billing Units to supply Station Power as third-party providers.

#### **6.1.12.6.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$\text{Remaining BPCG Charge}_{c,d} = \frac{\text{RemainingBPCGCosts}_d}{\text{TotalWithdrawalUnits}_d} \times \text{StationPower}_{c,d}$$

Where:

StationPower<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, of Transmission Customer c used to supply Station Power as a third-party provider for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.6.1 of this Rate Schedule 1 above.

#### **6.1.12.6.3 Remaining BPCG Credit**

The ISO shall calculate, and each Transmission Customer shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.12.6.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$\text{Remaining BPCG Credit}_{c,d} = \text{RemainingBPCGCharge}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

Remaining BPCG Credit<sub>c,d</sub> = The amount, in \$, that Transmission Customer c will receive for day d.

RemainingBPCGCharge<sub>d</sub> = The sum of charges, in \$, for all Transmission Customers as calculated in Section 6.1.12.6.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.6.1 of this Rate Schedule 1 above.

### **6.1.13 Dispute Resolution Payment/Charge**

The ISO shall calculate, and each Transmission Customer shall receive or pay, a dispute resolution payment or charge in accordance with Section 6.1.13.1 of this Rate Schedule 1 for the distribution of funds received by the ISO or the recovery of funds incurred by the ISO in the settlement of a dispute.

#### **6.1.13.1 Calculation of the Dispute Resolution Payment/Charge**

The ISO shall calculate, and each Transmission Customer shall receive or pay, a dispute resolution payment or a dispute resolution charge for each Billing Period as calculated according to the following formula.

$$\text{Dispute Resolution Payment/ Charge}_{c,P} = \text{DisputeResolutionCosts}_P \times \frac{\text{WithdrawalUnits}_{c,P}}{\text{TotalWithdrawalUnits}_P}$$

Where:

c = Transmission Customer.

P = The relevant Billing Period.

Dispute Resolution Payment/Charge<sub>c,P</sub> = The amount, in \$, for Billing Period P that (i) Transmission Customer c will receive if the ISO is distributing funds that it has collected

in the settlement of a dispute, or (ii) Transmission Customer  $c$  will be responsible for if the ISO is recovering funds that it has incurred in the settlement of a dispute.

$\text{DisputeResolutionCosts}_P$  = The amount, in \$, for Billing Period  $P$  that (i) the ISO has collected in the settlement of a dispute or (ii) the ISO has incurred in the settlement of a dispute.

$\text{WithdrawalUnits}_{c,P}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

$\text{TotalWithdrawalUnits}_P$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in Billing Period  $P$ .

#### **6.1.14 Credit for Financial Penalties**

The ISO shall distribute to each Transmission Customer each Billing Period in accordance with the following formula any payments that it has collected from Transmission Customers to satisfy: (i) Financial Impact Charges issued pursuant to Sections 4.5.3.2 and 4.5.4.2 of the ISO Services Tariff; (ii) ICAP sanctions issued pursuant to Section 5.12.12 of the ISO Services Tariff; (iii) ICAP deficiency charges pursuant to Section 5.14.3.1 of the ISO Services Tariff, except as provided in Section 5.14.3.2 of the ISO Services Tariff; (iv) market power mitigation financial penalties pursuant to Section 23.4.3.6 of Attachment H of the ISO Services Tariff, except as provided in Section 23.4.4.3.2 of Attachment H of the ISO Services Tariff; and (v) any other financial penalties set forth in the ISO Services Tariff or this ISO OATT. The ISO will perform this calculation separately for the allocation of the revenue from each financial penalty.

$$\text{Financial Penalties Credit}_{c,P} = \text{PenaltyRevenue}_P \times \frac{\text{WithdrawalUnits}_{c,P}}{\text{TotalWithdrawalUnits}_P}$$

Where:

$c$  = Transmission Customer.

$P$  = A given day in the relevant Billing Period.

**Financial Penalties Credit<sub>c,P</sub>** = The amount, in \$, that Transmission Customer *c* will receive for Billing Period *P*.

**PenaltyRevenue<sub>P</sub>** = The sum, in \$, of revenue that the ISO has collected for Billing Period *P* from a Transmission Customer for one of the financial penalties indicated in this Article 6.1.14 of this Rate Schedule 1.

**WithdrawalUnits<sub>c,P</sub>** = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* for Billing Period *P*.

**TotalWithdrawalUnits<sub>P</sub>** = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers for Billing Period *P*.

FERC rendition of the electronically filed tariff records in Docket No. ER12-00089-000

Filing Data:

CID: C000038

Filing Title: NYISO filing of revised Operating Cost Allocations

Company Filing Identifier: 204

Type of Filing Code: 10

Associated Filing Identifier:

Tariff Title: NYISO Tariffs

Tariff ID: 9

Payment Confirmation:

Suspension Motion:

Tariff Record Data:

Record Content Description, Tariff Record Title, Record Version Number, Option Code:

NYISO OATT, 6.1 OATT Schedule 1 - Scheduling, System Control And Dispatc, 2.0.0, A

Record Narrative Name:

Tariff Record ID: 167

Tariff Record Collation Value: 194980560 Tariff Record Parent Identifier: 166

Proposed Date: 2012-01-01

Priority Order: 500

Record Change Type: CHANGE

Record Content Type: 1

Associated Filing Identifier:

## **6.1 Schedule 1 - ISO Annual Budget Charge and Other Non-Budget Charges and Payments**

### **6.1.1 Introduction**

The ISO shall bill each Transmission Customer each Billing Period to recover the ISO's annual budgeted costs as set forth in Article 6.1.2 of this Rate Schedule 1.

The ISO shall separately bill each Transmission Customer under this Rate Schedule 1 for certain other charges and payments not related to the ISO annual budget charge. Specifically, the ISO shall bill each Transmission Customer on a quarterly basis to recover NERC and NPCC charges as set forth in Article 6.1.3 of this Rate Schedule 1. The ISO shall also bill each Transmission Customer each Billing Period to recover the following costs or allocate the following received payments under this Rate Schedule 1:

- (i) bad debt loss charges as set forth in Article 6.1.4;
- (ii) Working Capital Fund charges as set forth in Article 6.1.5;
- (iii) non-ISO facilities payment charges as set forth in Article 6.1.6;
- (iv) charges to recover costs for payments made to Suppliers pursuant to

incremental cost recovery for units that responded to Local Reliability Rules I-R3 and I-R5 as set forth in Article 6.1.7;

- (v) charges to recover and payments to allocate residual costs as set forth in Article 6.1.8;
- (vi) charges for Special Case Resources and Curtailment Service Providers called to meet reliability needs as set forth in Article 6.1.9;
- (vii) charges to recover DAMAP costs as set forth in Article 6.1.10;
- (viii) charges to recover Import Curtailment Guarantee Payment costs as set forth in Article 6.1.11;
- (ix) charges to recover Bid Production Cost guarantee payment costs as set forth in Article 6.1.12;
- (x) charges to recover and payments to allocate settlements of disputes as set forth in Article 6.1.13; and
- (xi) payments to allocate financial penalties collected by the ISO as set forth in Article 6.1.14.

