

REVISED DRAFT CARIS PROCEDURE

ADDITIONAL BENEFIT METRICS FOR CARIS STUDIES METHODOLOGY AND MODELS TO DEVELOP AND IMPLEMENT ADDITIONAL METRICS (OATT, ATTACHMENT Y: SECTION 11.3.d)

Tariff Requirement:

11.3.d In conducting the CARIS, the NYISO shall conduct benefit/cost analysis of each potential solution to the congestion identified, applying benefit/cost metrics that the NYISO will develop in conjunction with ESPWG. The principal benefit metric for the CARIS analysis will be expressed as the present value of the NYCA-wide production cost reduction that would result from each potential solution.

Additional benefit metrics shall include estimates of reduction in losses, LBMP load costs, generator payments, ICAP costs, Ancillary Services costs, emission costs, and TCC payments. The NYISO will work with the ESPWG to determine the methodology and models needed to develop and implement those additional metrics, and also to determine the most useful metrics for each CARIS, given overall NYISO resource requirements.

Methodology:

The additional metrics will estimate the benefits of the potential solutions to the congestion identified for information purposes only. All the quantities, except ICAP, will be the result of the forward looking production cost simulation. The additional benefit metrics will be determined by measuring the difference between the CARIS base case system value and a system value when the potential generic solution is added. All three resource types will be considered as potential generic solutions to the congestion identified, such as generation, transmission, and/or demand response. The additional metrics will be expressed as the Present Value by using the following formula: *Present Value in year 1 = Sum of the Present Value from each of the 10 years of the Study Period*. The discount rate to be used for the present value analysis shall be the current weighted average cost of capital for the NY Transmission owners.

The definitions of the LBMP load cost metric, generator payments metric, reduction in losses metric, ancillary services costs metric, and TCC payments metric are set forth below.

LBMP load costs:

This metric measures the change in total load payments and unhedged load payments. Total load payments will include the LBMP payments (energy, congestion and losses) paid by electricity demand (forecasted load, exports, and wheeling). Exports will be

consistent with the input assumptions for each neighboring control area. Unhedged load payments will represent total load payments minus the TCC payments.

Reduction in losses:

This metric will measure the change in marginal losses payments. Losses payments will be based upon the loss component of the zonal LBMP load payments.

Generator payments:

This metric measures the change in generation payments. Generation payments will include the LBMP payments (energy, congestion, losses), and ancillary services payments made to electricity suppliers. Ancillary Services costs will include payments for Regulation Services and Operating Reserves, including 10 Minute Synchronous, 10 Minute Non-synchronous and 30 Minute Non-synchronous. Thus, generator payments will be the sum of the LBMP payments and ancillary services payments to generators and imports. Imports will be consistent with the input assumptions for each neighboring control area.

TCC (Transmission Congestion Contracts) payments:

Section 11.3.e. (iv) - Pending FERC Approval from May 19, 2009 FERC filing

The TCC payment metric set forth below will be used for purposes of the study phase of the CARIS process and will not be used in the Projects Phase for regulated economic transmission project cost allocation under Section 15.4. The TCC payment metric will measure the change in total congestion rents collected in the day-ahead market.

Congestion rents shall be calculated as the product of the Congestion Component of the Day-Ahead LBMP in each Load Zone or Proxy Generator Bus and the withdrawals scheduled in each hour at that Load Zone or Proxy Generator Bus, minus the product of the Congestion Component of the Day-Ahead LBMP at each Generator Bus or Proxy Generator Bus and the injections scheduled in each hour at that Generator bus or Proxy Generator Bus, summed over all locations and hours.

Emission metric:

This metric will measure the change in CO₂, NO_x, and SO₂ emissions in tons on a zonal basis. Emission costs will be reflected in the development of the production cost curve.

ICAP costs:

The measurement of this metric is highly dependent on the rules and procedures guiding the calculation of the IRM and LCR, both for the next capability period and future capability periods. Therefore, only for the first CARIS cycle, the NYISO will use the MW impact methodology described below. For the future CARIS cycles, the NYISO will develop a methodology to reflect potential changes in ICAP costs separate from this temporary approach set forth below. The temporary approach is not meant to set precedence for the more fully developed ICAP cost methodology applicable to future CARIS cycles.

The MW impact methodology:

1. Determine the base system LOLE for the horizon year (e.g. 2018 LOLE 0.02).
2. Add a potential generic solution to congestion identified.
3. Calculate the LOLE for the system with the potential generic solution added.
4. If the LOLE is lower than the base system, reduce generation in all NYCA zones proportionally regardless of type of generic solution until the base system LOLE is reached. The amount of reduced generation is reported as the NYCA MW impact.