31.1 New York Comprehensive System Planning Process ("CSPP")

31.1.1 Definitions

Throughout Sections 31.1 through 31.76, the following capitalized terms shall have the meanings set forth in this subsection:

Affected TO: The Transmission Owner who receives written notification of a dispute related to a Local Transmission Planning Process pursuant to Section 31.2.1.3.1.

Benchmark: The date by which an approved solution (*i.e.*, Regulated Backstop, Market-Based, Alternative Regulated, Economic Transmission) to meet an identified Reliability Need, or address congestion identified in the CARIS must be triggered to allow time for the design, planning, attaining of permits as required, and implementation.

Bounded Region: A Load Zone or Zones within an area that is isolated from the rest of the NYCA as a result of constrained interface limits.

CARIS: The Congestion Assessment and Resource Integration Study for economic planning developed by the ISO in consultation with the Market Participants and other interested parties pursuant to Section 31.3 of this Attachment Y.

CRP: The Comprehensive Reliability Plan as approved by the ISO Board of Directors pursuant to this Attachment Y.

CSPP: The Comprehensive System Planning Process set forth in this Attachment Y, which covers reliability planning, economic planning, Public Policy Requirements Planning, cost allocation and cost recovery, and interregional planning coordination.

Developer: A person or entity, including a Transmission Owner, sponsoring or proposing a project pursuant to this Attachment Y.

ESPWG: The Electric System Planning Work Group, or any successor work group or committee designated to fulfill the functions assigned to the ESPWG in this tariff.

Five Year Base Case: The model representing the New York State Power System over the first five years of the Study Period.

Gap Solution: A solution to a Reliability Need that is designed to be temporary and to strive to be compatible with permanent market-based proposals. A permanent regulated solution, if appropriate, may proceed in parallel with a Gap Solution.

LCR: An abbreviation for the term Locational Installed Capacity Requirement, as defined in the ISO Open Access Transmission Tariff.

Load and Capacity Data Report: The annual report prepared by the ISO pursuant to Section [ ] of the Tariff.

Loss of Load Expectation ("LOLE"): A measure used to determine the amount of resources needed to minimize the possibility of an involuntary loss of firm electric load on the New York State Bulk Power Transmission Facilities.

LTP: The Local Transmission Owner Plan, developed by each Transmission Owner, which describes its respective plans that may be under consideration or finalized for its own Transmission District.

LTP Dispute Resolution Process ("DRP"): The process for resolution of disputes relating to a Transmission Owner's LTP set out in Section 31.2.1.3.

LTPP: The Local Planning Process conducted by each Transmission Owner for its own Transmission District.

Management Committee: The standing committee of the ISO of that name created pursuant to the ISO Agreement.

Net CONE: The value representing the cost of new entry, net of energy and ancillary services revenues, utilized by the ISO in establishing the ICAP Demand Curves pursuant to Section 5 of the ISO Market Services Tariff.

New York State Bulk Power Transmission Facilities ("BPTFs"): The facilities identified as the New York State Bulk Power Transmission Facilities in the annual Area Transmission Review submitted to NPCC by the ISO pursuant to NPCC requirements.

NPCC: The Northeast Power Coordinating Council, or any successor organization.

NYCA Free Flow Test: A NYCA unconstrained internal transmission interface test, performed by the ISO to determine if a Reliability Need is the result of a statewide resource deficiency or a transmission limitation.

NYDPS: The New York State Department of Public Service, as defined in the New York Public Service Law.

NYPSC: The New York Public Service Commission, as defined in the New York Public Service Law.

Operating Committee: The standing committee of the NYISO of that name created pursuant to the ISO Agreement.

Other Developers: Parties or entities sponsoring or proposing to sponsor regulated economic projects, transmission solutions driven by Public Policy Requirements, ~~-~~or regulated solutions to Reliability Needs who are not Transmission Owners.

Public Policy Requirements: a federal or New York State statute or regulation, or order issued by the NYPSC, that drives the need for expansion of upgrades to the New York State Bulk Power Transmission Facilities.

Reliability Criteria: The electric power system planning and operating policies, standards, criteria, guidelines, procedures, and rules promulgated by the North American Electric Reliability Council ("NERC"), Northeast Power Coordinating Council ("NPCC"), and the New York State Reliability Council ("NYSRC"), as they may be amended from time to time.

Reliability Need: A condition identified by the ISO as a violation or potential violation of one or more Reliability Criteria .

Responsible Transmission Owner: The Transmission Owner or Transmission Owners designated by the ISO, pursuant to Section 31.2.4.1, to prepare a proposal for a regulated backstop solution to a Reliability Need or to proceed with a regulated solution to a Reliability Need. The Responsible Transmission Owner will normally be the Transmission Owner in whose Transmission District the ISO identifies a Reliability Need.

RNA: The Reliability Needs Assessment as approved by the ISO Board under this Attachment.

Study Period: The ten-year time period evaluated in the RNA.

Target Year: The calendar year in which a Reliability Need arises, as determined by the ISO pursuant to Section 31.2.

TPAS: The Transmission Planning Advisory Subcommittee, or any successor work group or committee designated to fulfill the functions assigned to TPAS pursuant to this Attachment.

Trigger Date: The date by which the ISO must request implementation of a regulated backstop solution pursuant to Section 31.2.5.7 in order to meet a Reliability Need.

All other capitalized terms shall have the meanings provided for them in the ISO's tariffs.

31.1.2 Reliability Planning Process

Sections 31.2.1 through 31.2.6 of this Attachment describe the process that the ISO, the Transmission Owners, and Market Participants and other interested parties shall follow for planning to meet the Reliability Needs of the BPTFs. The objectives of the process are to: (1) evaluate the Reliability Needs of the BPTFs pursuant to Reliability Criteria (2) identify, through the development of appropriate scenarios, factors and issues that might adversely impact the reliability of the BPTFs; (3) provide a process whereby solutions to identified needs are

proposed, evaluated on a comparable basis, and implemented in a timely manner to ensure the reliability of the system; (4) provide an opportunity first for the implementation of market-based solutions while ensuring the reliability of the BPTFs; and (5) coordinate the ISO's reliability assessments with neighboring Control Areas.

The ISO will provide, through the analysis of historical system congestion costs, information about historical congestion including the causes for that congestion so that Market Participants and other stakeholders can make appropriately informed decisions. See Appendix A.

31.1.3 Transmission Owner Planning Process

The Transmission Owners will continue to plan for their transmission systems, including the BPTFs and other NYS Transmission System facilities. The planning process of each Transmission Owner is referred to herein as the LTPP, and the plans resulting from the LTPP are referred to herein as LTPs, whether under consideration or finalized. Each Transmission Owner will be responsible for administering its LTPP and for making provisions for stakeholder input into its LTPP. The ISO's role in the LTPP is limited to the procedural activities described in this Attachment Y.

The finalized portions of the LTPs periodically prepared by the Transmission Owners will be used as inputs to the Reliability Planning Process and the Public Policy Requirements Planning Process described in this Attachment Y. Each Transmission Owner will prepare an LTP for its transmission system in accordance with the procedures described in Section 31.2.1.

31.1.4 Economic Planning Process

Sections 31.3.1 and 31.3.2 of this Attachment Y describe the process that the ISO, the Transmission Owners, and Market Participants shall follow for economic planning to identify

and reduce current and future projected congestion on the BPTFs. The objectives of the economic planning process are to: (1) project congestion on the BPTFs over the ten-year planning period of this CSPP, (2) identify, through the development of appropriate scenarios, factors that might produce or increase congestion, (3) provide a process whereby projects to reduce congestion identified in the economic planning process are proposed and evaluated on a comparable basis in a timely manner, (4) provide an opportunity for the development of market-based solutions to reduce the congestion identified, and (5) coordinate the ISO's congestion assessments and economic planning process with neighboring Control Areas.

