

# NYISO BULLETIN FOR MARKET PARTICIPANTS UPDATE

**AUGUST 26, 2004**

## **APPLICATION OF TCC SURCHARGES**

On July 22, 2004, the Federal Energy Regulatory Commission (FERC) accepted a [TCC Settlement Agreement](#) between the NYISO and Market Participants. The settlement resolved all issues surrounding a database error that had resulted in the mistaken sale of capacity associated with a 912-MW Grandfathered TCC in several TCC auctions beginning with the Autumn 2002 Capability Period Auction ("oversale"). The database error has been corrected and the Autumn 2004 Capability Period Auction will be free of its impacts.

Pursuant to the Settlement Agreement, and in order to reverse adverse financial impacts caused by the oversale, the NYISO became obligated to purchase and retire certain TCCs, purchase Counter-flow TCCs, and fund any net negative Congestion Rent associated with TCCs assigned to eliminate any remaining oversale. The Settlement Agreement also required the NYISO to reimburse Transmission Owners for congestion rent shortfalls incurred as a result of the oversale (net of excess Auction revenues received) both in the historic period (2002 Winter Capability Period through Winter 2003 Capability Period) and in the Summer 2004 Capability Period.

The Settlement Agreement stipulated that these NYISO obligations were to be funded from a combination of excess TCC auction revenues that had been paid to Transmission Owners in the Spring 2004 Capability Period Auction, NYISO working capital (in an amount not to exceed \$27 Million) and from a newly created "Shortfall Reimbursement Surcharge ("surcharge")." Funds raised through the surcharge would also replenish that portion of the \$27 Million in NYISO working capital funds that were used for the

purposes indicated in the agreement, with interest.

The surcharge will be imposed on congestion rents payable to Holders of TCCs purchased in and after the Autumn 2004 Capability Period Auction. It will remain in effect until Transmission Owner congestion rent shortfalls, caused by the oversale are fully paid and the working capital fund, including interest, is replenished. The surcharge will not be imposed on net negative congestion rent, congestion rent paid on grandfathered TCCs. This also means that the surcharge will not be applied to congestion rents paid on Five-Year TCCs purchased in the Autumn 2000 TCC Auction, One-Year TCCs purchased in the Spring 2004 TCC Auction, or on ETCNL TCCs and RCRR TCCs because they are not purchased in any auction.

The surcharge will be 2.5 percent on congestion rents paid on TCCs sinking at or into Zone J and 0.5 percent on congestion rents paid on TCCs sinking elsewhere in the NYISO system. The Surcharge will be applied to the net monthly DAM congestion rents for each applicable TCC and the first surcharge will not appear before the December 2004 invoice.

Prior to the 2004 Autumn Capability Period Auction, parties who elected to unbundle TCCs would unbundle their entire TCC portfolio. Starting with the 2004 Autumn Auction, Market Participants may designate, by individual TCC, which TCCs, if awarded, are to be bundled for settlement purposes. Market Participants may elect to bundle or unbundle TCCs via the auction bid form. All TCCs will be unbundled for settlements, unless the NYISO is instructed otherwise through the auction bid form.