
Rate Schedule 1 Unbundling

Management Committee
July 12, 2001

Overview

- Reason for Unbundling
- Current Practice
- Proposed Unbundled Tariffs
 - Budget Dollars by Service Categories
 - Service Category Descriptions
- Estimated Customer Allocation
- Examples

Reason for Unbundling

- FERC mandated change from bundled rates to unbundled rates
 - “[A]llocate costs of non-transmission services to the parties that benefit from those other services.” Order Conditionally Accepting Tariff and Market Rules, Approving Market-Based Rates, and Establishing Hearing and Settlement Judge Procedures 86 FERC ¶ 61,062
 - Order Accepting Filing and Requiring Submission Of A Revised Funding Mechanism 92 FERC ¶ 61,279

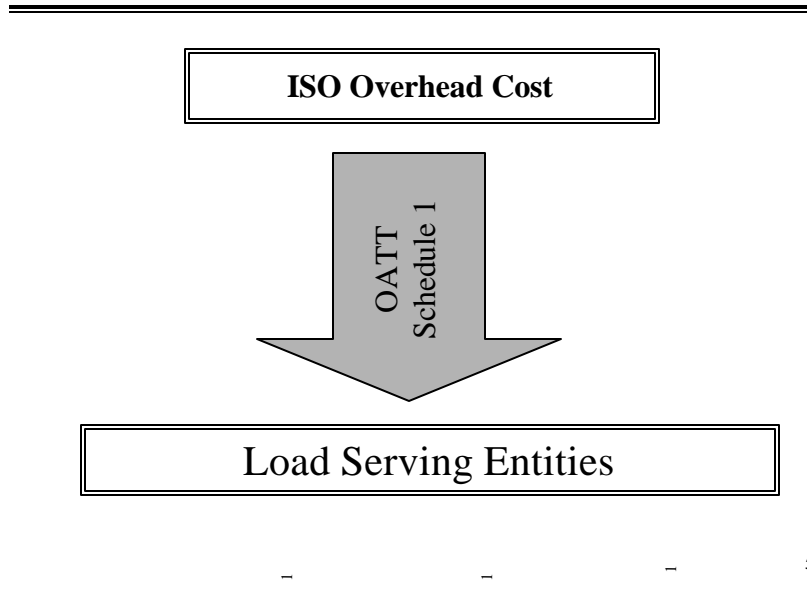
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Breakdown of Schedule 1 Charges

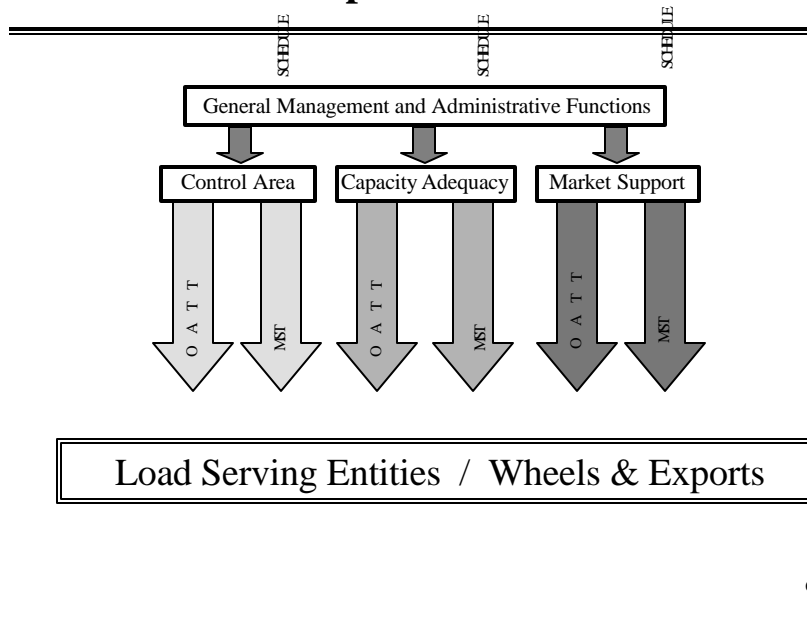
OATT	MST
<p>Charges for Ancillary Services, such as scheduling, system control, and dispatch service. NYISO is required to provide and Transmission Customers are required to purchase these services. This Schedule reflects cost associated with the operation of the NYS Transmission System and administration of the OATT, including but not limited to:</p> <ul style="list-style-type: none"> • Processing and implementing requests for transmission service • Coordination of Transmission System operation and implementation of necessary control actions • Centralized security constrained dispatch to optimally re-dispatch the NYS Power System to mitigate transmission Interface overloads and provide balancing services • Transmission studies • Engineering services and operations planning • Metering Maintenance and calibration scheduling • Administrative and General Expenses • Fifty percent of the NYISO start-up cost 	<p>Charges for the administration of competitive markets for the sale and purchase of Energy and Capacity; Ancillary Services provide to support Market and Control Area Services, including services related to ensuring the reliable operation of the NYS Power System. Cost recovered are those that are directly assignable to these services and not recoverable under Schedule 1 of the OATT, including but not limited to:</p> <ul style="list-style-type: none"> • Administration of LBMP Markets • Administration of ICAP requirements and markets • Administration of Market Power Monitoring Program • Administration of Control Area Services not covered by the OATT • Activities related to the maintenance of reliability of NYCA • Fifty percent of the NYISO start-up cost

