



RS1 Shortfall Recovery Proposal

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Background

- **In October 2012, FERC accepted changes to Rate Schedule 1 (RS1) that permitted NYISO to recover RS1 revenue shortfalls as a result of below forecast MWh throughput, by retaining the payments of RS1 Cost recovery from Non-Physical market activity (TCC, Virtual Trading, and SCR/EDRP). This tariff change was effective January 1, 2013**
- **The current tariff language requires NYISO to recover the full amount of the RS1 shortfall (as compared to the annual budget), even if NYISO's actual costs are less than the annual budgeted revenue requirement**

RS1 Shortfall Proposal

- **NYISO proposes to make two changes to the Non-Physical recovery of RS1 shortfalls:**
 - *Limit the amount of the Non-Physical Revenue to be retained by NYISO in the event of a RS1 shortfall to the amount of actual costs or the total NYISO budgeted revenue requirement from the prior year, which ever is lower*
 - *Eliminate the SCR/EDRP RS1 recoveries from the shortfall recovery process*
 - **SCR/EDRP calls are infrequent, RS1 revenue is limited, and tracking of the SCR portion of the Non-Physical revenue is administratively burdensome**
 - **SCR/EDRP RS1 revenues would continue to be refunded to the Injection/ withdrawals in all circumstances**

RS1 Shortfall Proposal Example

- **For Budget year 20X6, NYISO's approved budget amount equaled \$150M**
 - *Due to reduced MWh throughput, NYISO had RS1 recoveries of \$147M, resulting in a \$3M RS1 under-collection*
 - *In the same year, NYISO's actual costs equaled \$148M*
 - *Under the current tariff requirements, NYISO would retain all Non-Physical RS1 Revenue in 20X7, until the \$3M shortfall is satisfied, as compared to the 20X6 budgeted revenue requirement*
 - *Under this proposal, NYISO would only retain \$1M in 20X7 Non-Physical RS1 revenue, as this is the 20X6 shortfall difference between actual costs of \$148M and the RS1 recoveries of \$147M*
 - *As is current practice, NYISO would not look to recover costs for an over spend of the approved budget*

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 - *In the same year, NYISO's actual costs equaled \$146M*
 - *Under the current tariff requirements, NYISO would retain all Non-Physical RS1 Revenue in 20X7, until the \$3M shortfall is satisfied, as compared to the 20X6 budgeted revenue requirement*
 - *Under this proposal, NYISO would have \$1M remaining from the prior year budget cycle that could be returned to Market Participants in 20X7 (net of \$4M underspend and \$3M undercollection)*

RS 1 Shortfall Proposal

- **Proposed Timeline**

- *BPWG – March 31*
- *Management Committee – April 27*
- *Board of Directors – June 14*
- *FERC filing immediately following BoD approval*

The Mission of the New York Independent System Operator, in collaboration with its stakeholders, is to serve the public interest and provide benefit to consumers by:

- *Maintaining and enhancing regional reliability*
- *Operating open, fair and competitive wholesale electricity markets*
- *Planning the power system for the future*
- *Providing factual information to policy makers, stakeholders and investors in the power system*

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