Transmission Customers who are retail access customers being served by an LSE shall not pay these charges to the ISO; the LSE shall pay these charges.

### **6.1.2 ISO Annual Budget Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the ISO's recovery of its annual budgeted costs. The ISO annual budgeted costs that are recoverable through this Rate Schedule 1 are set forth in Section 6.1.2.1 of this Rate Schedule 1. The ISO shall calculate the charge for the recovery of these ISO annual budgeted costs from each Transmission Customer on the basis of its participation in

physical market activity as indicated in Section 6.1.2.2 of this Rate Schedule 1. The ISO shall calculate this charge for each Transmission Customer on the basis of its participation in non-physical market activity, the Special Case Resource program, and the Emergency Demand Response program as indicated in Section 6.1.2.4 of this Rate Schedule 1. The ISO shall credit the revenue collected through Section 6.1.2.4 of this Rate Schedule 1 to each Transmission Customer on the basis of its physical market activity as indicated in Section 6.1.2.5 of this Rate Schedule 1.

#### **6.1.2.1 ISO Annual Budgeted Costs**

The ISO annual budgeted costs to be recovered through Article 6.1.2 of this Rate Schedule 1 include, but are not limited to, the following costs associated with the operation of the NYS Transmission System by the ISO and the administration of the ISO Tariffs and ISO Related Agreements by the ISO:

- Processing and implementing requests for Transmission Service including support of the ISO OASIS node;
- Coordination of Transmission System operation and implementation of necessary control actions by the ISO and support for these functions;
- Performing centralized security constrained dispatch to optimally re-dispatch the NYS Power System to mitigate transmission Interface overloads and provide balancing services;
- Costs related to the ISO's administration and operation of the LBMP market and all other markets administered by the ISO;
- Costs related to the ISO's administration of Control Area Services;
- Costs related to the ISO's administration of the ISO's Market Power Mitigation Measures and the ISO's Market Monitoring Plan;
- Costs related to the maintenance of reliability in the NYCA;
- Costs related to the provision of Transmission Service;

- Preparation of settlement statements;
- NYS Transmission System studies, when the costs of the studies are not recoverable from a Transmission Customer;
- Engineering services and operations planning;
- Data and voice communications network service coordination;
- Metering maintenance and calibration scheduling;
- Record keeping and auditing;
- Training of ISO personnel;
- Development and maintenance of information, communication and control systems;
- Professional services;
- Carrying costs on ISO assets, capital requirements and debts;
- Tax expenses, if any;
- Administrative and general expenses;
- Insurance premiums and deductibles related to ISO operations;
- Any indemnification of or by the ISO pursuant to Section 2.11.2 of this ISO OATT or Section 12.4 of the Services Tariff;
- Regulatory fees; and
- The ISO's share of the expenses of Northeast Power Coordinating Council, Inc. or its successor.

#### **6.1.2.2 Calculation of the ISO Annual Budget Charge for Transmission Customers Participating in Physical Market Activity**

The ISO shall charge, and each Transmission Customer that participates in physical market activity shall pay, an ISO annual budget charge each Billing Period as calculated according to the following formula.

ISO Annual Budget Charge<sub>c,P</sub> =

$$\left( \text{InjectionUnits}_{c,P} \times \left( 0.28 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right) \right) + \left( \text{WithdrawalUnits}_{c,P} \times \left( 0.72 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right) \right)$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$\text{ISO Annual Budget Charge}_{c,P}$  = The amount, in \$, of the ISO annual budgeted costs for which Transmission Customer  $c$  is responsible for Billing Period  $P$ .

$\text{ISOCosts}_{\text{Annual}}$  = The sum, in \$, of the ISO's annual budgeted costs for the current calendar year.

$\text{InjectionUnits}_{c,P}$  = The Injection Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

$\text{WithdrawalUnits}_{c,P}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

$\text{TotalEstWithdrawalUnits}_{\text{Annual}}$  = The sum, in MWh, of estimated Withdrawal Billing Units for all Transmission Customers in the current calendar year as determined by the ISO in the summer prior to the current calendar year.

### **6.1.2.3 Review and Modification of the ISO Annual Budget Charge Allocation Methodology**

The current 72%/28% cost allocation methodology between Withdrawal Billing Units and Injection Billing Units for the ISO annual budget charge shall remain unchanged through at least December 31, 2016 and shall continue to remain unchanged until such point in time that a study is conducted and the results of the study warrant changing the 72%/28% cost allocation. The following provisions prescribe the process and timeline for the review and, if warranted by the results of a future study, modification of the 72%/28% cost allocation on a going forward basis:

- (i) A vote of the Management Committee will be taken in the third calendar quarter of 2015 on whether a new study should be conducted during late-2015 and 2016 to allow modification of the 72%/28% cost allocation, if warranted by the results of the study, to be implemented by January 1, 2017. A positive vote by 58% of the Management Committee will be required to go forward with the study, but there will no longer be a “material change” standard as was historically applied to the determination of whether a study should be conducted.
- (ii) If the Management Committee vote discussed in (i) above determines that a study should not be conducted, the 72%/28% cost allocation between Withdrawal Billing Units and Injection Billing Units shall be extended through at least December 31, 2017. In the third calendar quarter of 2016, a vote will be taken on whether a new study should be conducted during late-2016 and 2017 to allow modification of the percentage allocation, if warranted by the results of the study, to be implemented by January 1, 2018. Unless a 58% vote of the Management Committee is registered in favor of declining to go forward with the study, the study will be conducted.
- (iii) If the Management Committee vote in the third calendar quarter of 2016 discussed in (ii) above determines that a study should not be conducted, the current 72%/28% cost allocation shall remain unchanged until such point in time as the Management Committee determines that a study shall be conducted and the results of that study warrant changing the percentage

allocation between Withdrawal Billing Units and Injection Billing Units. If the Management Committee vote in the third calendar quarter of 2016 discussed in (ii) above determines that a study should not be conducted, the Management Committee will revisit the issue of conducting a study annually in the third calendar quarter of each year using the same voting standard (*i.e.* the study shall be performed unless 58% of the Management Committee votes not to commission the study) that was applied to the Management Committee vote in the third calendar quarter of 2016 discussed in (ii) above.

- (iv) If, and when, the Management Committee determines a study shall be conducted:
  - (a) Such study shall be completed, and the results thereof shared with Market Participants, before the end of the second calendar quarter of the year prior to the date on which a possible change to the then current allocation may become effective; and
  - (b) The ISO will present a draft study scope to Market Participants for consideration and comment before the ISO issues the study scope as part of its Request For Proposal process to retain a consultant to perform the study. A meeting shall be held with Market Participants to discuss the components (*e.g.*, categories of costs considered, allocation of benefits, unbundling, etc.) that should be included in the draft study scope before the draft is issued by the ISO.

**6.1.2.4 Calculation of the ISO Annual Budget Charge for Transmission Customers Participating in Non-Physical Market Activity, the**

## **Special Case Resource Program, or the Emergency Demand Response Program**

### **6.1.2.4.1 Charge for Transmission Customers Engaging in Virtual Transactions**

The ISO shall charge, and each Transmission Customer that has its virtual bids accepted and thereby engages in Virtual Transactions shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$\text{VTCharge}_{c,P} = \text{VTRate} \times \text{VTCleared}_{c,P}$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$\text{VTCharge}_{c,P}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for Billing Period  $P$ .