31.1.5 Public Policy Requirements Planning Process

Section 31.4 of this Attachment Y describes the planning process that the ISO, the NYDPS and NYPSC, the Transmission Owners, Market Participants and other interested parties shall follow to consider Public Policy Requirements that drive the need for expansions or upgrades to BPTFs. The objectives of the Public Policy Requirements planning process are to: (1) allow Market Participants and other interested parties to propose transmission needs that they believe are being driven by Public Policy Requirements and for which transmission solutions should be evaluated, (2) provide a process by which the NYDPS and NYPSC will, with input from the ISO, Market Participants and other interested parties, identify the transmission needs, if any, for which transmission solutions should be evaluated, (3) provide a process by which the ISO will request and, with input from the NYDPS, Market Participants, and other interested parties, evaluate proposed transmission solutions to the transmission needs that have been identified by the NYDPS and NYPSC, (4) provide a cost allocation methodology for regulated transmission projects driven by Public Policy Requirements and selected by the NYPSC to

proceed to construction, and (5) coordinate the ISO's Public Policy Requirements planning process with neighboring Control Areas.

31.1.65 Participation In The ESPWG and TPAS

For purposes of any matter addressed by this Attachment Y, participation in the ESPWG and TPAS shall be open to any interested entity, irrespective of whether that entity has become a Party to the ISO Agreement.

31.1.76 NYISO Implementation and Administration

31.1.76.1 The ISO shall adopt procedures for the implementation and administration of the CSPP set forth in this Attachment Y, and shall revise those procedures as and when necessary. Such procedures will be incorporated in the ISO's manuals, including ISO's Comprehensive System Planning Process Manual. The ISO's procedures shall provide for the open and transparent coordination of the CSPP to allow Market Participants and all other interested parties to have a meaningful opportunity to participate in each stage of the CSPP through the meetings conducted in accordance with the ISO system of collaborative governance. Confidential Information and Critical Energy Infrastructure Information exchanged through the CSPP shall be subject to the protections for such information contained in the ISO's tariffs and procedures, including this Attachment Y and Attachment F of the NYISO OATT.

31.1.76.2 The ISO's procedures shall include a schedule for the collection and submission of data and the preparation of models to be used in the studies contemplated under this tariff. That schedule shall provide for a rolling two-year cycle of studies and reports. Each cycle commences with the LTPP providing

input into the Reliability Planning Process. When the Reliability Planning Process is completed, it is then followed by the Economic Planning Process and the Public Policy Requirements Planning Process.

31.1.76.3 The ISO's procedures shall be designed to allow the coordination of the ISO's planning activities with those of NERC, NPCC, the NYSRC, neighboring Control Areas and other regional reliability organizations so as to develop consistency of the models, databases, and assumptions utilized in making reliability and economic determinations.

31.1.76.4 The ISO's procedures shall facilitate the timely identification and resolution of all substantive and procedural disputes that arise out of the CSPP. Any party participating in the CSPP and having a dispute arising out of the CSPP may seek to have its dispute resolved in accordance with ISO governance procedures during the course of the CSPP. If the party's dispute is not resolved in this manner as a part of the plan development process, the party may invoke formal dispute resolution procedures administered by the ISO that are the same as those available to Transmission Customers under Article 12.16 of the ISO OATT. Disputes arising out of the LTPP shall be addressed by the LTP DRP set forth in Section 31.2.1.3 of this Attachment Y.

31.1.76.5 Except for those cases where the ISO OATT provides that an individual customer shall be responsible for the cost, or a specified share of the cost, of an individually requested study related to interconnection or to system expansion or to congestion and resource integration, the study costs incurred by the ISO as a

result of its administration of the CSPP will be recovered from all customers through and in accordance with Rate Schedule 1 of the ISO OATT.

31.4 Public Policy Requirements Planning Process [Additional details needed regarding NYPSC/NYDPS roles and processes]

31.4.1 General

The Public Policy Requirements Planning Process shall consist of two steps: (1) identification of transmission needs driven by Public Policy Requirements; and (2) requests for and evaluation of proposed transmission solutions to address needs driven by Public Policy Requirements. The NYDPS shall identify transmission needs driven by Public Policy Requirements. The ISO shall request and evaluate proposed transmission solutions to identified transmission needs driven by Public Policy Requirements. This process will generally be conducted on a two-year cycle, starting after the CRP Report is posted, unless otherwise requested by the NYDPS/NYPSC.

31.4.2 ISO and Interested Party Identification and Posting of Proposed Transmission Needs

At the start of each Public Policy Planning cycle, the ISO will provide a 90-day period to allow any stakeholder or interested party to submit to the ISO, or for the ISO on its own initiative, to identify, a proposed transmission need that it believes is being driven by a Public Policy Requirement and for which transmission solutions should be requested and evaluated. Each submittal will identify the Public Policy Requirements that the party believes is driving the need for transmission and describe how the construction of transmission will fulfill the Public Policy Requirement(s).

After the end of the 90-day period, the ISO will submit to the NYDPS/NYPSC the transmission needs proposed by stakeholders, other interested parties, and any additional

transmission needs identified by the ISO. The ISO shall post all such proposed transmission needs on its website.

31.4.2.1 Identification and Determination of Transmission Needs Driven By Public Policy Requirements

The NYDPS will review proposed transmission need(s) and, with input from the ISO and interested parties, identify the transmission needs, if any, for which transmission solutions should be requested and evaluated. In addition, the NYDPS may, on its own motion, identify a transmission need driven by a Public Policy Requirement.

The ISO shall assist the NYDPS in its analyses as requested. The NYDPS may also request that the ISO, pursuant to Section 3.8.1 of the ISO OATT, conduct an evaluation of alternative options to address the transmission needs.

The NYDPS will issue a written statement which explains how it has identified the transmission needs driven by Public Policy Requirements for which transmission solutions will be evaluated by the ISO. The statement will also explain why transmission solutions to other suggested transmission needs should not be evaluated. The NYDPS statement identifying the transmission needs will also provide criteria for the evaluation of transmission solutions and the type of analyses that it will request from the ISO.

If the NYDPS does not identify any transmission needs, it will provide confirmation of that conclusion to the ISO.

The ISO shall post the NYDPS statement on its website.

31.4.2.2 Disputes of NYDPS Determinations

Disputes about any NYDPS decision to either accept or deny a proposed transmission needs as one for which transmission solutions should be evaluated will be addressed through the submittal of a petition to the NYPSC for an order finding that an

identified proposed transmission need should or should not be evaluated under the ISO tariff. The NYPSC may also initiate a proceeding on its own motion. A determination of need that is the subject of an appeal proceeding will be held in abeyance pending a final determination of the appeal.

31.4.3 Request for and Evaluation of Proposed Transmission Solutions

The ISO will request and evaluate proposed transmission solutions to a transmission need identified by the NYDPS.

31.4.3.1 Request for Proposed Transmission Solutions

Following posting of the NYDPS determination, the ISO will provide a 60-day period for Transmission Owners and Other Developers to propose transmission solutions to address the transmission needs driven by Public Policy Requirements identified by the NYDPS. Any proposed transmission needs that are under dispute at the NYPSC will be addressed, if required, following the resolution of that dispute by the NYPSC.

31.4.3.2 The proponent of a proposed transmission solution will pay the study costs, using the process set forth in Section 31.3.1.1.2.3.

