

Revisions to Congestion Rent & Auction Revenue Shortfall Allocation Methodology (OATT, Attachment N)

Presentation to:
Business Issues Committee
Friday, February 25, 2005

“Procedural History”

- May 2003 – 88% MC vote in support of Attachment N revisions to amend shortfall allocation methodology**
- October 2003 – FERC filing to amend Attachment N**
- December 2003 / January 2004 – Revised Attachment N takes effect**
- Spring 2004 – NYISO begins implementation of revised Attachment N; NYISO discovers TCC database flaws; NYISO delays implementation of revised Attachment N; after addressing database flaws, NYISO resumes implementation of revised Attachment N**

Revisions Necessary

- **2003 version of Attachment N did not accomplish intended objectives**
 - **The “Make Whole Approach” to determine charges to TOs for costs attributable to facility outages (both in DAM and TCC auctions) and to determine revenues to TOs for facilities placed back in service (both in DAM and TCC auctions) not working as intended**

- **No changes being proposed to those sections of Attachment N that deal with TCC Holders’ settlements or collection of congestion rents from energy purchasers**

Revisions Necessary

- Revisions are necessary to correct the formulas for:
 - Calculating, more accurately, the benefit of returns-to-service;
 - Including the impact of deratings and upratings from transmission maintenance;
 - Measuring impact of outages and returns-to-service to eliminate the financial impact of "noise;"

- Other incidental errors also need to be corrected and other improvements made (as reflected in 2/15/05 LECG white paper and otherwise).

NYISO to propose revisions to methodology

- **NYISO has devised a solution for each identified problem**
 - Retroactive treatment needed to correct invoices since January 2004
- **NYISO proposes tariff changes to implement revisions to methodology**
- **NYISO also proposes adding a provision to address issues raised when shortfall allocation formulas fail to work properly, thereby producing an invalid result. In such cases, the NYISO would allocate charges and payments resulting from formula failure among TOs as Net Congestion Rents or Net Auction Revenues.**

NYISO Plan

- Business Issues Committee vote – February 25, 2005
- Management Committee vote – March 4, 2005
- NYISO Board presentation– March 15, 2005
- Implement revisions upon FERC approval; correct all affected historic TO invoices (on rolling basis) no later than approximately early 2006.