$\text{VTRate}$  = For calendar year 2012, the applicable rate shall be \$0.0871 per cleared MWh of Virtual Transactions, based on a \$2.6 million projected 2012 annual revenue requirement. For calendar years following 2012, the applicable rate shall be calculated in accordance with the formula set forth in Section 6.1.2.4.4 of this Rate Schedule 1.

$\text{VTCleared}_{c,P}$  = The total cleared Virtual Transactions, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

### **6.1.2.4.2 Charge for Transmission Customers Purchasing Transmission Congestion Contracts**

The ISO shall charge, and each Transmission Customer that purchases Transmission Congestion Contracts - excluding Transmission Congestion Contracts that are created prior to January 1, 2010 - shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$\text{TCCCharge}_{c,P} = \text{TCCRate} \times \text{TCCSettled}_{c,P}$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$TCCCharge_{c,P}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for Billing Period  $P$ .

$TCCRate$  = For calendar year 2012, the applicable rate shall be \$0.0372 per settled MWh of Transmission Congestion Contracts, based on a \$4.9 million projected 2012 annual revenue requirement. For calendar years following 2012, the applicable rate shall be calculated in accordance with the formula set forth in Section 6.1.2.4.4 of this Rate Schedule 1.

$TCCSettled_{c,P}$  = The total settled Transmission Congestion Contracts, excluding Transmission Congestion Contracts created prior to January 1, 2010, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

#### **6.1.2.4.3 Charge for Transmission Customers Participating in the Special Case Resource Program or Emergency Demand Response Program**

The ISO shall charge, and each Transmission Customer that participates in the ISO's Special Case Resources program or its Emergency Demand Response program shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$\text{SCR and EDR Charge}_{c,P} = \text{DRInjections}_{c,P} \times \left( 0.28 \times \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right)$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$\text{SCR and EDR Charge}_{c,P}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for Billing Period  $P$ .

$\text{DRInjections}_{c,P}$  = The total Load reduction, in MWh, measured and compensated

during testing or an actual event for Transmission Customer  $c$  in Billing Period  $P$ .

$ISO_{Costs}_{Annual}$  = The sum, in \$, of the ISO's annual budgeted costs in the current calendar year.

$TotalEstWithdrawalUnits_{Annual}$  = The sum, in MWh, of estimated Withdrawal Billing Units for all Transmission Customers in the current calendar year as determined by the ISO in the summer prior to the current calendar year.

#### **6.1.2.4.4 Re-setting of Rate for Virtual Transaction and Transmission Congestion Contracts Related Charges**

For each calendar year after calendar year 2012, the ISO shall use the following formula to calculate (i) the rate for the charge to Transmission Customers engaging in Virtual Transactions as determined in Section 6.1.2.4.1 of this Rate Schedule 1, and (ii) the rate for the charge to Transmission Customers purchasing Transmission Congestion Contracts as determined in Section 6.1.2.4.2 of this Rate Schedule 1.

$$\text{ResetRate} = \frac{\text{AnnRevRequirement} - \text{Over/UnderCollection}}{\text{3YearRollingAvgBillUnits}}$$

Where:

**ResetRate** = For each calendar year after calendar year 2012, this rate will be used for either (i) the **VTRate** in the formula in Section 6.1.2.4.1 of this Rate Schedule 1, or (ii) the **TCCRate** in the formula in Section 6.1.2.4.2 of this Rate Schedule 1.

**AnnRevRequirement** = The product, in \$, of (i) the prior year's annual revenue requirement for either (A) Virtual Transaction market activity or (B) Transmission Congestion Contract market activity, and (ii) an escalation factor. The ISO shall calculate the escalation factor as the percentage change in the ISO budget between (i) the ISO budget for the calendar year two years prior to the current calendar year ("Calendar Year Minus 2") and (ii) the ISO budget for the calendar year one year prior to the current calendar year ("Calendar Year Minus 1").

**Over/Under Collection** = The ISO shall calculate the amount, in \$, that it has over or under collected for the prior year's annual revenue requirement for either (A) Virtual Transaction market activity or (B) Transmission Congestion Contract market activity, as the case may be, as follows: (i) The ISO shall divide the annual revenue requirements for the applicable market activity for Calendar Year

Minus 2 and for Calendar Year Minus 1 into twelve equal monthly revenue requirements for each of these calendar years. (ii) The ISO shall then calculate the amount of revenue, in \$, that it over or under collected for each of the months from July of Calendar Year Minus 2 through June of Calendar Year Minus 1, which shall be calculated as (a) the revenue amount, in \$, that the ISO collected for each month for the applicable market activity, minus (b) the monthly revenue requirement, in \$, for that month as determined above. If the result of this calculation is positive, then the ISO overcollected for that month. If the result of this calculation is negative, then the ISO undercollected for that month. (iii) The ISO shall then calculate the total over or under collection amount, in \$, for the period of July of Calendar Year Minus 2 through June of Calendar Year Minus 1, which shall be equal to (a) the sum, in \$, of the revenue that the ISO overcollected for each month during this period (i.e., the sum of the positive monthly results determined above), minus (b) the sum, in \$, of the absolute value of the revenue that the ISO undercollected for each month during this period (i.e., the sum of the absolute value of the negative monthly results determined above).

**3YearRollingAvgBillUnits** = The ISO shall calculate the three year rolling average of billing units, in MWh, using twelve-month averages of the appropriate billing units for the period between July of the calendar year four years prior to the current calendar year (“Calendar Year Minus 4”) and June of Calendar Year Minus 1.

The annual rate computed through the formula in this Section 6.1.2.4.4 shall be subject to a 25% maximum increase or decrease for each year.

#### **6.1.2.5 Credit for Transmission Customers Participating in Physical Market Activity**

The ISO shall distribute each Billing Period the revenue collected pursuant to Section 6.1.2.4 of this Rate Schedule 1 to each Transmission Customer that participates in physical market activity as calculated according to the following formula.

$$\text{ISO Annual Budget Credit}_{c,p} = \left( \text{NonPhysicalActivityRevenue}_p \times \left( 0.28 \times \frac{\text{InjectionUnits}_{c,p}}{\text{TotalInjectionUnits}_p} \right) \right) + \left( \text{NonPhysicalActivityRevenue}_p \times \left( 0.72 \times \frac{\text{WithdrawalUnits}_{c,p}}{\text{TotalWithdrawalUnits}_p} \right) \right)$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

ISO Annual Budget Credit $_{c,P}$  = The amount, in \$, that Transmission Customer  $c$  will receive for Billing Period  $P$ .

NonPhysicalActivityRevenue $_P$  = The sum, in \$, of the revenue collected by the ISO for Billing Period  $P$  through the charges to Transmission Customers for non-physical market activity, the Special Cases Resource program, and the Emergency Demand Response program as calculated in Section 6.1.2.4 of this Rate Schedule 1.

