



AC Transmission

Public Policy Transmission Project

Cost Allocation

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BACWG

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General Background

- PSC in its December 17, 2015 AC Transmission PPTN order adopted an approach whereby 75% of project costs are to be allocated to the economic beneficiaries of reduced congestion, while the other 25% of the costs are to be allocated to all customers on a load-ratio share.
- PSC ordered the NYISO to “...apply its expertise and design a more granular cost allocation [of the 75%] among downstate entities.”

General Background

- The NYISO presented a more granular cost allocation methodology with an illustrative example at the October 13, 2016 ESPWG/TPAS
- The NYISO filed the cost allocation methodology at the PSC on October 28, 2016
- The PSC approved the more granular cost allocation methodology on January 24, 2017
- FERC approved the AC Transmission Cost Allocation methodology on November 16, 2017
- The methodology is contained in OATT Section 31.8, Appendix E of Attachment Y.

General Methodology

- The starting point for NYISO’s proposed design for the “more granular” approach to allocate the 75% of project costs was based on the CARIS methodology
 - Attachment Y, 31.5.4.4; 31.7 (Appendix B)
- The overall concept is to allocate costs to Load Zones based on relative reduction in energy-related payments for loads
- Zonal Net Benefit = Load LBMP Impact + TSC and NTAC Impact (due to effects on TCC market revenues)
- The methodology does not account for self-generation and bilateral contracts in accordance with the tariff

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- Section 31.8.2 of the OATT states that “the ISO will perform the calculations prescribed under this Section 31.8.2 of Appendix E one time no earlier than thirty (30) days following the ISO’s selection of the AC Transmission Project”
- FERC has approved Construction Work in Progress (CWIP) recovery for NYPA for its portion of the Segment A project. On April 29, 2020, NYPA submitted a proposal to begin recovery of CWIP for its portion of the Segment A project costs on July 1, 2020 (FERC Docket No. ER20-1688-000).

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- LS Power submitted a proposal to FERC on December 31, 2019 to address cost allocation/recovery of its portion of the Segment A project costs (FERC Docket No. ER20-716-000). LS Power's proposal remains pending before FERC.
- FERC previously approved an alternative cost allocation for NY Transco's Segment B project (See Section 36.2.1.2 of Attachment DD of the OATT). NY Transco's approved cost allocation was approved as part of a settlement proceeding and based on the results of the NYISO's illustrative example.
- The NYISO has conducted the cost allocation calculation by applying the methodology in the tariff, and will apply it in its billing and settlement processes for the Segment A project costs.
 - The alternative cost allocation previously approved for NY Transco will apply to the billing and settlement processes for Segment B project costs
- This presentation provides the cost allocation calculation for Segment A for information.

Assumptions for Cost Allocation

- **Used the same assumptions as in the AC Transmission Public Policy Transmission Planning Report**
- **CES scenario with both Segments A & B was utilized for cost allocation purpose**
- **2017 Spring Centralized TCC Auction used**
 - Most recent auction before 2017 CARIS Phase 1 Assumptions lockdown (according to Tariff)
 - AC Transmission evaluation was based off 2017 CARIS Phase 1 database

Results – Economic Beneficiaries Allocation

- AC Transmission Public Policy Transmission Project Cost Allocation (2024 – 2033)

(in millions)

Discount factor 1.069884 Year(NPV) 2020.5

	A	B	C	D	E	F	G	H	I	J	K	NYCA
Adjusted LBMP Savings	\$ (433.6)	\$ (301.4)	\$ (504.5)	\$ (185.9)	\$ (276.4)	\$ 289.7	\$ 46.6	\$ 33.8	\$ 92.4	\$ 516.6	\$ 172.4	\$ (550.4)
TSC Benefits	\$ (515.8)	\$ (125.0)	\$ (332.9)	\$ (33.0)	\$ (230.3)	\$ (522.0)	\$ (85.9)	\$ (3.5)	\$ (6.6)	\$ (55.7)	\$ (254.8)	\$ (2,165.6)
NTAC Benefits	\$ (44.7)	\$ (27.6)	\$ (46.8)	\$ (14.0)	\$ (23.1)	\$ (37.9)	\$ (29.4)	\$ (8.7)	\$ (18.6)	\$ (156.5)	\$ (61.7)	\$ (469.0)
Net Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21.6	\$ 67.1	\$ 304.4	\$ -	\$ 393.1
	0%	0%	0%	0%	0%	0%	0%	6%	17%	77%	0%	

Negative value indicates an increase in costs (“negative benefit”).

Results – NYCA-Wide Load-Ratio Share Allocation

- Based off of the sum of zonal coincident summer peak demand over the sum of NYCA coincident summer peak demand from 2024 – 2033

	AC Transmission Public Policy Transmission Project Cost Allocation (2024 – 2033)
Load Zone	Load-Ratio Share(%)
A	7.8
B	6.0
C	8.5
D	1.6
E	4.2
F	7.0
G	6.4
H	2.0
I	4.6
J	36.9
K	15.2

Results

Final Zonal Allocations for Segment A

	Illustrative Example (as presented at ESPWG 10/13/2016)			Segment A Cost Allocation		
Load Zone	Economic Beneficiaries (%)	Load-Ratio Share (%)	Total Allocation of Project Costs: 75% Economic + 25% Load-Ratio Share (%)	Economic Beneficiaries (%)	Load-Ratio Share (%)	Total Allocation of Project Costs: 75% Economic + 25% Load-Ratio Share (%)
A	0.0	9.8	2.4	0.0	7.8	1.9
B	0.0	6.1	1.5	0.0	6.0	1.5
C	0.0	10.1	2.5	0.0	8.5	2.1
D	0.0	3.0	0.7	0.0	1.6	0.4
E	0.0	5.2	1.3	0.0	4.2	1.0
F	0.0	7.8	1.9	0.0	7.0	1.8
G	3.9	6.0	4.5	0.0	6.4	1.6
H	2.5	1.7	2.3	5.5	2.0	4.6
I	11.4	3.8	9.5	17.1	4.6	14.0
J	82.2	32.1	69.7	77.4	36.9	67.3
K	0.0	14.4	3.6	0.0	15.2	3.8

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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 policymakers, stakeholders and investors in the power system