31.4.3.3 Solutions Proposed by Transmission Owners

To ensure that there will be a response to a transmission need identified by the NYDPS/NYPSC, the appropriate Transmission Owner, as identified by the NYDPS/NYPSC, will propose a transmission solution for each of the transmission needs driven by Public Policy Requirements identified by the NYDPS/NYPSC.

31.4.4 Evaluation and Preparation of ISO Report on Transmission Solutions Driven by Public Policy Requirements

The ISO will evaluate proposed transmission solutions with input from stakeholders and within its available resources and modeling capabilities. The ISO shall apply the criteria provided by the NYDPS/NYPSC and the analysis requested by the NYDPS/NYPSC, to the extent compliance with such criteria and analysis is feasible. The ISO will also use its existing reliability, economic, and interconnection planning process tools, databases and models, as applicable. Tools used in the planning process that may be used in the evaluation include power flow, stability and short circuit models for system planning analysis, probabilistic models of generator availability for resource adequacy and production cost simulation models for economic and environmental analysis.

The ISO's evaluation will identify benefits of the proposed transmission solution in accordance with the methodology, if any, specified by the Public Policy Requirement or the NYDPS/NYPSC. The type of metrics reported may include the following, as applicable to the Public Policy Requirement: change in production costs; LBMP; losses; emissions; ICAP; TCC; congestion; impact on transfer limits; and deliverability.

The ISO staff will prepare a report, including a discussion of its assumptions, inputs, methodologies, and the results of its analyses.

31.4.4.1 Consequences for Other Regions

The ISO will identify the reliability consequences of a transmission solution driven by Public Policy Requirements upon other regions. The ISO shall report the results in its Public Policy Requirements report.

31.4.5 Eligibility and Qualification Criteria for Entities and Projects

31.4.5.1 Eligibility

Any entity meeting the criteria in this Section 31.3.2.1.4.1,, whether Transmission Owner or Other Developer, may offer a transmission solution to a transmission need driven by a Public Policy Requirement identified by the NYDPS/NYPSC and shall be eligible to use the cost allocation and cost recovery mechanism set forth in Section 31.4 of this Attachment Y for any approved project.

31.4.5.2 Entity Qualification Criteria

The ISO may consider, as appropriate, the following criteria when determining whether an entity is eligible to offer a transmission solution to a transmission need driven by a Public Policy Requirement identified by the NYDPS/NYPSC: (1) the current and expected capabilities of the entity to finance, license, and construct a proposed solution and operate and maintain it for the life of the project; (2) the entity's existing rights of way and substations that would contribute to the project in question; (3) the experience of the entity in acquiring rights of way, and the authority to acquire rights of way by eminent domain, if necessary, that would facilitate approval and construction; (4) the financial resources of the entity; (5) the technical and engineering qualifications and experience of the entity; (6) whether the entity has the ability to meet the requirements for the submission of valid Interconnection Requests as provided in OATT Attachment X or OATT Attachment Z; and (7) whether the entity has the ability to meet the requirements to become a Transmission Customer, as defined in the ISO Services Tariff.

31.4.5.3 Information Requirements for Projects

The ISO shall also consider the criteria in Section 31.4.8.1 when determining whether a proposed project is eligible to be offered as a transmission solution to transmission need driven by Public Policy Requirements.

31.4.5.4 Timing for Submittal of Information and Opportunity to Cure Deficiencies

The required information for entity qualification may be submitted at any time. The ISO will provide any entity seeking to qualify notification that their submission is deficient, within 15 days of submittal. Such entity will have 15 days to cure such deficiency. The ISO will post a list of the entities that have qualified in accordance with this Section 31.1.2.1.4 on its website, as consistent with confidentiality requirements set forth in this Attachment Y and the ISO Code of Conduct in Attachment F of the OATT.

31.4.6 Collaborative Governance Process

The draft report on the NYISO's evaluation of proposed transmission solutions to transmission needs driven by Public Policy Requirements shall be submitted to both TPAS and the ESPWG for review and comment. The ISO shall make available to any interested party sufficient information to replicate the results of the draft report. The information made available will be electronically masked and made available pursuant to a process that the ISO reasonably determines is necessary to prevent the disclosure of any Confidential Information or Critical Energy Infrastructure Information contained in the information made available. Following completion of that review, the draft report reflecting the revisions resulting from the TPAS and ESPWG review shall be forwarded to the Business Issues Committee and the Management Committee for discussion and action.

31.4.7 Board Action

Following the Management Committee vote, the draft report , with Business Issues Committee and Management Committee input, will be forwarded to the ISO Board for review and action. Concurrently, the draft report will be provided to the Market Monitoring Unit for its

review and consideration. The Board may approve the report as submitted, or propose modifications on its own motion. If any changes are proposed by the Board, the revised report shall be returned to the Management Committee for comment. The Board shall not make a final determination on a revised report until it has reviewed the Management Committee comments. Upon approval by the Board, the ISO shall issue the report to the marketplace by posting it on its website.

The responsibilities of the Market Monitoring Unit that are addressed in the above section of Attachment Y to the ISO OATT are also addressed in Section 30.4.6.8.4 of the Market Monitoring Plan, Attachment O to the ISO OATT.

31.4.8 Actual Project Proposals

For proposed transmission solutions for transmission needs driven by Public Policy Requirements identified by the NYDPS/NYPSC, the ISO will process that project proposal in accordance with the relevant provisions of this Attachment Y. As applicable the ISO will consider proposed transmission solutions driven by Public Policy Requirements identified by the NYDPS/NYPSC as alternatives to projects proposed in the Transmission Owners' LTPs, as they relate to BPTFs, to determine whether they alleviate congestion in the region more efficiently or cost-effectively than the Transmission Owners' proposed LTP projects.

31.4.8.1 Project Information Requirements

Any entity seeking to offer a transmission solution for transmission needs driven by Public Policy Requirements identified by the NYDPS/NYPSC, must provide, at a minimum, the following details: (1) contact information; (2) the lead time necessary to complete the project; (3) a description of the project, including type, size, and location, as well as planning and engineering specifications as appropriate: (4) evidence of a

commercially viable technology; (5) a major milestone schedule: (6) a schedule for obtaining required siting permits and other certifications: (7) a demonstration of site control or a schedule for obtaining such control; (8) status of ISO interconnection studies and interconnection agreement; (9) status of equipment procurement: (10) detailed capital cost estimates for each segment of the project; (11) a risk profile addressing the stage of project development, required cost overruns sharing, required project cost increase sharing, identification of conditions for cancelling the project including terms and conditions for allocating sunk costs and lost benefits; and (12) any other information requested by the ISO.

31.4.9 Posting of Approved Solutions

The ISO shall post on its website a list of all entities who have undertaken a commitment to build a project that has been approved by the NYPSC, in accordance with this Attachment Y, as consistent with confidentiality requirements set forth in this Attachment Y and the ISO Code of Conduct in Attachment F of the OATT.

31.54 Cost Allocation and Cost Recovery

31.54.1 The Scope of Attachment Y Cost Allocation

31.54.1.1 Regulated Responses

The cost allocation principles and methodologies in this Attachment Y cover only regulated transmission solutions to Reliability Needs, ~~and~~ regulated transmission responses to congestion identified in the CARIS, and regulated transmission solutions to needs driven by Public Policy Requirements whether proposed by a Responsible Transmission Owner or a Transmission Owner or Other Developer. The cost allocation principles and methodology covering regulated transmission solutions to Reliability Needs are contained in Sections 31.54.2.1 and 31.54.2.2 of this Attachment Y. The separate cost allocation principles and methodology covering regulated transmission responses to congestion identified in the CARIS are contained in Sections 31.54.3.1 and 31.54.3.2 of this Attachment Y. The separate cost allocation principles and methodology covering regulated transmission solutions to needs driven by Public Policy Requirements are contained in Sections 31.5.5 and 31.5.6 of this Attachment Y.