InjectionUnits $_{c,P}$  = The Injection Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

WithdrawalUnits $_{c,P}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

TotalInjectionUnits $_P$  = The sum, in MWh, of Injection Billing Units for all Transmission Customers in Billing Period  $P$ .

TotalWithdrawalUnits $_P$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in Billing Period  $P$ .

### **6.1.3 NERC and NPCC Charges**

The ISO receives an invoice from NERC and NPCC (as defined below) on a quarterly basis for the recovery of the upcoming calendar quarter's costs related to the dues, fees, and related charges of:

- (i) the NERC for its service as the Electric Reliability Organization for the United States ("ERO"), recovered pursuant to FERC Docket Nos. RM05-30-000, RR06-1-000 and RR06-3-000 and related dockets, and
- (ii) the Northeast Power Coordinating Council: Cross-Border Regional Entity, Inc. ("NPCC"), or its successors, incurred to carry out functions that are delegated by the NERC and that are related to ERO matters pursuant to Section 215 of the FPA.

The ISO shall charge on a quarterly basis, and each Transmission Customer taking service under the ISO Tariffs shall pay, a charge for the recovery of the NERC and NPCC costs in accordance with Section 6.1.3.1 of this Rate Schedule 1.

Notwithstanding any applicable provisions of this ISO OATT or of the ISO Services Tariff, the ISO may supply to NERC the name of any LSE failing to pay any amounts due to NERC and the amounts not paid.

### **6.1.3.1 Calculation of NERC and NPCC Charges**

The ISO shall charge, and each Transmission Customer shall pay, a charge on a quarterly basis to recover the NERC and NPCC costs invoiced to the NYISO by NERC and NPCC for the upcoming calendar quarter. This charge shall be calculated according to the following formula.

$$\text{NERC\&NPCC Charge}_{c,Q} = \text{NERC\&NPCC Costs}_Q \times \frac{\text{TUWithdrawalUnits}_{c,M}}{\text{TU TotalWithdrawalUnits}_M}$$

Where:

$c$  = Transmission Customer.

$Q$  = The relevant calendar quarter, for which the NERC and NPCC costs apply.

$\text{NERC\&NPCC Charge}_{c,Q}$  = The amount of the NERC and NPCC costs invoiced to the ISO, in \$, for which Transmission Customer  $c$  is responsible for calendar quarter  $Q$ .

$\text{NERC\&NPCC Costs}_Q$  = The NERC and NPCC costs, in \$, invoiced to the ISO for calendar quarter  $Q$ .

$M$  = The month in which the ISO charges Transmission Customers to recover NERC and NPCC costs for calendar quarter  $Q$ .

$\text{TUWithdrawalUnits}_{c,M}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in its four-month true-up invoice that is issued with its regular monthly invoice in month  $M$ , except for Withdrawal Billing Units for Wheels Through and Exports.

$TU_{TotalWithdrawalUnits_M}$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in their four-month true-up invoices that are issued with their regular monthly invoices in month M, except for Withdrawal Billing Units for Wheels Through and Exports.

In calculating the Withdrawal Billing Units for this NERC and NPCC charge, the ISO shall use the LSE bus meter data that have been submitted by the meter authorities for use in the calculation of the four-month true-up of the Transmission Customer's monthly invoice pursuant to Sections 7.4.1.1.2 and 7.4.1.1.3 of the ISO Services Tariff and Sections 2.7.4.2.1(ii) and 2.7.4.2.1(iii) of this ISO OATT. This calculation of the NERC and NPCC charge shall not be subject to correction or adjustment.

#### **6.1.4 Bad Debt Loss Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the collection of costs related to bad debt losses in accordance with the methodology established in Attachment U of this ISO OATT.

#### **6.1.5 Working Capital Fund Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the collection and maintenance of the Working Capital Fund in accordance with the methodology established in Attachment V of this ISO OATT.

#### **6.1.6 Non-ISO Facilities Payment Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge in accordance with Section 6.1.6.1 of this Rate Schedule 1 for the recovery of the costs of the ISO's monthly payments to the owners of facilities that are needed for the economic and reliable operation of the NYS Transmission System. At present, the ISO makes such

payments to:

- (i) Consolidated Edison Co. of New York, Inc. for the purchase, installation, operation, and maintenance of phase angle regulators at the Branchburg-Ramapo Interconnection between the ISO and PJM Interconnection, LLC, and
- (ii) Rochester Gas & Electric Corporation for the installation of a 135 MVAR Capacitor Bank at Rochester Station 80 on the cross-state 345 kV system.

#### **6.1.6.1 Calculation of Non-ISO Facilities Payment Charge**

##### **6.1.6.1.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a non-ISO facilities payment charge for each Billing Period. This charge shall be equal to the sum of the hourly non-ISO facilities payment charges for the Transmission Customer, as calculated according to the following formula, for each hour in the relevant Billing Period.

$$\text{Non-ISO Facilities Payment Charge}_{c,h} = \frac{\text{NonISOFacilitiesCosts}_M}{N} \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

c = Transmission Customer.

M = The relevant month.

h = A given hour in the relevant Billing Period in month M.

$N$  = Total number of hours  $h$  in month  $M$ .

Non-ISO Facilities Payment Charge $_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$ .

NonISOFacilitiesCosts $_M$  = The sum, in \$, of the ISO's bills for month  $M$  for the non-ISO facilities from (i) Consolidated Edison Co. of New York (less the one-half of such bill paid by PJM Interconnection, LLC) and (ii) Rochester Gas and Electric Corporation.

WithdrawalUnits $_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

TotalWithdrawalUnits $_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers.

#### **6.1.6.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT.**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a non-ISO facilities payment charge for each Billing Period. This charge shall be equal to the sum of the daily non-ISO facilities payment charges for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

Non-ISO Facilities Payment Charge $_{c,d}$  =

$$\frac{\text{NonISOFacilitiesCosts}_M}{N} \times \frac{\text{StationPower}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

$d$  = A given day in the relevant Billing Period in month  $M$ .

$N$  = Number of days  $d$  in month  $M$ .

StationPower $_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  used to supply Station Power as a third-party provider for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.6.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.6.1.2 shall be determined for day d.

### **6.1.6.1.3 Non-ISO Facilities Payment Credit**

The ISO shall credit each Transmission Customer based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the non-ISO facilities payment charge under Section 6.1.6.1.2 of this Rate Schedule 1 for each Billing Period. This credit shall be equal to the sum of daily payments for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

Non-ISO Facilities Payment Credit<sub>c,d</sub> =

$$\text{NonISOFacPayCharge}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

d = A given day in the relevant Billing Period.

Non-ISO Facilities Payment Credit<sub>c,d</sub> = The amount, in \$, that Transmission Customer c will receive for day d.

NonISOFacPayCharge<sub>d</sub> = The sum of non-ISO facilities payment charges, in \$, for all Transmission Customers as calculated in Section 6.1.6.1.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.6.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.6.1.3 shall be determined for day d.

