

System Interconnection Cost Allocation Rules Recommendation to NY ISO Management Committee June 6, 2001

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Chairman, TPAS & IITF



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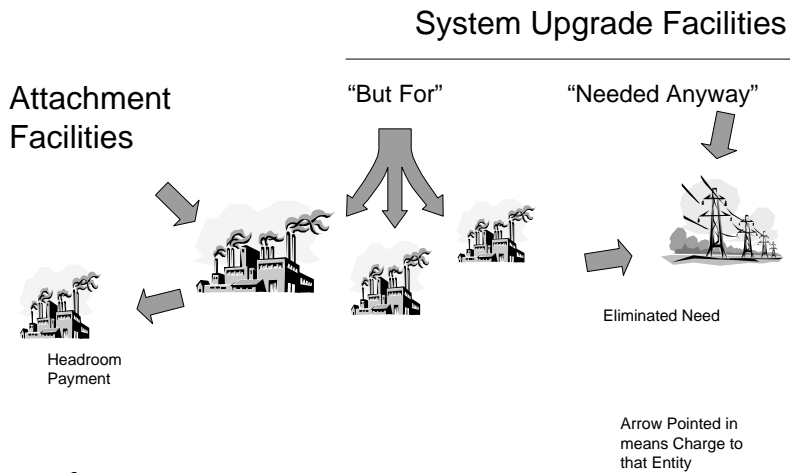
What Costs ?

- Physical Unit Connection (“Attachment Facilities”)
- System Upgrade Facilities to Accommodate:
 - Load Growth & Load Pattern Changes
 - Reliability Requirements
 - New Generators
- NOT
 - Upgrades for Congestion Relief or Economy
 - Requirements for Capacity Delivery



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Cost Allocation



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Interconnection Issues Task Force (IITF) Process

- Open Task Force Representing All Sectors
- Met at Least Monthly Since April 2000
- Pursued a Fair, Realistic, and Robust Procedure
 - Cost Attributed to those Causing/Benefiting from Them
 - Integrates Application Queue, Article X, Development
 - De-Emphasizes an Application Queue
 - Complements Current Processes
 - Can Be Administrated
 - Cost Certainty as Soon as Possible
- Unable to Achieve Consensus
 - Cost Netting for eliminated TO Baseline improvements
 - *De Minimus* cost allocation cutoff levels



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Business Issues Committee Process

- Approved Rules by Voice Vote
 - Four Conditions
 - Removal of Load as a “Developer”
 - Handling of regulatory rejection of baseline plan cost expenditure
 - Handling Consistency with FERC Rulings
 - Minority Position Removed
- Since BIC Meeting
 - Revised Rules document for conditions 1 & 4
 - IITF met to address conditions 2 & 3 and new ConEd & LIPA amendment suggestions



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Interconnection Issues Task Force (IITF) Recommended Motion

Approve the “**RULES TO ALLOCATE RESPONSIBILITY FOR THE COST OF NEW INTERCONNECTION FACILITIES**” as approved by the NYISO Business Issues Committee on May 24, 2001, with these modifications:

- Insert a new article III.D
 - Transmission Owners implementation and construction of system upgrade facilities as identified in the Annual Transmission Baseline Assessment or Annual Transmission Reliability Assessment shall be subject to the terms and conditions of Section II of Attachment II (Construction of Reliability Projects Included in the Consolidated Transmission Plan) of the NYISO RTO filing of January 16, 2001.
- Insert a new article III.H
 - Nothing in these rules precludes any transmission service customer from receiving transmission service charge credits to the extent the customer is entitled to such credits under FERC policy and precedent.



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