

Shortfall Reduction Procedures

Management Committee

November 12, 2003

SHORTFALL REDUCTION PROCEDURES

The Issue:

As a result of transmission outages in the DAM, large revenue shortfalls in the payments of congestion to TCC holders have occurred.

By tariff requirement, the TOs fund all such revenue shortfalls.

Higher than expected fuel prices have magnified the amount of these revenue shortfalls

SHORTFALL REDUCTION PROCEDURES

The Proposal:

Each transmission owner may designate a portion of any previously uncommitted transmission capability to be withheld from the TCC auction.

The withholding of the designated capability will result in a reduced sale of TCCs, intended to align TCC auction results more closely with actual observed transmission capability.

The designated capability will be capped at a percentage determined by the NYISO. The initial percentage will be 5% subject to Capability Period adjustments in the 0% to 5% range determined by the NYISO.

The proposed shortfall reduction procedure provides a mechanism to sell a set of TCCs that will more closely reflect the expected transmission capability available in the DAM.

SHORTFALL REDUCTION PROCEDURES

The NYISO will:

- Review the 5% level with the intent of implementing a TO by TO percentage option for the Spring 2005 auction.
- Prior to the Fall 2004 auction, the appropriateness of releasing some of the designated capability into monthly reconfiguration auctions will be reviewed
- Work with Market Participants to develop a long-term targeted solution that more accurately accounts for scheduled outages.