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Current Practice



Proposed Unbundled Tariffs



2001 Budget Dollars by Service Categories

	Total Budget (millions)		Billing Units	OATT Rate	MST Rate
	OATT	MST			
Control Area Services (LSE)	\$24.6	\$8.3	153,100,648 Megawatt Hours	\$0.1607 Per Megawatt Hour	\$0.0542 Per Megawatt Hour
Control Area Services (W/E)	\$.6	-	5,699,352 Megawatt Hours	\$0.1053 Per Megawatt Hour	-
Capacity Adequacy (LSE)	\$5.3	\$3.8	153,100,648 Megawatt Hours	\$0.0346 Per Megawatt Hour	\$0.0248 Per Megawatt Hour
Capacity Adequacy (W/E)	\$.1	-	5,699,352 Megawatt Hours	\$0.0175 Per Megawatt Hour	-
Market Support Services (LSE)	\$24.9	\$27.1	153,100,648 Megawatt Hours	\$0.1626 Per Megawatt Hour	\$0.1770 Per Megawatt Hour
Market Support Services (W/E)	\$.9	-	5,699,352 Megawatt Hours	\$0.1579 Per Megawatt Hour	-
Subtotal	\$56.4	\$39.2			
Combined Totals	\$95.6				

Aggregate LSE Rate = \$.6139

Aggregate W/E Rate = \$.2807

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Control Area Services (LSE)

Service Category Description:		
This service category comprises all of the services of NYISO associated with preserving the reliability of the NYCA and administering Transmission Service.		
Internal activities include:		
	OATT	MST
Energy Management	Calculation of Available Transmission Capability	Calculation of Available Transmission Capability
Operational Regulatory Compliance	Capability	OASIS
Operating Procedures & Support	OASIS	Time-Dependent ATC Calculations
Operations Performance Metrics	Time-Dependent ATC Calculations	Unit Commitment Modeling
Real-Time Dispatch	Generator Modeling	Generator Modeling
Real-Time Transmission	Load Management Activities	Generator Outage Activities
Monitoring	System Adequacy Studies	Industry Information Gathering & Dissemination
System Drills	Industry Information Gathering & Dissemination	Information Technology Projects-SPIDER Apps.
Short-term Load Forecasting	Short-term Reliability	Information Technology Projects-Energy Management Systems
Transmission Maintenance Planning	Information Technology Projects-SPIDER Apps.	Information Technology Support
Power System Modeling	Information Technology Projects-Energy Management Systems	
Transmission Outage Planning	Information Technology Support	

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Control Area Services (W/E)

Service Category Description:	
This service category comprises all of the services of NYISO associated with preserving the reliability of the NYCA and administering Transmission Service applicable to Wheel Through and Export Customers.	
Internal activities include:	
OATT	MST
Energy Management Operational Regulatory Compliance Operating Procedures & Support Operations Performance Metrics Real-Time Dispatch Real-Time Transmission Monitoring System Drills Transmission Maintenance Planning Power System Modeling Transmission Outage Planning Calculation of Available Transmission Capability OASIS Time-Dependent ATC Calculations Load Management Activities Industry Information Gathering & Dissemination Information Technology Support	-

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Capacity Adequacy (LSE)

Service Category Description:	
This service category comprises all of the activities of NYISO associated with transmission expansion planning assessment and administration of the installed capacity auction and market (following the Reliability Rules established by the NYSRC), including, but not limited to, long-term load forecasting, studies regarding the resource adequacy assessment, etc.	
Internal activities include:	
OATT	MST
System Adequacy Studies Long-term Load Forecasting Short-term Load Forecasting	Installed Capacity Market Resource Adequacy Assessment

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Capacity Adequacy (W/E)