31.54.1.2 Market-Based Responses

The cost allocation principles and methodologies in this Attachment Y do not apply to market-based solutions to Reliability Needs or to market-based responses to congestion identified in the CARIS. The cost of a market-based project shall be the responsibility of the developer of that project.

31.54.1.3 Interconnection Cost Allocation

The cost allocation principles and methodologies in this Attachment Y do not apply to the interconnection costs of generation and merchant transmission projects. Interconnection costs

are determined and allocated in accordance with Attachment S, Attachment X and Attachment Z of the ISO OATT.

31.54.1.4 Individual Transmission Service Requests

The cost allocation principles and methodologies in this Attachment Y do not apply to the cost of transmission expansion projects undertaken in connection with an individual request for Transmission Service. The cost of such a project is determined and allocated in accordance with Section 3.7 or Section 4.5 of the ISO OATT.

31.54.1.5 LTP Facilities

The cost allocation principles and methodologies in this Attachment Y do not apply to the cost of transmission projects included in LTPs or LTP updates. Each Transmission Owner will recover the cost of such transmission projects in accordance with its then existing rate recovery mechanisms.

31.54.1.6 Regulated Non-Transmission Solutions to Reliability Needs

Costs related to regulated non-transmission reliability projects will be recovered by Responsible Transmission Owners, Transmission Owners and Other Developers in accordance with the provisions of New York Public Service Law, New York Public Authorities Law, or other applicable state law. Nothing in this section shall affect the Commission's jurisdiction over the sale and transmission of electric energy subject to the jurisdiction of the Commission.

31.5.1.7 Eligibility to Utilize the Cost Allocation and Cost Recovery Mechanisms

Any entity, whether Transmission Owner or Other Developer, shall be eligible to use the cost allocation and cost recovery mechanism set forth in Section 31.5 of this Attachment Y and Rate Schedule 10 for any approved project.

31.5.1.8 Effective Date of Cost Allocation and Cost Recovery for Regulated Transmission Solutions Driven by Public Policy Requirements

The cost allocation methodology and cost recovery provided under this Section 31.5 for regulated transmission solutions driven by Public Policy Requirements shall only apply to approved solutions identified in the tariff that are submitted to the ISO on or after the date of final acceptance of the Order 1000 compliance filings by the Commission.

31.5.1.9 Costs of Adverse Reliability Impacts of Approved Transmission Solutions in Other Regions

The ISO will consent to cost recovery for adverse reliability impacts of approved transmission solutions in other regions where such other region has a reciprocal agreement with the ISO.

31.54.2 Cost Allocation Principles Required Under Order 1000 & 1000-A

In compliance with Commission Order No. 1000 and Order No. 1000-A, the ISO shall implement the specific cost allocation methodology in Section 31.5.2.2 in accordance with the following Regional Cost Allocation Principles ("Order No. 1000 Regional Cost Allocation Principles"):

Regional Cost Allocation Principle 1: The ISO shall allocate the cost of transmission facilities to those within the transmission planning region that benefit from those facilities in a manner that is at least roughly commensurate with estimated benefits. In determining the beneficiaries of transmission facilities, the ISO's CSPP will consider benefits including, but not limited to, the extent to which transmission facilities, individually or in the aggregate provide for maintaining reliability and sharing reserves, production cost savings and congestion relief, and/or meeting Public Policy Requirements.

Regional Cost Allocation Principle 2: The ISO shall not involuntarily allocate any of the costs of transmission facilities to those that receive no benefit from transmission facilities.

Regional Cost Allocation Principle 3: In the event that the ISO adopts a benefit to cost threshold in its CSPP to determine which transmission facilities have sufficient net benefits to be selected in a regional transmission plan for the purpose of cost allocation, such benefit to cost threshold will not be so high that transmission facilities with significant positive net benefits are excluded from cost allocation. If the ISO chooses to adopt such a threshold in its CSPP it will not include a ratio of benefits to costs that exceeds 1.25 unless the ISO justifies and the Commission approves a higher ratio.

Regional Cost Allocation Principle 4: The ISO's allocation method for the cost of a transmission facility selected pursuant to the process in the CSPP shall allocate costs solely within the ISO's transmission planning region unless another entity outside the region or another transmission planning region voluntarily agrees to assume a portion of those costs. Costs for an interregional transmission facility must be assigned only to regions in which the facility is located. Costs cannot be assigned involuntarily to another region.

Regional Cost Allocation Principle 5: The ISO's cost allocation method and data requirements for determining benefits and identifying beneficiaries for a transmission facility shall be transparent with adequate documentation to allow a stakeholder to determine how they were applied to a proposed transmission facility, as

consistent with confidentiality requirements set forth in this Attachment Y and the ISO Code of Conduct in Attachment F of the OATT.

Regional Cost Allocation Principle 6: The ISO's CSPP provides a different cost allocation method for different types of transmission facilities in the regional transmission plan and each cost allocation method is set out clearly and explained in detail in this Section 31.5.

31.5.3 Regulated Responses to Reliability Needs

31.~~5~~4.~~3~~2.1 Cost Allocation Principles

The ISO shall implement the specific cost allocation methodology in section 31.5.3.2 of this Attachment Y in accordance with the Order No. 1000 Regional Cost Allocation Principles as set forth in Section 31.5.2. ~~Cost allocation for regulated transmission solutions to Reliability Needs shall be determined by the ISO based upon the principle that beneficiaries should bear the cost responsibility.~~ The specific cost allocation methodology in Section 31.5.4.4~~, to be developed by the ISO in consultation with the ESPWG, will~~ incorporates the following elements:

31.~~5~~4.~~3~~2.1.1 The focus of the cost allocation methodology shall be on solutions to Reliability Needs.

31.~~5~~4.~~3~~2.1.2 Potential impacts unrelated to addressing the Reliability Needs shall not be considered for the purpose of cost allocation for regulated solutions.

31.~~5~~4.~~3~~2.1.3 Primary beneficiaries shall initially be those Load Zones identified as contributing to the reliability violation.

31.~~5~~4.~~3~~2.1.4 The cost allocation among primary beneficiaries shall be based upon their relative contribution to the need for the regulated solution.

31.54.32.1.5 The ISO will examine the development of specific cost allocation rules based on the nature of the reliability violation (e.g., thermal overload, voltage, stability, resource adequacy and short circuit).

31.54.32.1.6 Cost allocation shall recognize the terms of prior agreements among the Transmission Owners, if applicable.

31.54.32.1.7 Consideration should be given to the use of a materiality threshold for cost allocation purposes.

31.54.32.1.8 The methodology shall provide for ease of implementation and administration to minimize debate and delays to the extent possible.

31.54.32.1.9 Consideration should be given to the "free rider" issue as appropriate. The methodology shall be fair and equitable.

31.54.32.1.10 The methodology shall provide cost recovery certainty to investors to the extent possible.

31.54.32.1.11 The methodology shall apply, to the extent possible, to Gap Solutions.

31.54.32.1.12 Cost allocation is independent of the actual triggered project(s), except when allocating cost responsibilities associated with meeting a minimum Locational Installed Capacity Requirement ("LCR"), and is based on a separate process that results in NYCA meeting its LOLE requirement.

31.54.32.1.13 Cost allocation for a solution that meets the needs of a Target Year assumes that backstop solutions of prior years have been implemented.

