

# Proposal for FERC Fee Recovery

**Cheryl Hussey**

Vice President & Chief Financial Officer

*New York Independent System Operator*

**Chris Russell**

Manager Customer Settlements

*New York Independent System Operator*

**Management Committee**

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# Background

- ◆ **NYISO's Rate Schedule 1 revenues are collected via a fixed charge per MWh multiplied by the applicable volume of MWhs transacted each month.**
  - *Net result = NYISO's revenues follow the seasonal nature of electricity usage.*
  - *Potential for volatility in revenue collections due to MWh volume variations*
  
- ◆ **NYISO's expenses, however, do not follow this same seasonal pattern.**
  - *Largest single payment made within NYISO's budget is the annual assessment of FERC Fees, which impacts the management of NYISO's budget and cash flows.*

# FERC Fee Structure

- ◆ FERC follows the standard Federal Fiscal year – Beginning October 1<sup>st</sup> and Ending September 30<sup>th</sup>.
- ◆ The FERC Fee Invoice is not issued until approximately July 1<sup>st</sup> each year, and is payable on or about August 15<sup>th</sup>.

## FERC Fees Annual Cycle



# FERC Fee Structure *(continued)*

- ◆ **FERC Fees are assessed based upon inputs NYISO cannot reasonably predict:**
  - *FERC's total program budget for fiscal year*
  - *Ratio of NYISO's MWh volumes compared to total MWh volumes for all jurisdictional entities*

# FERC Fee Structure *(continued)*

- ◆ **Historically, NYISO has included FERC Fees within its annual revenue requirement as part of Rate Schedule 1 ISO Annual Budget Charge.**
  - ***Budget amount is an estimate which can differ from actual invoice, potentially by millions of dollars***
  - ***Timing and amount of assessment requires NYISO to pay FERC Fees from external lines of credit, incurring additional debt interest expense, historically as high as ~\$0.1M annually.***
  - ***No other ISO includes FERC Fees within its annual budget***
  - ***FERC Fees represent a fixed cost that is independent of NYISO operations***

# Impacts

## **Inability to Accurately Budget and Control Cost:**

- ◆ **NYISO cannot predict inputs to FERC annual assessment**
- ◆ **FERC does not provide any guidance or advance notice**
- ◆ **Inputs to FERC annual assessment can create significant variability in amount assessed year to year**
- ◆ **NYISO is budgeting for a cost it has no ability to impact or control**

# Impacts (continued)

## **Limited Ability to Adjust/Manage Fiscal Plans:**

- ◆ **Charges are unknown until NYISO receives FERC's invoice in July**
- ◆ **As a result, first half year's spending is generally conservative**
- ◆ **Second half year's spending dependent on FERC Fees assessment**
  - *Only six months and less than half of the annual budget typically remains to adjust accordingly, if needed*
  - *Budget overruns on FERC Fees can limit NYISO's ability to meet commitments or planned objectives*
  - *Budget underruns on FERC Fees can cause larger year-end surpluses*
- **Reduced flexibility and ability to plan spending in a prudent manner exists due to timing of FERC invoice**
- **Challenges to managing NYISO cash flows throughout the course of a given budget year**

# Benefits of Alternative Recovery

- ◆ **Ability for NYISO to plan and manage annual spending focused on operations and project delivery**
- ◆ **Reduced potential for mid-year RS1 increases if FERC Fees are under-estimated**
- ◆ **Further limits the potential for budget underruns and/or budget flexibility if FERC Fees are over-estimated**
- ◆ **Budget savings from reduced debt service cost**