### 6.1.7 Charge to Recover Payments Made to Suppliers Pursuant to Incremental Cost Recovery for Units Responding to Local Reliability Rules I-R3 and I-R5

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a charge for the recovery of the costs of payments to Suppliers pursuant to the incremental cost recovery for units that responded to either (i) Local Reliability Rule I-R3 or (ii) Local Reliability Rule I-R5, as applicable, for each Billing Period. This charge shall be equal to the sum of the daily charges for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period. The ISO shall perform this calculation separately to recover as applicable either (i) the payment costs related to Local Reliability I-R3, or (ii) the payment costs related to Local Reliability Rule I-R5.

Local Reliability Rules Payment Recovery Charge<sub>c,d</sub> =

$$\text{LRRPayment}_d \times \frac{\text{TDWithdrawalUnits}_{c,d}}{\text{TDTotalWithdrawalUnits}_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

Local Reliability Rules Payment Recovery Charge<sub>c,d</sub> = The amount, in \$, for which Transmission Customer c is responsible for day d.

LRRPayment<sub>d</sub> - The amount, in \$, paid in day d to Suppliers pursuant to the incremental cost recovery for units that responded, as applicable, to either (i) Local Reliability Rule I-R3 in the Consolidated Edison Transmission District or (ii) Local Reliability Rule I-R5 in the LIPA Transmission District.

TDWithdrawalUnits<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in day d in either (i) the Consolidated Edison Transmission District (in the case of Local Reliability Rule I-R3) or (ii) the LIPA

Transmission District (in the case of Local Reliability Rule I-R5), except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$TDTotalWithdrawalUnits_d$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day d in either (i) the Consolidated Edison Transmission District (in the case of Local Reliability Rule I-R3) or (ii) the LIPA Transmission District (in the case of Local Reliability Rule I-R5), except for the Withdrawal Billing Units to supply Station Power as third-party providers.

### **6.1.8 Residual Costs Payment/Charge**

The ISO's payments for market transactions by Transmission Customers will not equal the ISO's payments to Suppliers for market transactions. Part of the difference consists of Day-Ahead Congestion Rent. The remainder comprises a residual adjustment, which the ISO shall calculate and each Transmission Customer shall receive or pay on the basis of its Withdrawal Billing Units. The most significant component of the residual adjustment is the residual costs payment or charge calculated in accordance with Section 6.1.8.1 of this Rate Schedule 1.

#### **6.1.8.1 Calculation of Residual Costs Payment/Charge**

##### **6.1.8.1.1 Transmission Customers Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a residual costs payment or a residual costs charge for each Billing Period. The payment or charge for the relevant Billing Period shall be equal to (i) the sum of the hourly residual costs payments for the Transmission Customer as calculated according to the following formula for each hour in the relevant Billing Period, minus (ii) the sum of the hourly residual costs charges for the Transmission Customer as calculated

in the following formula for each hour in the relevant Billing Period. If the result of this determination is positive, the ISO shall pay the Transmission Customer a residual costs payment for the relevant Billing Period. If the result of this determination is negative, the ISO shall charge the Transmission Customer a residual costs charge for the relevant Billing Period.

$$\text{Residual Costs Payment/Charge}_{c,h} = (\text{CustomerPayments}_h - \text{ISOPayments}_h) \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

$\text{Residual Costs Payment/Charge}_{c,h}$  = The amount, in \$, for hour  $h$  that Transmission Customer  $c$  will receive (if positive) or for which Transmission Customer  $c$  is responsible (if negative).

$\text{WithdrawalUnits}_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$\text{TotalWithdrawalUnits}_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers.

$\text{CustomerPayments}_h$  = The ISO's receipts, in \$, for each hour  $h$  from Transmission Customers that equal the sum of the following components, which could be either positive or negative amounts:

- (i) payments of the Energy component and Marginal Losses Component of LBMP for Energy scheduled in the LBMP Market in hour  $h$  in the Day-Ahead Market;
- (ii) payments of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy purchased in the Real-Time

LBMP Market for hour h that was not scheduled Day-Ahead;

- (iii) payments of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy by Suppliers that provided less Energy in the real-time dispatch for hour h than they were scheduled Day-Ahead to provide in hour h for the LBMP Market;
- (iv) the Marginal Losses Component of the TUC payments made in accordance with this ISO OATT for Bilateral Transactions that were scheduled in hour h in the Day-Ahead Market; and
- (v) the Marginal Losses Component and Congestion Component of the real-time TUC payments made in accordance with this ISO OATT for Bilateral Transactions that were not scheduled in hour h in the Day-Ahead Market.

$ISOPayments_h =$  The ISO's payments, in \$, in each hour h to Suppliers that equal the sum of the following components, which could be either positive or negative amounts:

- (i) payments of the Energy component and Marginal Losses Components of LBMP for Energy to Suppliers that were scheduled to provide in the LBMP Market in hour h in the Day-Ahead Market;
- (ii) payments to Suppliers of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy provided to the ISO in the Real-Time Dispatch for hour h that those Suppliers were not scheduled to provide Energy in hour h in the Day-Ahead Market;
- (iii) payments of the Energy component and Marginal Losses Component of LBMP for Energy to LSEs that consumed less Energy in the real-time

dispatch than those LSEs were scheduled Day-Ahead to consume in hour h; and

- (iv) payments of the Marginal Losses Component and Congestion Component of the real-time TUC to Transmission Customers that reduced their Bilateral Transaction schedules for hour h after the Day-Ahead Market.

**6.1.8.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT.**

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a residual costs payment or a residual costs charge for each Billing Period. The payment or charge for the relevant Billing Period shall be equal to (i) the sum of the daily residual costs payments for the Transmission Customer as calculated according to the following formula for each day in the relevant Billing Period, minus (ii) the sum of the daily residual costs charges for the Transmission Customer as calculated in the following formula for each day in the relevant Billing Period. If the result of this determination is positive, the ISO shall pay the Transmission Customer a residual costs payment for the relevant Billing Period. If the result of this determination is negative, the ISO shall charge the Transmission Customer a residual costs charge for the relevant Billing Period.

Residual Costs Payment/Charge<sub>c,d</sub> =

$$\frac{(\text{CustomerPayments}_d - \text{ISOPayments}_d)}{\text{TotalWithdrawalUnits}_d} \times \text{StationPower}_{c,d}$$

Where:

d = A given day in the relevant Billing Period.

$StationPower_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  that it used to supply Station Power as a third-party provider for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.8.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.8.1.2 shall be determined for day  $d$ .

### 6.1.8.1.3 Residual Costs Adjustment

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a residual costs adjustment for each Billing Period. This adjustment shall be equal to the sum of the daily adjustments (positive and negative) for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period. If the summed amount is positive for the Billing Period, the ISO shall pay the Transmission Customer the adjustment amount. If the summed amount is negative for the Billing Period, the ISO shall charge the Transmission Customer the adjustment amount.

Residual Costs Adjustment $_{c,d}$  =

$$ResidCharge/PaymentCosts_d \times \frac{WithdrawalUnits_{c,d}}{TotalWithdrawalUnits_d}$$

Where:

$d$  = A given day in the relevant Billing Period.

Residual Costs Adjustment $_{c,d}$  = The amount, in \$, for day  $d$  that Transmission Customer  $c$  will receive (if positive) or for which Transmission Customer  $c$  is responsible (if negative).

