



AISO

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Settlement Conference

Resolving the Impacts from the Sale of Excess TCCs

-- *Summer 2004 and Historic Periods*

June 29, 2004



Recent Activity

- ✓ Ongoing discussions with affected parties, expert consultants, regulatory staffs, David Patton, and NYISO Board
- ✓ Development of Settlement Proposals
 - *Summer 2004*
 - *Historic Periods*
- ✓ Staff and LECG have completed analysis of Summer 2004 Capability Period Auction results
- ✓ Pre-filing conference has been scheduled with FERC
 - *July 1, 2004 at 11:00 am (FERC to issue notice)*



Settlement Negotiations Are Privileged

- ✓ Discussions are subject to the settlement privilege
- ✓ Offers of settlement, and any comment on an offer, are not admissible in evidence in any proceeding against any participant who objects to its admission
- ✓ Any discussion with respect to an offer of settlement is not subject to discovery or admissible in evidence in any proceeding
- ✓ The press is not permitted to attend any of the settlement discussions



Settlement Proposal – Summer 2004

Objective: Eliminate the potential imbalance between Excess Auction Revenues and Congestion Rent Shortfalls

- ✓ Retirement of 456 MW of TCCs by TCC holders
- ✓ Assignment of 456 MW of counterflow TCCs to Transmission Owners



Retirement of TCCs – Summer 2004

Holders of TCCs for the Summer 2004 Capability Period that are sourced outside Zone J and sink into Zone J would retire at least 456 MW of TCCs

- ✓ Each TCC holder would be expected to retire at least 20% of its respective holdings
- ✓ Eligible TCCs are those awarded in the Autumn 2003 Auction or the Spring 2004 Auction
 - *Effective for the period July 1, 2004 through October 31, 2004*
- ✓ Price to be paid for retired TCCs
 - *For six-month TCCs purchased in the Spring 2004 Auction, the actual price paid less Day-Ahead Congestion Rents paid from May 1, 2004 through June 30, 2004*
 - *For all other TCCs, the average market clearing price paid in the four six-month rounds of the Spring 2004 Auction, less Day-Ahead Congestion Rents paid from May 1, 2004 through June 30, 2004*
- ✓ Offers may be conditioned on a successful conclusion of the settlement



Assignment of Counterflow TCCs – Summer 2004

Transmission Owners would be assigned at least 456 MW of counterflow TCCs

- ✓ Counterflow TCCs from Zone J to Indian Point 3
 - *Effective for the period July 1, 2004 through October 31, 2004*
- ✓ Payment received by TOs
 - *The average price for their respective counterflow TCCs based on the prices paid in the four six-month rounds of the Spring 2004 Auction less Day-Ahead Congestion Rents paid from May 1, 2004 through June 30, 2004*
- ✓ Assignments would be based on such factors as formulas for allocating TCC Shortfalls and assignment of Excess Revenues
- ✓ Any remaining shortfalls for the Summer 2004 Capability Period, net of revenues received by the TOs for the counterflow TCCs as described above, would be recovered as part of the recovery of the historic TCC shortfalls



Settlement Procedures – Summer 2004

- ✓ Upon settlement, TCCs would be retired and counterflow TCCs would be assigned
- ✓ Applicable payments would be made to TCC holders and TOs
- ✓ Spring 2004 Auction residual would be recalculated and resettled
- ✓ Monthly Reconfiguration Auctions would occur in a normal manner
 - *Timing of August Auction will be adjusted to accommodate necessary FERC approvals*



Other Considerations – Summer 2004

- ✓ Holders of other TCCs may propose retirement
 - *TCCs effective for the period July 1, 2004 through October 31, 2004*
 - *TCCs must sink into Zone J*
 - *May include grandfathered TCCs and five-year TCCs from Autumn 2000 Auction*
- ✓ Interested parties may propose the purchase of counterflow TCCs from Zone J to Indian Point 3



Settlement Proposal – Historic Periods

Objective: Reverse the impact of the sale of excess TCCs by collecting a fee on future congestion rents

- ✓ Calculate the Historic Periods impact using the Summer 2004 methodology or some other agreed upon methodology
 - *Summer 2004 methodology presented at June 22, 2004 meeting*
 - *Impact to include net losses, if any, due to assignment of counterflow TCCs during Summer 2004*
- ✓ Determine the appropriate fee taking into consideration the calculated impact and the length of the recovery period
 - *Approximately 1% to 3% over a three to four year period*
- ✓ Fee will be applied to congestion rents paid on TCCs sold for the Winter 2004/2005 Capability Period and beyond



Settlement Agreement – Next Steps

- ✓ Caucus and discuss Settlement Proposals
- ✓ Reach agreement on settlement
- ✓ Finalize Settlement Agreement
- ✓ File Settlement Agreement with FERC on July 2