31.54.32.1.14 Cost allocation will consider the most recent values for LCRs. LCRs must be met for the Target Year.

31.54.32.2 Cost Allocation Methodology

31.54.32.2.1 General Reliability Solution Cost Allocation Formula:

The cost allocation mechanism under Rate Schedule 10 of this tariff for regulated transmission solutions to Reliability Needs, whether proposed by a Responsible Transmission Owner or a Transmission Owner or Other Developer, would be used as a basis for allocating costs associated with projects determined to be necessary pursuant to Section 31.2.5.7. The formula is not applicable to that portion of a project oversized beyond the smallest technically feasible solution that meets the Reliability Need identified in the RNA. Nor is the formula applicable to that portion of the cost of a regulated transmission reliability project that is, pursuant to Section 25.7.12 of Attachment S to the ISO OATT, paid for with funds previously committed by or collected from Developers for the installation of System Deliverability Upgrades required for the interconnection of generation or merchant transmission projects. The same cost allocation formula is applied regardless of the project or sets of projects being triggered; however, the nature of the solution set may lead to some terms equaling zero, thereby dropping out of the equation. To ensure that appropriate allocation to the LCR and non-LCR zones occurs, the zonal allocation percentages are developed through a series of steps that first identify responsibility for LCR deficiencies, followed by responsibility for remaining need. This cost allocation process can be applied to any solution or set of solutions that involve single or multiple cost allocation steps. One formula can be applied to any solution set:

$$\text{Cost Allocation}_i = \left[\frac{\text{LCRdef}_i}{\text{Soln\_Size}} + \left[\frac{\text{Coincident Peak}_i \times (1 + \text{IRM} - \text{LCR}_i)}{\sum_{k=1}^{N} \text{Coincident Peak}_k \times (1 + \text{IRM-LCR}_k)} \times \frac{\text{Soln STWdef}}{\text{Soln\_Size}} \right] \right]$$

$$= \quad + \left[\frac{\text{Coincident Peak}_i \times (1 + \text{IRM} - \text{LCR}_i)}{\sum_{l=1}^{M} \text{Coincident Peak}_l \times (1 + \text{IRM} - \text{LCR}_l)} \times \frac{\text{SolnCIdef}}{\text{Soln\_Size}} \right] \times 100\%$$

Where *i* is for each applicable zone, n represent the total zones in NYCA, m represents the zones isolated by the binding interfaces, IRM is the statewide reserve margin, and where LCR is defined as the locational capacity requirement in terms of percentage and is equal to zero for those zones without an LCR requirement, $LCRdef_i$ is the applicable zonal LCR deficiency, SolnSTWdef is the STWdef for each applicable project, SolnCIdef is the CIdef for each applicable project, and Soln_Size represents the total compensatory MW addressed by each applicable project.

Three step cost allocation methodology for regulated reliability solutions:

31.54.32.2.1.1 Step 1 - LCR Deficiency

31.54.32.2.1.1.1 Any deficiencies in meeting the LCRs for the Target Year will be referred to as the LCRdef. If the reliability criterion is met once the LCR deficiencies have been addressed, that is LOLE ≤ 0.1 for the Target Year is achieved, then the only costs allocated will be those related to the LCRdef MW. Cost responsibility for the LCRdef MW will be borne by each deficient locational zone(s), to the extent each is individually deficient.

For a single solution that addresses only an LCR deficiency in the applicable LCR zone, the equation would reduce to:

$$\text{Allocation}_i = \text{LCRdef}_i \times 100\%$$

Soln_ Size

Where *i* is for each applicable LCR zone, $LCRdef_i$ represents the applicable zonal LCR deficiency, and Soln_Size represents the total compensatory MW addressed by the applicable project.

31.54.32.2.1.1.2 Prior to the LOLE calculation, voltage constrained interfaces will be recalculated to determine the resulting transfer limits when the LCRdef MW are added.

31.54.32.2.1.2 Step 2 - Statewide Resource Deficiency. If the reliability criterion is not met after the LCRdef has been addressed, that is an LOLE > 0.1, then a NYCA Free Flow Test will be conducted to determine if NYCA has sufficient resources to meet an LOLE of 0.1.

31.54.32.2.1.2.1 If NYCA is found to be resource limited, the ISO, using the transfer limits and resources determined in Step 1, will determine the optimal distribution of additional resources to achieve a reduction in the NYCA LOLE to 0.1.

31.54.32.2.1.2.2 Cost allocation for compensatory MW added for cost allocation purposes to achieve an LOLE of 0.1, defined as a Statewide MW deficiency (STWdef), will be prorated to all NYCA zones, based on the NYCA coincident peak load. The allocation to locational zones will take into account their locational requirements.

For a single solution that addresses only a statewide deficiency, the equation would reduce to:

$$\text{Allocation}_i = \left[\text{Coincident Peak}_i \times (1+\text{IRM-}LCR_i) \times \text{SolnSTWdef} \right] \times 100\%$$

$$\sum_{k=1}^{n} \text{Coincident Peak}_k \text{ x } (1+\text{IRM-}LCR_k) \qquad \text{Soln\_Size}$$

Where *i* is for each applicable zone, n is for the total zones in NYCA, IRM is the statewide reserve margin, and LCR is defined as the locational capacity requirement in terms of percentage and is equal to zero for those zones without an LCR requirement, Soln STWdef is the STWdef for the applicable project, and Soln_Size represents the total compensatory MW addressed by the applicable project.

31.54.32.2.1.3 Step 3 - Constrained Interface Deficiency. If the NYCA is not resource limited as determined by the NYCA Free Flow Test, then the ISO will examine constrained transmission interfaces, using the Binding Interface Test.

31.54.32.2.1.3.1 The ISO will provide output results of the reliability simulation program utilized for the RNA that indicate the hours that each interface is at limit in each flow direction, as well as the hours that coincide with a loss of load event. These values will be used as an initial indicator to determine the binding interfaces that are impacting LOLE within the NYCA.

31.54.32.2.1.3.2 The ISO will review the output of the reliability simulation program utilized for the RNA along with other applicable information that may be available to make the determination of the binding interfaces.

31.54.32.2.1.3.3 Bounded Regions are assigned cost responsibility for the compensatory MW, defined as CIdef, needed to reach an LOLE of 0.1.

31.54.32.2.1.3.4 If one or more Bounded Regions are isolated as a result of binding interfaces identified through the Binding Interface Test, the ISO will determine

the optimal distribution of compensatory MW to achieve a NYCA LOLE of 0.1. Compensatory MW will be added until the required NYCA LOLE is achieved.

31.54.32.2.1.3.5 The Bounded Regions will be identified by the ISO's Binding Interface Test, which identifies the bounded interface limits that can be relieved and have the greatest impact on NYCA LOLE. The Bounded Region that will have the greatest benefit to NYCA LOLE will be the area to be first allocated costs in this step. The ISO will determine if after the first addition of compensating MWs the Bounded Region with the greatest impact on LOLE has changed. During this iterative process, the Binding Interface Test will look across the state to identify the appropriate Bounded Region. Specifically, the Binding Interface Test will be applied starting from the interface that has the greatest benefit to LOLE (the greatest LOLE reduction per interface compensatory MW addition), and then extended to subsequent interfaces until a NYCA LOLE of 0.1 is achieved.

31.54.32.2.1.3.6 The CIdef MW are allocated to the applicable Bounded Region isolated as a result of the constrained interface limits, based on their NYCA coincident peaks. Allocation to locational zones will take into account their locational requirements.