ResidCharge/PaymentCosts $_d$  = (i) If Transmission Customers were responsible for a residual costs charge for day  $d$  pursuant to Section 6.1.8.1.2 of this Rate Schedule 1, the (positive) amount, in \$, of the costs that the ISO has collected

through the residual costs charges for all Transmission Customers for day d. (ii) If Transmission Customers received a residual costs payment for day d pursuant to Section 6.1.8.1.2 of this Rate Schedule 1, the (negative) amount, in \$, of the revenue that the ISO has paid through the residual costs payments to all Transmission Customers for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.8.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.8.1.3 shall be determined for day d.

### **6.1.9 Recovery of Special Case Resources and Curtailment Services Providers Costs**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of Special Case Resources and Curtailment Service Providers costs for each Billing Period. This charge shall be equal to the sum of the hourly charges for the Transmission Customer, as calculated in Sections 6.1.9.1 and 6.1.9.2 of this Rate Schedule 1, for each hour in the relevant Billing Period and, where applicable, for each Subzone.

#### **6.1.9.1 Recovery of Costs for Payments for Special Case Resources and Curtailment Service Providers Called to Meet the Reliability Needs of a Local System**

Pursuant to this Section 6.1.9.1, the ISO shall recover the costs of payments to Special Case Resources and Curtailment Service Providers that were called to meet the reliability needs of a local system. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the Subzone for which the reliability services of the Special Case Resources and Curtailment Service Providers were called shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula for each Subzone.

Local Reliability SCR and CSP Charge<sub>c,h</sub> =

$$\text{LocalReliabilityCosts}_h \times \frac{\text{SZWithdrawalUnits}_{c,h}}{\text{SZTotalWithdrawalUnits}_h}$$

Where:

c = Transmission Customer.

h = A given hour in the relevant Billing Period.

Local Reliability SCR and CSP Charge<sub>c,h</sub> = The amount, in \$, for which Transmission Customer c is responsible for hour h for the relevant Subzone.

LocalReliabilityCosts<sub>h</sub> = The payments, in \$, for hour h in the relevant Subzone made to Suppliers for Special Case Resources and Curtailment Service Providers called to meet the reliability needs of that Subzone.

SZWithdrawalUnits<sub>c,h</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in hour h in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

SZTotalWithdrawalUnits<sub>h</sub> = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour h in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

#### **6.1.9.2 Recovery of Costs for Payments for Special Case Resources and Curtailment Service Providers Called to Meet the Reliability Needs of the NYCA**

Pursuant to this Section 6.1.9.2, the ISO shall recover the costs of payments to Special Case Resources and Curtailment Service Providers called to meet the reliability needs of the NYCA. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the NYCA shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula.

NYCA Reliability SCR and CSP Charge<sub>c,h</sub> =

$$\text{NYCAReliabilityCosts}_h \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

$\text{NYCA Reliability SCR and CSP Charge}_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$ .

$\text{NYCAReliabilityCosts}_h$  = The payments, in \$, for hour  $h$  made to Suppliers for Special Case Resources and Curtailment Service Providers called to meet the reliability needs of the NYCA.

$\text{WithdrawalUnits}_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$\text{TotalWithdrawalUnits}_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers.

#### **6.1.10. Recovery of Day-Ahead Margin Assurance Payment Costs**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of DAMAP costs for each Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the charges and credits for the Transmission Customer, as calculated in Sections 6.1.10.1 and 6.1.10.2 of this Rate Schedule 1, for each hour or each day, as applicable, in the relevant Billing Period and for each Subzone, where applicable.

##### **6.1.10.1 Recovery of Costs of DAMAPs Resulting from Meeting the Reliability Needs of a Local System**

Pursuant to this Section 6.1.10.1, the ISO shall recover the costs for DAMAPs incurred to compensate Resources for meeting the reliability needs of a local system.

**6.1.10.1.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula for each Subzone.

$$\text{Local Reliability DAMAP Charge}_{c,h} = \text{DAMAPCosts}_h \times \frac{\text{SZWithdrawalUnits}_{c,h}}{\text{SZTotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

Local Reliability DAMAP Charge $_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$  for the relevant Subzone.

DAMAPCosts $_h$  = The DAMAP costs, in \$, for hour  $h$  in the relevant Subzone incurred to compensate Resources meeting the reliability needs of that Subzone.

SZWithdrawalUnits $_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

SZTotalWithdrawalUnits $_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

**6.1.10.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with

the following formula for each Subzone.

$$\text{Local Reliability DAMAP Charge}_{c,d} = \frac{\text{DAMAPCosts}_d}{\text{SZTotalWithdrawalUnits}_d} \times \text{SZStationPower}_{c,d}$$

Where:

d = A given day in the relevant Billing Period.

SZStationPower<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, of Transmission Customer c in day d in the relevant Subzone that are used to supply Station Power as a third-party provider, except for Withdrawal Billing Units for Wheels Through and Exports.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.1.2 shall be determined for day d.

#### **6.1.10.1.3 Local Reliability DAMAP Credit**

The ISO shall calculate, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.10.1.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$\text{Local Reliability DAMAP Credit}_{c,d} = \text{LocRelDAMAPCharge}_d \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_d}$$

Where:

d = A given day in the relevant Billing Period.

Local Reliability DAMAP Credit<sub>c,d</sub> = The amount, in \$, that Transmission Customer c will receive for day d for the relevant Subzone.

$\text{LocRelDAMAPCharge}_d$  = The sum of charges, in \$, for all Transmission Customers in the relevant Subzone as calculated in Section 6.1.10.1.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.1.3 shall be determined for day d.

### **6.1.10.2 Recovery of Costs of All Remaining DAMAPs**

Pursuant to this Section 6.1.10.2, the ISO shall recover the costs of all DAMAPs not recovered through Section 6.1.10.1 of this Rate Schedule 1 from all Transmission Customers.

#### **6.1.10.2.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula.

$$\text{Remaining DAMAP Charge}_{c,h} = \text{RemainingDAMAPCosts}_h \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

$\text{Remaining DAMAP Charge}_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$ .

$\text{RemainingDAMAPCosts}_h$  = The DAMAP costs, in \$, for hour  $h$  not recovered by the ISO through Section 6.1.10.1 of this Rate Schedule 1.

$\text{WithdrawalUnits}_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

TotalWithdrawalUnits<sub>h</sub> = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour h, except for the Withdrawal Billing Units to supply Station Power as third-party providers.

#### **6.1.10.2.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$\text{Remaining DAMAP Charge}_{c,d} = \frac{\text{RemainingDAMAPCosts}_d}{\text{TotalWithdrawalUnits}_d} \times \text{StationPower}_{c,d}$$

Where:

d = A given day in the relevant Billing Period.

StationPower<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, of Transmission Customer c used to supply Station Power as a third-party provider for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.2.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.2.2 shall be determined for day d.

#### **6.1.10.2.3 Remaining DAMAP Credit**

The ISO shall calculate, and each Transmission Customer shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.10.2.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$\text{Remaining DAMAP Credit}_{c,d} = \text{RemainingDAMAPCharge}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

$d$  = A given day in the relevant Billing Period.

Remaining DAMAP Credit $_{c,d}$  = The amount, in \$, that Transmission Customer  $c$  will receive for day  $d$ .