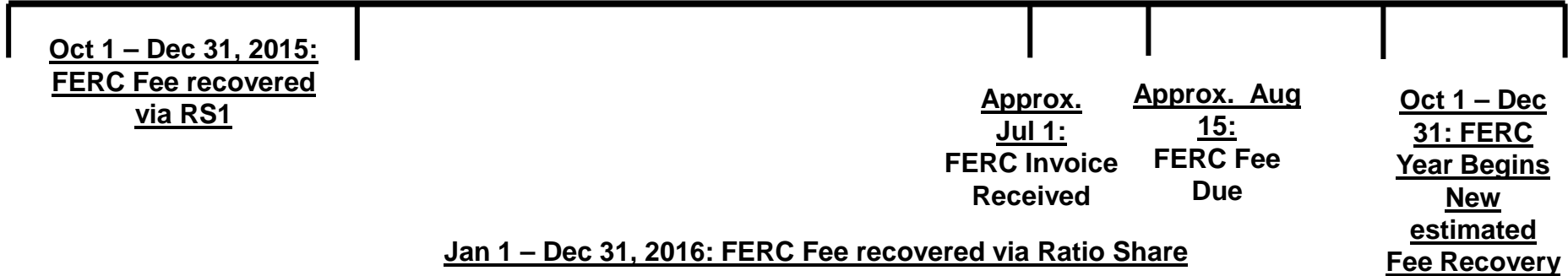
# FERC Fee Recovery Proposal

- ◆ **Invoice Market Participants on a monthly basis -**
  - *Estimated values until Invoice is received*
  - *Recovery allocation based on monthly load ratio share*
  - *True-up July – December for under/over collection amounts*
  - *Apply using same allocation percentages as Rate Schedule 1 Budget recovery*
  - *Non-Physicals will also use a pro-rata allocation percentage*
  - *FERC Fee recoveries will be held in interest bearing escrow account until invoice is due*

# FERC Fee Recovery Timeline

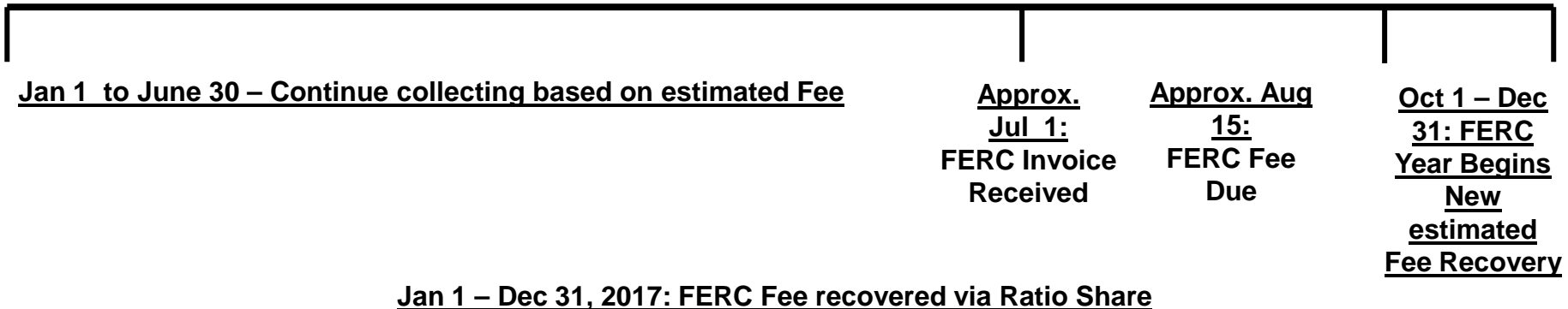
## 1<sup>st</sup> Year of Implementation Timeline

True-up July 1 – Dec 31



## Subsequent Years Timeline

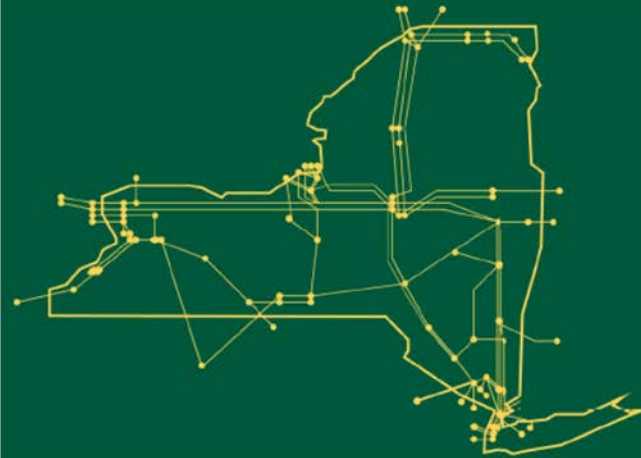
True-up July 1 – Dec 31



# Next Steps

- **February 25:** BPWG meeting to review alternative options
- **March 31:** BPWG meeting to continue discussion
- **April 16:** BPWG meeting to review tariff revisions
- **April 29:** **Management Committee Vote**
- **July:** **Board of Directors**
- **July:** **FERC Filing**
- **January 1, 2016:** **Implementation, effective for the October 2015 – September 2016 FERC fiscal year invoice and 2016 Budget Cycle**

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.



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