

Management Committee
October 11, 2005 Meeting
Motion - Agenda #06A

Proposed Motion
Submitted by Jerry Ancona, National Grid, &
Glenn Haake, IPPNY

Revision to Voltage Support Services:

The Management Committee (MC) hereby approves revisions to the NYISO Voltage Support Service Program, as noted below, and recommends that the Board of Directors support a tariff filing to implement these changes:

1. To move to Net Lagging at the point of interconnection compensation measurement
2. To provide clarification of testing requirements, as presented to the Business Issues Committee at the August 24th meeting
3. To the extent that a supplier does not have access to data from a net MVAR meter, to require the NYISO to calculate a value based upon a gross MVAR reading at the unit at issue and an established power flow calculation
4. To revise the 2006 revenue requirement and the annual revenue requirement for future years for this service as follows:
 - a. Update the 2001 revenue requirement to reflect new additions and retirements as of October 31, 2005 (the "Updated Requirement");
 - b. Apply a 3% annual inflation component to the Updated Requirement to reflect inflationary impacts associated with 2004 and 2005; and
 - c. At the end of each year, use the inflation index method that has been determined by the MSWG and approved by the BIC in accordance with the six month process set forth below to determine the inflation factor that reflects the actual inflation rate for that year and adjust the then existing dollar per MVAR rate accordingly for the upcoming year.

5. Add a new provision to Rate Schedule 2 that creates comparable payment terms for merchant non-generator dynamic VAR sources that are interconnected to the transmission system. These provisions would include:
 - a. Prorated VSS payment for energized hours for VAR capability measured at full real power flow
 - b. No lost opportunity cost payments and no requirement that the source change real power schedules; except that nothing in this motion shall be construed to change existing protocols between the New England ISO and the New York ISO
 - c. Interim testing procedures that allow facilities to test out of period
6. Delete, as presented to the BIC on September 21st, the section from Rate Schedule 2 that requires Voltage Service payments to Non-Utility Generators ("NUGs") operating under existing power purchase agreements to be provided to the entity purchasing the NUG's Energy or Capacity, unless otherwise stipulated by that entity

In addition the MC directs that MSWG develop a proposal for BIC and MC action within 6 months that includes the following:

- a. Review of the base compensation amount for VSS providers under Rate Schedule 2 and whether, and, if so, how, the base amount of Rate Schedule 2 should be adjusted on an annual basis.
- b. Determination of the preferred method (in terms of fairness, simplicity and feasibility) to allocate VSS costs to loads based on system needs and locational reactive power requirements
- c. The appropriateness of payment for the costs of energy consumed and any startup costs for non-generator VAR sources

Finally, the MC directs that, as part of the triennial process for resetting the ICAP demand curves, the NYISO shall evaluate whether the gas turbine that represents the proxy for the cost of new entry should include the equipment necessary to provide, and would be capable of providing, voltage support service, and, if so, the expected net revenues associated with the rendition of that service should be included in the ancillary service revenues calculated for the gas turbine.