

**NYISO Board of Directors' Decision**  
**On**  
**Con Edison's Appeal of the Management Committee Action on**  
**Cost Allocation Rules**

Con Edison and Orange & Rockland Utilities (together, Con Ed) appeal a Management Committee decision approving the Rules to Allocate Responsibility for the Cost of New Interconnection Facilities (Cost Allocation Rules). Con Ed challenges the portion of the Cost Allocation Rules known as the Material Impact Rule regarding the allocation of certain costs to developers for system upgrade costs to address fault currents.

Con Ed argues that under certain circumstances the Material Impact Rule may allow certain projects within a generation "class year" to be "free riders" as to certain system improvements, while inequitably allocating costs to those developers who contribute in excess of 2% of the increased fault current to the specific location where the system improvement is needed. Con Ed presents a hypothetical example that shows how an inequitable outcome, as Con Ed sees it, could occur. Con Ed does not oppose a minimum threshold, as it has supported the 100 ampere "de minimis" rule that applies when no project contributes at least 2% of the increase in fault current at any location, and has further suggested on appeal that a "dollar threshold" could be used. Thus the issue before us is whether the 2% threshold for the Material Impact Rule is reasonable within the context of the overall Cost Allocation Rules.

Independent Power Producers of New York, Inc. (IPPNY) states in its Motion in Opposition that the Cost Allocation Rules were developed through more than a year of negotiations in various task forces and committees. Con Ed participated in these negotiations. The Cost Allocation Rules, as a package that includes the Material Impact Rule, achieved broad support from all sectors at both the Business Issues Committee and the Management Committee. IPPNY urges us to deny Con Ed's appeal.

After careful review of the documents submitted by both parties and after considering oral arguments by both Con Ed and IPPNY, we decline to reject or modify the decision of the Management Committee to approve the Cost Allocation Rules as developed through more than a year of negotiations. We believe the Material Impact Rule is a reasonable compromise on one issue that is, in turn, part of a much more complicated set of compromises contained in the Cost Allocation Rules. Moreover, we have determined that when the Cost Allocation Rules are submitted to FERC as a change to the Open Access Transmission Tariff (OATT), there will be no inconsistency between the Cost Allocation Rules and the NYISO OATT. Finally, we believe there is a need to provide all generation developers with a degree of certainty about the method for allocating interconnection and system upgrade costs so that viable projects may move forward and provide urgently needed capacity in New York State and, in particular, New York City. Accordingly, we deny Con Ed's appeal.