For a single solution that addresses only a binding interface deficiency, the equation would reduce to:

$$\text{Allocation}_i = \left[\frac{\text{Coincident Peak}_i \times (1+\text{IRM-}LCR_i)}{\sum_{l=1}^{m} \text{Coincident Peak}_k \times (1+\text{IRM-}LCR_l)} \times \frac{SolnCld_e}{f} \right] \times 100\% \quad \text{Soln\_Size}$$

Where *i* is for each applicable zone, m is for the zones isolated by the binding interfaces, IRM is the statewide reserve margin, and where LCR is defined as the locational capacity requirement in terms of percentage and is equal to zero for those zones without an LCR requirement, SolnCIdef is the CIdef for the applicable project and Soln_Size represents the total compensatory MW addressed by the applicable project.

31.54.32.2.1.4 If, after the completion of Steps 1 through 3, there is a thermal or voltage security issue that does not cause an LOLE violation, it will be deemed a local issue and related costs will not be allocated under this process.

31.54.32.2.1.5 Costs related to the deliverability of a resource will be addressed under the ISO's deliverability procedures.

31.54.32.2.1.6 This cost allocation methodology would be used for any projects required to meet Reliability Needs identified in the RNA that are triggered prior to January 1, 2016 Costs associated with any projects triggered on or after January 1, 2016 will be allocated according to a methodology, which, after proper consideration within the ISO stakeholder process, will be filed by the ISO for the Commission's approval prior to January 1, 2016, in accordance with the ISO

governance process. The filing may provide for a continuation of the forgoing methodology or a revised methodology.

31.54.43 Regulated Economic Projects

31.54.43.1 The Scope of Section 31.54.43

As discussed in Section 31.54.1 of this Attachment Y, the cost allocation principles and methodologies of this Section 31.54.43 apply only to regulated economic transmission projects ("RETPs) proposed in response to congestion identified in the CARIS. This Section 31.54.43 does not apply to generation or demand side management projects, nor does it apply to any market-based projects. This Section 31.54.43 does not apply to regulated backstop solutions triggered by the ISO pursuant to the CSPP, provided, however, the cost allocation principles and methodologies in this Section 31.54.43 will apply to regulated backstop solutions when the implementation of the regulated backstop solution is accelerated solely to reduce congestion in earlier years of the Study Period. The ISO will work with the ESPWG to develop procedures to deal with the acceleration of regulated backstop solutions for economic reasons.

Nothing in this Attachment Y mandates the implementation of any project in response to the congestion identified in the CARIS.

31.54.43.2 Cost Allocation Principles

The ISO shall implement the specific cost allocation methodology in Section 31.5.4.4 of this Attachment Y in accordance with the Order No. 1000 Regional Cost Allocation Principles as set forth in Section 31.5.2. ~~Cost allocation for RETPs shall be determined by the ISO based upon the principle that beneficiaries should bear the cost responsibility.~~ The specific cost allocation methodology in Section 31.54.43.4 incorporates the following elements:

31.54.43.2.1 The focus of the cost allocation methodology shall be on responses to specific conditions identified in the CARIS.

31.54.43.2.2 Potential impacts unrelated to addressing the identified congestion shall not be considered for the purpose of cost allocation for RETPs.

31.54.43.2.3 Projects analyzed hereunder as proposed RETPs may proceed on a market basis with willing buyers and sellers at any time.

31.54.43.2.4 Cost allocation shall be based upon a beneficiaries pay approach. Cost allocation under the ISO tariff for a RETP shall be applicable only when a super majority of the beneficiaries of the project, as defined in Section 31.54.43.6 of this Attachment Y, vote to support the project.

31.54.43.2.5 Beneficiaries of a RETP shall be those entities economically benefiting from the proposed project. The cost allocation among beneficiaries shall be based upon their relative economic benefit.

31.54.43.2.6 Consideration shall be given to the proposed project's payback period.

31.54.43.2.7 The cost allocation methodology shall address the possibility of cost overruns.

31.54.43.2.8 Consideration shall be given to the use of a materiality threshold for cost allocation purposes.

31.54.43.2.9 The methodology shall provide for ease of implementation and administration to minimize debate and delays to the extent possible.

31.54.43.2.10 Consideration should be given to the "free rider" issue as appropriate. The methodology shall be fair and equitable.

31.54.43.2.11 The methodology shall provide cost recovery certainty to investors to the extent possible.

31.54.43.2.12 Benefits determination shall consider various perspectives, based upon the agreed-upon metrics for analyzing congestion.

31.54.43.2.13 Benefits determination shall account for future uncertainties as appropriate (e.g., load forecasts, fuel prices, environmental regulations).

31.54.43.2.14 Benefits determination shall consider non-quantifiable benefits as appropriate (*e.g.,* system operation, environmental effects, renewable integration).

31.54.43.3 Project Eligibility for Cost Allocation

The methodologies in this Section 31.54.43.3 will be used to determine the eligibility of a proposed RETP to have its cost allocated and recovered pursuant to the provisions of this Attachment Y.

31.54.43.3.1 The ISO will evaluate the benefits against the costs (as provided by the Developer) of each proposed RETP over a ten-year period commencing with the proposed commercial operation date for the project. The Developer of each project will pay the cost incurred by the ISO to conduct the ten-year benefit/cost analysis of its project. The ISO, in conjunction with the ESPWG, will develop methodologies for extending the most recently completed CARIS database as necessary to evaluate the benefits and costs of each proposed RETP.

31.54.43.3.2 The benefit metric for eligibility under the ISO's benefit/cost analysis will be expressed as the present value of the annual NYCA-wide production cost savings that would result from the implementation of the proposed project,

measured for the first ten years from the proposed commercial operation date for the project.

31.54.43.3.3 The cost for the ISO's benefit/cost analysis will be supplied by the Developer of the project, and the cost metric for eligibility will be expressed as the present value of the first ten years of annual total revenue requirements for the project, reasonably allocated over the first ten years from the proposed commercial operation date for the project.

31.54.43.3.4 For informational purposes only, the ISO will also calculate the present value of the annual total revenue requirement for the project over a 30 year period commencing with the proposed commercial operation date of the project.

31.54.43.3.5 To be eligible for cost allocation and recovery under this Attachment Y, the benefit of the proposed project must exceed its cost measured over the first ten years from the proposed commercial operation date for the project, and the requirements of section 31.54.3.2 must be met. The total capital cost of the project must exceed $25 million. In addition, a super-majority of the beneficiaries must vote in favor of the project, as specified in Section 31.54.43.6 of this Attachment Y.

31.54.43.3.6 In addition to calculating the benefit metric as defined in Section 31.54.43.3.2, the ISO will calculate additional metrics to estimate the potential benefits of the proposed project, for information purposes only, in accordance with Section 31.3.1.3.5, for the applicable metric. These additional metrics shall include those that measure reductions in LBMP load costs, changes to generator payments, ICAP costs, Ancillary Service costs, emissions costs, and losses. TCC

revenues will be determined in accordance with Section 31.54.43.4.2.3. The ISO will provide information on these additional metrics to the maximum extent practicable considering its overall resource commitments.

31.54.43.3.7 In addition to the benefit/cost analysis performed by the ISO under this Section 31.54.43.3, the ISO will work with the ESPWG to consider the development and implementation of scenario analyses, for information only, that shed additional light on the benefit/cost analysis of a proposed project. These additional scenario analyses may cover fuel and load forecast uncertainty, emissions data and the cost of allowances, pending environmental or other regulations, and alternate resource and energy efficiency scenarios. Consideration of these additional scenarios will take into account the resource commitments of the ISO.

31.54.43.4 Cost Allocation for Eligible Projects

As noted in Section 31.54.43.2 of this Attachment Y, the cost of a RETP will be allocated to those entities that would economically benefit from implementation of the proposed project.

