



Proposal to Address 2020 Rate Schedule 1 Shortfall

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Background

- In 2010, the NYISO began recovering Rate Schedule 1 (RS1) revenue from customers based on their Non-Physical (Virtual, Transmission Congestion Contract (TCC), Special Case Resource (SCR) and Emergency Demand Response Program (EDRP)) market activity
 - Non-Physical RS1 revenue is distributed to customers based on their physical injections and withdrawals on a monthly ratio share basis under Section 6.1.2.5 of the Open Access Transmission Tariff (OATT)
 - Total RS1 revenue recoveries from Non-Physical market activity has averaged ~\$7.8M annually (2010 through 2019)
- In 2012, the NYISO implemented a tariff change to OATT Section 6.1.2.5 that enabled NYISO to withhold the distribution of Non-Physical RS1 revenue , based on the prior year under-collection
 - Any RS1 under-collection would be withheld from Non-Physical distributions until the total prior year under-collection had been recovered
 - Once the under-collection amount was satisfied, the Non-Physical distributions would resume for the remainder of the year
 - The NYISO withheld Non-Physical distributions only once, in 2013 due to a MWh shortfall in 2012

Background

- In 2016, the NYISO implemented two additional tariff changes to OATT Section 6.1.2.5 to the Non-Physical recovery of RS1 shortfalls:
 - Limited the amount of the Non-Physical RS1 revenue to be retained by the NYISO in the event of a RS1 shortfall to the amount of actual costs or the total NYISO budgeted revenue requirement from the prior year, which ever is lower
 - Eliminated the SCR/EDRP RS1 recoveries from the shortfall recovery process
 - SCR/EDRP RS1 revenues continue to be refunded to the physical Injection/withdrawals

Rate Schedule 1 Budget Recovery

- The NYISO proposes to file a tariff waiver request with FERC to use RS1 revenue from Non-Physical market activity to offset shortfalls in RS1 revenue from physical market activity in the current year, 2020
 - Once the 2020 RS1 shortfall has been recovered from the Non-Physical RS1 revenues, the distributions to customers would resume
- The 2020 Non-Physical RS1 revenue requirement is \$7.7M
- Through March 31, 2020, NYISO has collected ~\$1.8M from Non-Physical market activity
- Declines in 2020 MWh throughput are expected to translate into shortfalls in RS1 recoveries for Non-Physical market activity
- An estimate of Non-Physical RS1 recoveries for the remainder of 2020 could range from ~\$2.0M to ~\$4.0M

Rate Schedule 1 Budget Recovery

- Physical RS1 recoveries through March 31, 2020 reflect an under-collection of \$1.5M, primarily driven by warmer than normal winter temperatures and the initial impact of COVID-19 on energy demand
- Based on mitigation actions taken across New York in response to the COVID-19 outbreak and the resulting economic recession, continued significant monthly RS1 shortfalls are expected
- A current estimate of the 2020 RS1 shortfall is \$10.1M (*dependent on duration of the mitigation measures and depth of recession*)

Rate Schedule 1 Budget Recovery

- **Other Alternatives that may be avoided if the current proposal is implemented:**
 - Potential increases to RS1 surcharge during the 2020 budget year
 - Potential working capital draw, with increase to RS1 surcharge in the 2021 budget year
 - Significant reductions and/or eliminations of project spending during the 2020 budget year

Proposed Next Steps

- BPWG – April 30, 2020
- File FERC waiver request – May 2020
- Begin to retain Non-Physical RS1 recoveries upon approval of waiver by FERC

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- Maintaining and enhancing regional reliability
- Operating open, fair and competitive wholesale electricity markets
- Planning the power system for the future
- Providing factual information to policy makers, stakeholders and investors in the power system



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