

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

Presentation to:  
Business Issues Committee  
Wednesday, January 19, 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.

## 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 also proposes adding a provision to address issues raised when shortfall allocation formulas fail to work properly, thereby producing an invalid result:**
- **The impact of outages and returns-to-service are technically difficult to measure and are complex;**
  - NYISO and consultants have extensively reviewed and tested revised methodology;
  - Possibility remains that future unaccounted for technical problems could have unintended consequences;
  - NYISO seeks to avoid lengthy billing delay and prolonged true-up process by allocating charges and payments resulting from formula failure among TOs as Net Congestion Rents or Net Auction Revenues.

## **NYISO will seek FERC approval to relocate rules from Attachment N to new manual**

- **NYISO proposes to include in Attachment N the principles that form basis for the Make Whole approach to calculating auction revenue charges and payments, outage charges and return to service payments**
- **New manual will contain the extensive shortfall allocation details (including formulas) currently included in Attachment N**
  - Avoids need to seek FERC approval for even minor changes to very technical methodology
  - Accelerates process for making future technical adjustments to methodology
- **Rules for TCC settlements and congestion charges for purchasers of energy will remain in Attachment N – only shortfall allocation methodology will move**

## NYISO Plan

- **Business Issues Committee for discussion– January 19, 2005**
  - *Distribution of a white paper describing new methodology and proposed tariff language – February 7; earlier if possible.*
- **Business Issues Committee vote – February 16, 2005**
- **Management Committee vote – March 2, 2005**
- **NYISO Board presentation– March 2005**
- **Business Issues Committee – vote on new manual – April 27, 2005**
- **Implement revisions upon FERC approval; correct all affected historic TO invoices (on rolling basis) no later than approximately early 2006.**