

# DRAFT FOR DISCUSSION PURPOSES at 9/6/07 ESPWG Meeting

## ORDER 890: NYISO COMPLIANCE FILING

### ECONOMIC PLANNING: COST ALLOCATION PROPOSALS UNDER CONSIDERATION

	<b>NYISO Straw Proposal (Based Upon MISO's FERC- Approved Methodology)</b>  (Presented @ 8/15/07 ESPWG)	<b>Con Edison/PSEG Proposal</b>  (Presented @ 8/15/07 ESPWG)	<b>National Grid Proposal</b>  (Presented @ 8/28/07 ESPWG)
<b>APPLICABILITY</b>			
<b>Transmission Projects</b>	Applicable (On the NYCA bulk power system)	Applicable	Applicable (On the NYCA bulk power system)
<b>Generation &amp; Demand Response Projects</b>	Not Applicable for Cost Allocation under NYISO Tariff (Such projects to be market-based)	Not Applicable	Not Applicable
<b>Reliability Backstop Projects</b>	Not Applicable if already triggered by the NYISO. May be applicable to the advancement of a regulated backstop project.	Not Addressed in Proposal [CE's Accelerated Reliability Projects 08-27-07 was to address advancement of a regulated backstop project]	Not Applicable if already triggered by the NYISO
<b>"Triggering"</b>	NYISO process will not trigger an economic project	Same	Same
<b>MODELING ISSUES</b>			
<b>Sequential Process</b>	Builds on most recent CRP	Same	Same
<b>Planning Horizon</b>	10 Years (Same as CRPP)	5 Years	15 Years
<b>Model</b>	Production Costing Model	Industry standard production cost model	Not specified (Production cost model implicit in the methodology)
<b>Base Case Resources</b>	According to CRP Plan	TO Regulated Reliability	Consider only TO Regulated

	(Preference for market-based solutions/use regulated reliability backstops only if needed)	Backstop Solutions to be installed in year of need	Reliability Backstop Solutions triggered by the NYISO. If no backstops triggered—use the existing system.
<b>Open &amp; Transparent Process</b>	Develop methodology & study assumptions/ review study results with stakeholders (ESPWG/TPAS)	Same	Same
<b>COST/BENEFIT ANALYSIS</b>	Used to determine initial eligibility for cost allocation under NYISO Tariff	Same	Same
<b>Time Period</b>	10 Years	5 Years	15 Years
<b>Benefits Metrics</b>	Weighted average: (PV of NYCA wide production cost savings) + (NPV Zonal LBMP load savings) Weighting factors: TBD	Net reduction in (LBMP) load payments for all NYISO loads	Sum of (NPV LBMP Zonal load savings) + (NPV Zonal ICAP payment savings)
<b>C/B Multiplier</b>	Sliding scale depending upon the in-service date of the project Multipliers: TBD	No Multiplier (NPV Benefits must exceed total project costs, including environmental and regulatory approval costs) Zonal C/B may also be calculated for information purposes only	No Multiplier (NPV Benefits must exceed total project costs: including environmental and regulatory approval costs)
<b>Minimum Cost Threshold</b>	Project Cost to be greater than \$X Amount: TBD	None	None
<b>Cost Estimates</b>	To be developed by NYISO with assistance of TO	Not specified	Based upon estimated costs Does not specify who calculates
<b>Additional Metrics</b>	For information only May include: generator payments; ICAP costs; AS costs; Losses; TCC payments	None Proposed	None Proposed
<b>Additional Scenarios</b>	For information only May include: fuel & load forecast uncertainty; pending environmental regulations; alternative resource	For information only May include: market-based solutions; high & low price forecasts for fuel & emissions	For information only May include: additional generation scenarios, including consideration of market-based reliability

	scenarios; energy efficiency		solutions; fuel & load forecast uncertainty; emissions costs; demand response/energy efficiency
<b>COST ALLOCATION</b>			
<b>Fundamental Principle</b>	“Beneficiaries Pay”	Same	Same
<b>Other Principles</b>	See NYISO “Strawman”	None Specified	None Specified
<b>NYCA Wide/Zonal Allocation</b>	X% NYCA-Wide/Y% Zonal Allocation %: TBD	No NYCA-Wide Allocation	No NYCA-Wide Allocation
<b>Beneficiary Designation</b>	Weighted average over 10 years: (Zonal production cost savings) + (zonal LBMP load savings) > 0 Weighting factors: TBD To determine eligibility for the zonal cost allocation	Loads who benefit: Based on reduction in LBMP load payments (Zonal basis??) Generators: Who benefit from access to higher LBMP revenues	Zonal NPV (Load Payment Savings + Capacity payment savings) > NPV Cost of Project
<b>Non-Beneficiaries</b>	Will not receive any zonal cost allocation; must still pay NYCA-Wide cost; no “make-whole” payments	No “make whole” payments	No “make whole” payments
<b>Allocation Factor</b>	Peak load ratio share	Load: based on share of total load savings Generator + Load: based on share of load savings + incremental generator revenues	Zonal costs: based on % of total savings Within Zone: to LSEs on peak load ratio share
<b>Project Cost</b>	Actual project cost Methodology: TBD	All “Reasonable costs” actually incurred Net of all market revenues Provision for review and vote on cost increases prior to start of procurement/construction	Actual cost of project when completed Net of all market revenues (e.g., less TCC payments)
<b>Approval of Project Cost</b>	By FERC through NYISO Tariff	FERC sets ROE	By FERC and/or NYSPSC “as appropriate” FERC sets ROE

<b>BENEFICIARIES VOTE?</b>	<b>Yes</b>	<b>Yes</b>	<b>No Vote</b>
<b>Eligibility to Vote</b>	Only zones who are beneficiaries	Only loads ( <b>generators</b> ) who are beneficiaries	NA
<b>Voting Rules</b>	TBD	Voting share weighted pro-rata in accordance with cost allocation percentage	NA
<b>Percentage</b>	“Super Majority” %: TBD	80% <b>Between 67% and 80%: Can request a NYS PSC review for regulated cost recovery</b>	NA
<b>Beneficiaries voting “no”</b>	Required to pay proportional share of project	Required to pay proportional share of project	NA
<b>COST RECOVERY</b>			
<b>Vehicle</b>	NYISO Tariff	NYISO Tariff	NYISO Tariff
<b>Cost Recovery Begins</b>	TBD	<b>When and if project commences commercial operation</b>	Not Addressed
<b>Recovery Period</b>	TBD	5 Years With a FERC-approved ROE	Not Addressed
<b>OTHER PROVISIONS</b>			
<b>Conform to NYISO Tariff</b>	Economic project must comply with all other requirements of NYISO Tariff (e.g. interconnection)	Not Mentioned	Not Mentioned
<b>Regulatory Approvals for Permitting &amp; Siting</b>	Not Mentioned	Not Mentioned	Per normal regulatory process
<b>Consideration of LT Contracts</b>	Not Included	Pre-existing LT power purchase contracts to offset projected benefits. Use MW offset if cost information is not available.	Not Included
<b>Prospective Review of Cost Allocation</b>	Not Included	<b>Provision for prospective review of project benefits after 4 years</b> <b>Possible reallocation/</b>	Not Included

		socialization of costs at that time	
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**NOTE: Alternative positions are highlighted in yellow**

Jpb  
9/1/07  
R9/4/07

