

**5/18/04 DRAFT FOR COMMENT
NYISO COMPREHENSIVE RELIABILITY PLANNING PROCESS
SECTION 9: COST ALLOCATION**

9.1 Market-Based Responses

The costs of market-based responses shall be the responsibility of the developer of the market-based proposal and shall not be subject to the provisions of Section 9.2.

9.2 Regulated Responses

Cost allocation for backstop regulated responses to reliability needs identified in the NYISO Plan shall be determined by the NYISO based upon the principle that beneficiaries should bear the cost responsibility. The specific cost allocation methodology, to be developed by the NYISO in consultation with the ESPWG, will incorporate the following elements:

9.2.1 The focus of the cost allocation methodology shall be on solutions to violations of specific reliability criteria

9.2.2 Potential impacts unrelated to addressing the reliability needs shall not be considered for the purpose of cost allocation for reliability upgrades

9.2.3 Primary beneficiaries shall be those Transmission Districts who are identified as contributing to the reliability violation.

9.2.4 The cost allocation among primary beneficiaries shall be based upon their relative contribution to the need for the upgrade

9.2.4.1 The NYISO will examine the development of specific cost allocation rules based on the nature of the reliability violation (e.g. – thermal overload, voltage, stability, resource adequacy & short circuit)

9.2.5 Cost allocation among Transmission Districts shall recognize the terms of prior agreements among the transmission owners, if applicable.

9.2.6 Consideration should be given to the use of a materiality threshold for cost allocation purposes

(move to Cost Recovery)

9.2.8 Methodology shall provide for ease of implementation and administration to minimize debate and delays to the extent possible.

9.2.9 Consideration should be given to the “free rider” issue as appropriate

9.2.10 Methodology shall be fair and equitable.

9.2.11 Provide price certainty to investors to the extent possible.

9.2.12 Methodology shall apply, to the extent possible, to regulated “gap” solutions as well.

9.3 Not Applicable to Interconnection Cost Allocation

The cost allocation procedures described in this Section shall not apply to cost allocation for market based generation and merchant transmission interconnection purposes, which is determined in accordance with Attachment S of the NYISO OATT.