31.54.43.4.1 The ISO will identify the beneficiaries of the proposed project over a ten-year time period commencing with the proposed commercial operation date for the project. The ISO, in conjunction with the ESPWG, will develop methodologies for extending the most recently completed CARIS database as necessary for this purpose.

31.54.43.4.2 The ISO will identify beneficiaries of a proposed project as follows:

31.54.43.4.2.1 The ISO will measure the present value of the annual zonal LBMP load savings for all Load Zones which would have a load savings, net of reductions in

TCC revenues, and net of reductions from bilateral contracts (based on available information provided by Load Serving Entities to the ISO as set forth in subsection 31.54.43.4.2.5 below) as a result of the implementation of the proposed project. For purposes of this calculation, the present value of the load savings will be equal to the sum of the present value of the Load Zone's load savings for each year over the ten-year period commencing with the project's commercial operation date. The load savings for a Load Zone will be equal to the difference between the zonal LBMP load cost without the project and the LBMP load cost with the project, net of reductions in TCC revenues and net of reductions from bilateral contracts.

31.54.43.4.2.2 The beneficiaries will be those Load Zones that experience net benefits measured over the first ten years from the proposed commercial operation date for the project. If the sum of the zonal benefits for those Load Zones with load savings is greater than the revenue requirements for the project (both load savings and revenue requirements measured in present value over the first ten years from the commercial operation date of the project), the ISO will proceed with the development of the zonal cost allocation information to inform the beneficiary voting process.

31.54.43.4.2.3 Reductions in TCC revenues will reflect the forecasted impact of the project on TCC auction revenues and day-ahead residual congestion rents allocated to load in each zone, not including the congestion rents that accrue to any Incremental TCCs that may be made feasible as a result of this project. This impact will include forecasts of: (1) the total impact of that project on the

Transmission Service Charge offset applicable to loads in each zone (which may vary for loads in a given zone that are in different Transmission Districts); (2) the total impact of that project on the NYPA Transmission Adjustment Charge offset applicable to loads in that zone; and (3) the total impact of that project on payments made to LSEs serving load in that zone that hold Grandfathered Rights or Grandfathered TCCs, to the extent that these have not been taken into account in the calculation of item (1) above. These forecasts shall be performed using the procedure described in Appendix B to this Attachment Y.

31.54.43.4.2.4 Estimated TCC revenues from any Incremental TCCs created by a proposed RETP over the ten-year period commencing with the project's commercial operation date will be added to the Net Load Savings used for the cost allocation and beneficiary determination.

31.54.43.4.2.5 The ISO will solicit bilateral contract information from all Load Serving Entities, which will provide the ISO with bilateral energy contract data for modeling contracts that do not receive benefits, in whole or in part, from LBMP reductions, and for which the time period covered by the contract is within the ten-year period beginning with the commercial operation date of the project. Bilateral contract payment information that is not provided to the ISO will not be included in the calculation of the present value of the annual zonal LBMP savings in section 31.54.43.4.2.1 above.

31.54.43.4.2.5.1 All bilateral contract information submitted to the ISO must identify the source of the contract information, including citations to any public documents including but not limited to annual reports or regulatory filings

31.54.43.4.2.5.2 All non-public bilateral contract information will be protected in accordance with the ISO's Code of Conduct, as set forth in Section 12.4 of Attachment F of the ISO OATT, and Article 6 of the ISO Services Tariff.

31.54.43.4.2.5.3 All bilateral contract information and information on LSE-owned generation submitted to the ISO must include the following information:

(1) Contract quantities on an annual basis:

(a) For non-generator specific contracts, the Energy (in MWh) contracted to serve each Zone for each year.

(b) For generator specific contracts or LSE-owned generation, the name of the generator(s) and the MW or percentage output contracted or self-owned for use by Load in each Zone for each year.

(2) For all Load Serving Entities serving Load in more than one Load Zone, the quantity (in MWh or percentage) of bilateral contract Energy to be applied to each Zone, by year over the term of the contract.

(3) Start and end dates of the contract.

(4) Terms in sufficient detail to determine that either pricing is not indexed to LBMP, or, if pricing is indexed to LBMP, the manner in which prices are connected to LBMP.

(5) Identify any changes in the pricing methodology on an annual basis over the term of the contract.

31.54.43.4.2.5.4 Bilateral contract and LSE-owned generation information will be used to calculate the adjusted LBMP savings for each Load Zone as follows:

$AdjLBMPS_{y,z}$, the adjusted LBMP savings for each Load Zone z in each year y, shall be calculated using the following equation:

$$AdjLBMPS_{y,z} = \max\left[0, TL_{y,z} - \sum_{b \in B_{y,z}} \left(BCL_{b,y,z} \cdot \left(1 - Ind_{b,y,z}\right)\right) - SG_{y,z}\right] \cdot \left(LBMP1_{y,z} - LBMP2_{y,z}\right),$$

Where:

$TL_{y,z}$ is the total annual amount of Energy forecasted to be consumed by Load in year y in Load Zone z;

$B_{y,z}$ is the set of blocks of Energy to serve Load in Load Zone z in year y that are sold under bilateral contracts for which information has been provided to the ISO that meets the requirements set forth elsewhere in this Section 31.54.43.4.2.5

$BCL_{b,y,z}$ is the total annual amount of Energy sold into Load Zone z in year y under bilateral contract block b;

$Ind_{b,y,z}$ is the ratio of (1) the increase in the amount paid by the purchaser of Energy, under bilateral contract block b, as a result of an increase in the LBMP in Load Zone z in year y to (2) the increase in the amount that a purchaser of that amount of Energy would pay if the purchaser paid the LBMP for that Load Zone in that year for all of that Energy (this ratio shall be zero for any bilateral contract block of Energy that is sold at a fixed price or for which the cost of Energy purchased under that contract otherwise insensitive to the LBMP in Load Zone z in year y);

$SG_{y,z}$ is the total annual amount of Energy in Load Zone z that is forecasted to be served by LSE-owned generation in that Zone in year y;

LBMP1y,z is the forecasted *annual load-weighted average LBMP* for Load Zone z in year y, calculated under the assumption that the project is not in place; and

$LBMP2_{y,z}$ is the forecasted annual load-weighted average LBMP for Load Zone *z* in year *y*, calculated under the assumption that the project is in place.

31.54.43.4.2.6. NZS_z, the Net Zonal Savings for each Load Zone *z* resulting from a given project, shall be calculated using the following equation:

$$NZS_z = \max\left[0, \sum_{y=PS}^{PS+9}\left(\left(AdjLBMPS_{y,z} - TCCRevImpact_{y,z}\right)\cdot DF_y\right)\right],$$

Where:

PS is the year in which the project is expected to enter commercial operation;

$AdjLBMPS_{y,z}$ is as calculated in Section 31.54.43.4.2.5;

$TCCRevImpact_{y,z}$ is the forecasted impact of TCC revenues allocated to Load Zone *z* in year *y*, calculated using the procedure described in Appendix B in Section 31.76 of this Attachment Y; and

DF_y is the discount factor applied to cash flows in year *y* to determine the present value of that cash flow in year *PS*.

31.54.43.4.3 Load Zones not benefiting from a proposed RETP will not be allocated any of the costs of the project under this Attachment Y. There will be no "make whole" payments to non-beneficiaries.