Service Category Description:	
This service category comprises all of the activities of NYISO associated with transmission expansion planning assessment and administration of the installed capacity auction and market (following the Reliability Rules established by the NYSRC), including, but not limited to, long-term load forecasting, studies regarding the resource adequacy assessment, etc.	
Internal activities include:	
OATT	MST
System Adequacy Studies	-

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Market Support Functions (LSE)

Service Category Description:	
This service category comprises all of the activities of NYISO associated with supporting the operation of the non-discriminatory market and related functions, including, but not limited to, market monitoring and compliance, locational based marginal pricing support, installed capacity supply compliance, and market training.	
Internal activities include:	
OATT	MST
Operator Training Certification Dispatcher Training Membership Maintenance Customer Support Web-site Postings for Market Participants NYISO Committee Support Maintenance of Manuals & Tech Bulletins Information Technology Operations Information Technology Projects Information Technology Projects-Market Systems Information Technology Markets & System Design	Market Monitoring and Compliance LBMP Pricing ICAP Supply Compliance Market Training Membership Maintenance Customer Support Web-site Postings for Market Participants NYISO Committee Support Maintenance of Manuals & Tech Bulletins Information Technology Operations Information Technology Projects Information Technology Projects-Market Systems Information Technology Markets & System Design

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Market Support Functions (W/E)

Service Category Description:	
This service category comprises all of the activities of NYISO associated with supporting the operation of the non-discriminatory market and related functions, including, but not limited to, market monitoring and compliance, locational based marginal pricing support, installed capacity supply compliance, and market training.	
Internal activities include:	
OATT	MST
Dispatcher Training Membership Maintenance Customer Support Web-site Postings for Market Participants NYISO Committee Support Maintenance of Manuals & Tech Bulletins TCC Market Administration Information Technology Operations Information Technology Projects Information Technology Projects-Market Systems Information Technology Markets & System Design	

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General Management and Administrative Functions

Service Category Description:	
This service category is not a separate service by NYISO. Rather, these cost comprise overhead and administrative activities performed by NYISO that support the services described in the other service categories. The cost will be allocated pro rata each year among the other categories.	
Internal activities include:	
Regulatory Reporting and Data Submission Human Resources Corporate Communications Manage Facilities and Infrastructure Strategic Analysis Strategic Development & Implementation Financial Accounting Services Settlement Collection Processing Market Participant Credit Issues Legal Activities Internal Auditing Two Part Market Settlement Transmission Losses Billing Point-to-Point Transmission Service Billing Daily Accounting Reports Monthly Billing Reports	Congestion Management Billing Billing Dispute Investigation Billing Dispute Resolution Record Retention Business Services Individual Project Coordination Organizational Change Management Program Management Process Information Technology Electronics and Comm. Information Technology Projects-Financial Information Technology Quality Assurance Information Technology – New Technology Dev. Corporate Expenses Capital Expenditures Depreciation

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2001 Estimated Customer Allocation

	BUNDLED	UNBUNDLED
LSE	96.4%	98%
W/E*	3.6%	2%
Total All Members	100%	100%

* W/E currently charged same rate as LSE.

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Implementation Issues

FERC filing requirement: 07/02/01

- NYISO seeking additional extension to accommodate
Market Participant input

Proposed implementation: 04/01/02

- (Start of Summer 2002 Capability Period)

**New customer classifications considered as
developed / introduced**

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Annual True-Up

In keeping with current NYISO procedure, after an audit of actual annual expenses, NYISO will bill/pay customers annually to recover/refund the amount under/over collected.

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EXAMPLES

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LSE Rate Example

BUNDLED		UNBUNDLED	
MWH	= 500,000	MWH	= 500,000
Schedule 1 Rate	= \$.90/MWH ¹	LSE Rate	= \$0.6139
Schedule 1 Charge	= S1R * MWH	LSE Charge =	LSE Rate * MWH
	= \$.60 * 500,000		= \$0.6139 * 500,000
Schedule 1 Charge	= \$300,000	LSE Charge =	\$306,950

¹ Approximately \$0.30 attributable to the accumulating amount for contingency fund not included

- All numbers used in these equations are hypothetical.

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W/E Rate Example

BUNDLED		UNBUNDLED	
MWH	= 20,000	MWH	= 20,000
Schedule 1 Rate	= \$.90/MWH ¹	W/E Rate	= \$.2807
Schedule 1 Charge	= S1R * MWH	W/E Charge =	W/E Rate * MWH
	= \$.60 * 20,000		= \$0.2807 * 20,000
Schedule 1 Charge	= \$12,000	W/E Charge =	\$5,614

¹ Approximately \$0.30 attributable to the accumulating amount for contingency fund not included

- W/E previously charged at LSE rate.
 - All numbers used in these equations are hypothetical.

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