Draft for Discussion

Alternative Cost Allocation Procedure

Tariff Guiding Principles

Cost allocation for regulated solutions to Reliability Needs shall be determined by the NYISO based upon the principle that beneficiaries should bear the cost responsibility. The NYISO will develop criteria in consultation with Market Participants for determining the beneficiaries of regulated solutions to Reliability Needs. The specific cost allocation methodology, to be developed by the NYISO in consultation with the ESPWG, will incorporate the following elements:

a. The focus of the cost allocation methodology shall be on solutions to violations of specific Reliability Criteria.

b. Potential impacts unrelated to addressing the Reliability Needs shall not be considered for the purpose of cost allocation for regulated solutions.

c. Primary beneficiaries shall initially be those Transmission Districts identified as contributing to the reliability violation.

d. The cost allocation among primary beneficiaries shall be based upon their relative contribution to the need for the regulated solution.

e. The NYISO will examine the development of specific cost allocation rules based on the nature of the reliability violation (e.g., thermal overload, voltage, stability, resource adequacy and short circuit).

f. Cost allocation among Transmission Districts shall recognize the terms of prior agreements among the Transmission Owners, if applicable.

g. Consideration should be given to the use of a materiality threshold for cost allocation purposes.

h. The methodology shall provide for ease of implementation and administration to minimize debate and delays to the extent possible.

i. Consideration should be given to the "free rider" issue as appropriate. The methodology shall be fair and equitable.

j. The methodology shall provide cost recovery certainty to investors to the extent possible.

k. The methodology shall apply, to the extent possible, to Gap Solutions.

Additional Guiding Principles

Ten Year planning horizon.

The needs and beneficiaries should be calculated for the entire 10-year period.

Open Access and NYCA

The needs will be addressed on a New York Control Area basis. All loads downstream from a constraint (interface transfer limit) are subject to cost allocation as a beneficiary. Therefore, no preference is given to a zone's proximity to resources.

Resource Adequacy Need for NYCA

Resource Adequacy is measured under free flow conditions to determine LOLE for year ten. If LOLE is in violation, the amount compensatory actions (uniform load scale or capacity addition via MODMW) required to get to 0.1 LOLE is determined. All load in all zones participate in the cost allocation by total MW load because all benefit. This is first level of cost allocation of MW solutions and is done to satisfy the "free rider" consideration. This is accumulated with MW reductions in subsequent levels of mitigation.

Thermal/Voltage/Stability Violations under Transmission Security

Same as previous proposals, direct contributors share in cost allocation of specific fix based on total load ratio. Any violations that can't be mitigated by dispatch (transfer level reduction) will be assigned to the loads causing the violation and allocated by total MW load. For year ten, all resources in zones that have resources less than their load and therefore rely on imports are dispatched on (subject to constraints) first and then the remaining resources are dispatched on to serve load. Any violation of thermal/voltage/ or stability criteria are mitigated by uniformly reducing both MWs and MVARS at a constant power factor for every zone until the violations are mitigated. This is step 2 for MWs accumulated for final cost allocation. Solutions on the non-bulk power system should be allocated 100% to that zone.

Additional Resource Adequacy Needs for NYCA Arising From Constraints

Constraints for this purpose refer to the interface transfer limits employed for the multi area (zonal) resource adequacy analysis. The interface transfer limits are the most restrictive of thermal, voltage, or stability based transfer limits calculated under emergency conditions. These transfer limits are impacted by the amount of MWs transferred both through and into a zone, as well as the electrical distance that these MWs are transferred both through and into a zone. Thermal transfer capability through a zone can be impacted by the amount and location of MWs that are consumed in a zone. This treats MVAR load demand the same as MVAR losses created when MWs are transferred.

Once the system is free of violations from the above transmission security aspect, transfer limit analysis is performed. If the calculated transfer limit is not great enough to satisfy Resource Adequacy requirements (i.e., LOLE greater than 0.1) then the following will be done:

1) Identify what interfaces are constraining and determine what downstream zones are subject to cost allocation.

2) For thermally constrained interfaces all downstream zonal load is subject to cost allocation.

3) For Voltage constrained interface limits, an identification of MVAR demand arising from bulk power system flows pre and post contingency versus MVAR demand from non bulk power system flows and load demand. This identification will give the allocation between local load and all load downstream from the constraint. (This can be determined from a MVAR loss and source report for a zone, or the amount of MW/MVAR load scale or MVAR source required to achieve a required transfer level to meet resource adequacy targets or up to the preexisting thermal limit.)

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