Remaining DAMAP Charge $_d$  = The sum of charges, in \$, for all Transmission Customers as calculated in Section 6.1.10.2.2 of this Rate Schedule 1 for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.2.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.2.3 shall be determined for day  $d$ .

### **6.1.11 Recovery of Import Curtailment Guarantee Payment Costs**

#### **6.1.11.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a charge each Billing Period to recover the costs of all Import Curtailment Guarantee Payments paid to Import Suppliers for that Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the hourly charges for the Transmission Customer, as calculated in accordance with the following formula, for each hour in the relevant Billing Period.

$$\text{Import Curtailment Guarantee Charge}_{c,h} = \text{ImportCurtGuarCosts}_h \times \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

Import Curtailment Guarantee Charge $_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$ .

$\text{ImportCurtGuarCosts}_h$  = The costs, in \$, for the Import Curtailment Guarantee Payments to Import Suppliers for hour h.

$\text{WithdrawalUnits}_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer c in hour h, except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$\text{TotalWithdrawalUnits}_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour h, except for the Withdrawal Billing Units to supply Station Power as third-party providers.

#### **6.1.11.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a charge for each Billing Period to recover the costs of all Import Curtailment Guarantee Payments paid to Import Suppliers for that Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the daily charges for the Transmission Customer, as calculated in accordance with the following formula, for each day in the relevant Billing Period.

$$\text{Import Curtailment Guarantee Charge}_{c,d} = \frac{\text{ImportCurtGuarCosts}_d}{\text{TotalWithdrawalUnits}_d} \times \text{StationPower}_{c,d}$$

Where:

d = A given day in the relevant Billing Period.

$\text{StationPower}_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer c used to supply Station Power as a third-party provider for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.11.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.11.2 shall be determined for day d.

### 6.1.11.3 Import Curtailment Guarantee Credit

The ISO shall credit each Transmission Customer based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.11.2 of this Rate Schedule 1 above for each Billing Period. This credit shall be equal to the sum of daily payments for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

$$\text{Import Curtailment Guarantee Credit}_{c,d} = \text{ImpCurtGuarCharge}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

d = A given day in the relevant Billing Period.

Import Curtailment Guarantee Credit<sub>c,d</sub> = The amount, in \$, that Transmission Customer c will receive for day d.

ImpCurtGuarCharge<sub>d</sub> = The sum of charges, in \$, for all Transmission Customers as calculated in Section 6.1.11.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.11.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.11.3 shall be determined for day d.

### 6.1.12 Recovery of Bid Production Cost Guarantee Payment and Demand Reduction Incentive Payment Costs

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of BPCG and Demand Reduction Incentive Payment costs for each Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the charges and credits for the Transmission Customer, as calculated in Sections 6.1.12.1 through 6.1.12.6 of this Rate Schedule 1, for each day in the relevant Billing Period and

for each Subzone, where applicable.

**6.1.12.1 Costs of Demand Reduction BPCGs and Demand Reduction Incentive Payments**

After accounting for imbalance charges paid by Demand Reduction Providers, the ISO shall recover the costs associated with Demand Reduction Bid Production Cost guarantee payments and Demand Reduction Incentive Payments from Transmission Customers pursuant to the methodology established in Attachment R of this ISO OATT.

**6.1.12.2 Costs of BPCGs for Additional Generating Units Committed to Meet Forecast Load**

If the sum of all Bilateral Transaction schedules, excluding schedules of Bilateral Transactions with Trading Hubs as their POWs, and all Day-Ahead Market purchases to serve Load in the Day-Ahead schedule is less than the ISO's Day-Ahead forecast of Load, the ISO may commit Resources in addition to the reserves that it normally maintains to enable it to respond to contingencies to meet the ISO's Day-Ahead forecast of Load. The ISO shall recover a portion of the costs associated with Bid Production Cost guarantee payments for the additional Resources committed Day-Ahead to meet the Day-Ahead forecast of Load from Transmission Customers pursuant to the methodology established in Attachment T of this ISO OATT. The ISO shall recover the residual costs of such Bid Production Cost guarantee payments not recovered through the methodology in Attachment T of the ISO OATT pursuant to Section 6.1.12.6 of this Rate Schedule 1.

**6.1.12.3 Costs of BPCGs Resulting from Meeting the Reliability Needs of a Local System**

Pursuant to this Section 6.1.12.3, the ISO shall recover the costs for Bid Production Cost guarantee payments incurred to compensate Suppliers for their

Resources, other than Special Case Resources, that are committed or dispatched to meet the reliability needs of a local system.

### **6.1.12.3.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$\text{Local Reliability BPCG Charge}_{c,d} = \text{BPCGCosts}_d \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

Local Reliability BPCG Charge<sub>c,d</sub> = The amount, in \$, for which Transmission Customer c is responsible for day d for the relevant Subzone.

BPCGCosts<sub>d</sub> = The Bid Production Cost guarantee payments, in \$, made to Suppliers for Resources for day d in the relevant Subzone arising as a result of meeting the reliability needs of that Subzone, except for the Bid Production Cost guarantee payments made to Suppliers for Special Case Resources.

SZWithdrawalUnits<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in day d in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

SZTotalWithdrawalUnits<sub>d</sub> = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day d in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

### **6.1.12.3.2 Transmission Customer Charge Based on Withdrawal Billing**

### Units to Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$\text{Local Reliability BPCG Charge}_{c,d} = \frac{\text{BPCGCosts}_d}{\text{SZTotalWithdrawalUnits}_d} \times \text{SZStationPower}_{c,d}$$

Where:

$\text{SZStationPower}_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  in day  $d$  in the relevant Subzone that are used to supply Station Power as a third-party provider, except for Withdrawal Billing Units for Wheels Through and Exports.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.3.1 above,

#### 6.1.12.3.3 Local Reliability BPCG Credit

The ISO shall calculate, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.12.3.2 of this Rate Schedule

1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$\text{Local Reliability BPCG Credit}_{c,d} = \text{LocRelBPCGCharge}_d \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_d}$$

Where:

Local Reliability BPCG Credit<sub>c,d</sub> = The amount, in \$, that Transmission Customer c will receive for day d for the relevant Subzone.

LocRelBPCGCharge<sub>d</sub> = The sum of charges, in \$, for all Transmission Customers in the relevant Subzone as calculated in Section 6.1.12.3.2 of this Rate Schedule 1 for day d.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.3.1 above.

#### **6.1.12.4 Cost of BPCGs for Special Case Resources Called to Meet the Reliability Needs of a Local System**

Pursuant to this Section 6.1.12.4, the ISO shall recover the costs of Bid

Production Cost guarantee payments incurred to compensate Special Case Resources called to meet the reliability needs of a local system. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Special Case Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$\text{Local Reliability SCR BPCG Charge}_{c,d} = \text{BPCGCosts}_d \times \frac{\text{SZWithdrawalUnits}_{c,d}}{\text{SZTotalWithdrawalUnits}_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

Local Reliability SCR BPCG Charge<sub>c,d</sub> = The amount, in \$, for which Transmission Customer c is responsible for day d for the relevant Subzone.

