

## National Grid

### Proposed Transmission Cost Allocation & Recovery Process

#### Allocation

- **Participant-Funding** when a transmission upgrade is a private, market-based investment or when there is participant agreement as to the upgrade's beneficiaries.

- **Default Mechanism** when participant agreement does not occur and under which there will be (1) Direct Assignment Facilities for sole use/beneficiary facilities, (2) Regional Benefit Upgrades for transmission upgrades that produce network benefits or (3) Local Benefit Upgrades as described below.

#### **1. Direct Assignment Facilities**

Costs for sole use/beneficiary facilities are assigned directly to the entity requiring such facilities (e.g. generator lead).

#### **2. Regional Benefit Upgrades (RBUs)**

Regional Benefit Upgrades are transmission upgrades that: (i) are rated 115kV or above; (ii) provide parallel path carrying capability; and (iii) are included in the NYISO transmission plan. Costs of RBUs would be allocated region wide on a load-share basis except for Localized Costs, which will be allocated as described below.

#### ***Localized Costs Exception:***

Localized costs are costs associated with Regional Benefit Upgrades that are determined to be unreasonable to be allocated on a regional basis. Such costs could include, for example, incremental costs of "gold-plating" or the construction of transmission lines underground when such construction is not justified.

#### **3. Local Benefit Upgrades**

Local Benefit Upgrades (LBUs) are defined with reference to both a voltage test and a functionality test to determine whether a transmission facility will benefit only a sub-region of NYCA and, therefore, not justify regional cost allocation. The definition of LBU would be an upgrade, modification or addition to the transmission system that is: (i) rated below 115kV, or (ii) rated 115kV or above and does not provide parallel path carrying capability (i.e. radial line).

#### Recovery

- Continue to recover existing transmission costs under existing rate mechanisms.
- Treatment of new, incremental transmission costs
  - RBUs collected under regional tariff<sup>1</sup>
  - Direct Assignment and Local Benefit Upgrades collected under regional tariff<sup>1</sup> or local TO tariffs<sup>1</sup>.

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<sup>1</sup> Wholesale and retail rate recovery mechanisms would need to be revisited under this proposal.