BPCGCosts<sub>d</sub> = The Bid Production Cost guarantee payments, in \$, made to Suppliers for Special Case Resources for day d in the relevant Subzone arising as a result of meeting the reliability needs of that Subzone.

SZWithdrawalUnits<sub>c,d</sub> = The Withdrawal Billing Units, in MWh, for Transmission Customer c in day d in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a

third-party provider.

$SZTotalWithdrawalUnits_d$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day d in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

**6.1.12.5 Cost of BPCG for Special Case Resources Called to Meet the Reliability Needs of the NYCA**

Pursuant to this Section 6.1.12.5, the ISO shall recover the costs for Bid Production Cost guarantee payments to compensate Special Case Resources called to meet the reliability needs of the NYCA. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the NYCA shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$NYCA\ Reliability\ SCR\ BPCG\ Charge_{c,d} = BPCGCosts_d \times \frac{WithdrawalUnits_{c,d}}{TotalWithdrawalUnits_d}$$

Where:

c = Transmission Customer.

d = A given day in the relevant Billing Period.

$NYCA\ Reliability\ SCR\ BPCG\ Charge_{c,d}$  = The amount, in \$, for which Transmission Customer c is responsible for day d.

$BPCGCosts_d$  = The Bid Production Cost guarantee payments, in \$, made to Suppliers for Special Case Resources called to meet the reliability needs of the NYCA for day d.

$WithdrawalUnits_{c,d}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer c in day d, except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$TotalWithdrawalUnits_d$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day d, except for the Withdrawal Billing Units to supply Station Power as third-party providers.

### **6.1.12.6 Costs of All Remaining BPCGs**

Pursuant to this Section 6.1.12.6, the ISO shall recover the costs of all Bid Production Cost guarantee payments not recovered through Sections 6.1.12.1, 6.1.12.2, 6.1.12.3, 6.1.12.4, and 6.1.12.5 of this Rate Schedule 1, including the residual costs of Bid Production Cost guarantee payments for additional Resources not recovered through the methodology in Attachment T of this ISO OATT, from all Transmission Customers.

#### **6.1.12.6.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$\text{Remaining BPCG Charge}_{c,d} = \text{RemainingBPCGCosts}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

$c$  = Transmission Customer.

$d$  = A given day in the relevant Billing Period.

$\text{Remaining BPCG Charge}_{c,d}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for day  $d$ .

$\text{RemainingBPCGCosts}_d$  = The BPCG costs, in \$, for day  $d$  not recovered by the ISO through Sections 6.1.12.1, 6.1.12.2, 6.1.12.3, 6.1.12.4, and 6.1.12.5 of this Rate Schedule 1.

$\text{WithdrawalUnits}_{c,d}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in day  $d$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$\text{TotalWithdrawalUnits}_d$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day  $d$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers.

### 6.1.12.6.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 5 of this ISO OATT

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$\text{Remaining BPCG Charge}_{c,d} = \frac{\text{RemainingBPCGCosts}_d}{\text{TotalWithdrawalUnits}_d} \times \text{StationPower}_{c,d}$$

Where:

$\text{StationPower}_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  used to supply Station Power as a third-party provider for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.6.1 of this Rate Schedule 1 above.

### 6.1.12.6.3 Remaining BPCG Credit

The ISO shall calculate, and each Transmission Customer shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.12.6.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$\text{Remaining BPCG Credit}_{c,d} = \text{RemainingBPCGCharge}_d \times \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

$\text{Remaining BPCG Credit}_{c,d}$  = The amount, in \$, that Transmission Customer  $c$  will receive for day  $d$ .

$\text{RemainingBPCGCharge}_d$  = The sum of charges, in \$, for all Transmission Customers as calculated in Section 6.1.12.6.2 of this Rate Schedule 1 for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such

variables set forth in Section 6.1.12.6.1 of this Rate Schedule 1 above.

### **6.1.13 Dispute Resolution Payment/Charge**

The ISO shall calculate, and each Transmission Customer shall receive or pay, a dispute resolution payment or charge in accordance with Section 6.1.13.1 of this Rate Schedule 1 for the distribution of funds received by the ISO or the recovery of funds incurred by the ISO in the settlement of a dispute.

#### **6.1.13.1 Calculation of the Dispute Resolution Payment/Charge**

The ISO shall calculate, and each Transmission Customer shall receive or pay, a dispute resolution payment or a dispute resolution charge for each Billing Period as calculated according to the following formula.

$$\text{Dispute Resolution Payment/ Charge}_{c,P} = \text{DisputeResolutionCosts}_P \times \frac{\text{WithdrawalUnits}_{c,P}}{\text{TotalWithdrawalUnits}_P}$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$\text{Dispute Resolution Payment/Charge}_{c,P}$  = The amount, in \$, for Billing Period  $P$  that (i) Transmission Customer  $c$  will receive if the ISO is distributing funds that it has collected in the settlement of a dispute, or (ii) Transmission Customer  $c$  will be responsible for if the ISO is recovering funds that it has incurred in the settlement of a dispute.

$\text{DisputeResolutionCosts}_P$  = The amount, in \$, for Billing Period  $P$  that (i) the ISO has collected in the settlement of a dispute or (ii) the ISO has incurred in the settlement of a dispute.

$\text{WithdrawalUnits}_{c,P}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

$\text{TotalWithdrawalUnits}_P$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in Billing Period  $P$ .

### 6.1.14 Credit for Financial Penalties

The ISO shall distribute to each Transmission Customer each Billing Period in accordance with the following formula any payments that it has collected from Transmission Customers to satisfy: (i) Financial Impact Charges issued pursuant to Sections 4.5.3.2 and 4.5.4.2 of the ISO Services Tariff; (ii) ICAP sanctions issued pursuant to Section 5.12.12 of the ISO Services Tariff; (iii) ICAP deficiency charges pursuant to Section 5.14.3.1 of the ISO Services Tariff, except as provided in Section 5.14.3.2 of the ISO Services Tariff; (iv) market power mitigation financial penalties pursuant to Section 23.4.3.6 of Attachment H of the ISO Services Tariff, except as provided in Section 23.4.4.3.2 of Attachment H of the ISO Services Tariff; and (v) any other financial penalties set forth in the ISO Services Tariff or this ISO OATT. The ISO will perform this calculation separately for the allocation of the revenue from each financial penalty.

$$\text{Financial Penalties Credit}_{c,P} = \text{PenaltyRevenue}_P \times \frac{\text{WithdrawalUnits}_{c,P}}{\text{TotalWithdrawalUnits}_P}$$

Where:

$c$  = Transmission Customer.

$P$  = A given day in the relevant Billing Period.

$\text{Financial Penalties Credit}_{c,P}$  = The amount, in \$, that Transmission Customer  $c$  will receive for Billing Period  $P$ .

$\text{PenaltyRevenue}_P$  = The sum, in \$, of revenue that the ISO has collected for Billing Period  $P$  from a Transmission Customer for one of the financial penalties indicated in this Article 6.1.14 of this Rate Schedule 1.

$\text{WithdrawalUnits}_{c,P}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  for Billing Period  $P$ .

TotalWithdrawalUnits<sub>P</sub> = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers for Billing Period P.

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