31.54.43.4.4 Costs of a project will be allocated to beneficiaries as follows:

31.54.43.4.4.1 , The ISO will allocate the cost of the RETP based on the zonal share of total savings to the Load Zones determined pursuant to Section 31.54.43.4.2 to be beneficiaries of the proposed project. Total savings will be equal to the sum of load savings for each Load Zone that experiences net benefits pursuant to Section 31.54.43.4.2. A Load Zone's cost allocation will be equal to the present value of the following calculation:

$$\text{Zonal Cost Allocation} = \text{Project Cost} \times \left(\frac{(\text{Zonal Benefits})}{\text{Total Zonal Benefits for zones with positive net benefits}} \right)$$

31.54.43.4.4.2 Zonal cost allocation calculations for a RETP will be performed prior to the commencement of the ten-year period that begins with the project's commercial operation date, and will not be adjusted during that ten-year period.

31.54.43.4.4.3 Within zones, costs will be allocated to LSEs based on MWhs calculated for each LSE for each zone using data from the most recent available 12 month period. Allocations to an LSE will be calculated in accordance with the following formula:

$$\text{LSE Intrazonal Cost Allocation} = \text{Zonal Cost Allocation} \times \left(\frac{\text{LSE Zonal MWh}}{\text{Total Zonal MWh}} \right)$$

31.54.43.4.5 Project costs allocated under this Section 31.54.43.4 will be determined as follows:

31.54.43.4.5.1 The project cost allocated under this Section 31.54.43.4 will be based on the total project revenue requirement, as supplied by the Developer of the project, for the first ten years of project operation. The total project revenue requirement will be determined in accordance with the formula rate on file at the Commission. If there is no formula rate on file at the Commission, then the Developer shall provide to the ISO the project-specific parameters to be used to calculate the total project revenue requirement.

31.54.43.4.5.2 Once the benefit/cost analysis is completed the amortization period and the other parameters used to determine the costs that will be recovered for the project should not be changed, unless so ordered by the Commission or a court of applicable jurisdiction, for cost recovery purposes to maintain the continued validity of the benefit/cost analysis.

31.54.43.4.5.3 The ISO, in conjunction with the ESPWG, will develop procedures to allocate the risk of project cost increases that occur after the ISO completes its benefit/cost analysis under this Attachment Y. These procedures may include consideration of an additional review and vote prior to the start of construction and whether the developer should bear all or part of the cost of any overruns**.**

31.54.43.4.6 The Commission must approve the cost of a proposed RETP for that cost to be recovered through the ISO OATT. The developer's filing with the Commission must be consistent with the project proposal evaluated by the ISO under this Attachment Y in order to be cost allocated to beneficiaries.

31.54.43.5 Collaborative Governance Process and Board Action

31.54.43.5.1 The ISO shall submit the results of its project benefit/cost analysis and beneficiary determination to the ESPWG and TPAS, and to the identified beneficiaries of the proposed RETP for comment. The ISO shall make available to any interested party sufficient information to replicate the results of the benefit/cost analysis and beneficiary determination. The information made available will be electronically masked and made available pursuant to a process that the ISO reasonably determines is necessary to prevent the disclosure of any Confidential Information or Critical Energy Infrastructure Information contained in the information made available. Following completion of the review by the ESPWG and TPAS of the project benefit/cost analysis, the ISO's analysis reflecting any revisions resulting from the TPAS and ESPWG review shall be forwarded to the Business Issues Committee and Management Committee for discussion and action.

31.54.43.5.2 Following the Management Committee vote, the ISO's project benefit/cost analysis and beneficiary determination will be forwarded, with the input of the Business Issues Committee and Management Committee, to the ISO Board for review and action. In addition, the ISO's determination of the beneficiaries' voting shares will be forwarded to the ISO Board for review and action. The Board may approve the analysis and beneficiary determinations as submitted or propose modifications on its own motion. If any changes to the benefit/cost analysis or the beneficiary determinations are proposed by the Board, the revised analysis and beneficiary determinations shall be returned to the Management Committee for comment. If the Board proposes any changes to the ISO's voting share determinations, the Board shall so inform the LSE or LSEs impacted by the proposed change and shall allow such an LSE or LSEs an opportunity to comment on the proposed change. The Board shall not make a final determination on the project benefit/cost analysis and beneficiary determination until it has reviewed the Management Committee comments. Upon final approval of the Board, project benefit/cost analysis and beneficiary determinations shall be posted by the ISO on its website and shall form the basis of the beneficiary voting described in Section 31.54.43.6 of this Attachment Y.

31.54.43.6 Voting by Project Beneficiaries

31.54.43.6.1 Only LSEs serving Load located in a beneficiary zone determined in accordance with the procedures in Section 31.54.43.4 of this Attachment Y shall be eligible to vote on a proposed project. The ISO will, in conjunction with the

ESPWG, develop procedures to determine the specific list of voting entities for each proposed project.

31.54.43.6.2 The voting share of each LSE shall be weighted in accordance with its share of the total project benefits, as allocated by Section 31.54.43.4 of this Attachment Y.

31.54.43.6.3 The costs of a RETP shall be allocated under this Attachment Y if eighty percent (80%) or more of the actual votes cast on a weighted basis are cast in favor of implementing the project.

31.54.43.6.4 If the proposed RETP meets the required vote in favor of implementing the project, and the project is implemented, all beneficiaries, including those voting "no," will pay their proportional share of the cost of the project.

31.54.43.6.5 The ISO will tally the results of the vote in accordance with procedures set forth in the ISO Procedures, and report the results to stakeholders. Beneficiaries voting against approval of a project must submit to the ISO their rationale for their vote within 30 days of the date that the vote is taken. Beneficiaries must provide a detailed explanation of the substantive reasons underlying the decision, including, where appropriate: (1) which additional benefit metrics, either identified in the tariff or otherwise, were used; (2) the actual quantification of such benefit metrics or factors; (3) a quantification and explanation of the net benefit or net cost of the project to the beneficiary; and (4) data supporting the metrics and other factors used. Such explanation may also include uncertainties, and/or alternative scenarios and other qualitative factors considered, including state public policy goals. The ISO will report this information to the Commission in an informational filing to be made within 60 days of the vote. The

informational filing will include: (1) a list of the identified beneficiaries; (2) the results of the benefit/cost analysis; and (3) where a project is not approved, whether the developer has provided any formal indication to the ISO as to the future development of the project.

31.5.5 Regulated Transmission Solutions Driven by Public Policy Requirements

31.5.5.1 The Scope of Section 31.5.5

As discussed in Section 31.5.1 of this Attachment Y, the cost allocation principles and methodologies of this Section 31.5.5 apply only to regulated transmission projects proposed as solutions to transmission needs driven by Public Policy Requirements. This Section 31.5.5 does not apply to generation or demand side management projects, nor does it apply to any market-based projects. This Section 31.5.5 does not apply to regulated backstop solutions triggered by the ISO pursuant to the CSPP, nor does it apply to RETPS proposed in response to congestion identified in the CARIS.

31.5.5.2 Cost Allocation Principles

The ISO shall implement the specific cost allocation methodology in Section 31.5.5.4 of this Attachment Y in accordance with the Order No. 1000 Regional Cost Allocation Principles as set forth in Section 31.5.2. The specific cost allocation methodology in Section 31.5.5.4 incorporates the following elements:

31.5.5.2.1 The focus of the cost allocation methodology shall be on proposed regulated transmission solutions to transmission needs driven by Public Policy Requirements identified by the NYDPS/NYPSC.

31.5.5.2.2 Projects analyzed hereunder as proposed solutions to transmission needs driven by Public Policy Requirements may proceed on a market basis with willing buyers and sellers at any time.

31.5.5.2.3 Cost allocation shall be based on a beneficiaries pay approach.

31.5.5.2.4 Project beneficiaries will be identified in the Public Policy Requirement itself, or if the Public Policy Requirement does not identify project beneficiaries, project beneficiaries will be identified by the applicable regulatory authority.

31.5.5.2.5 Cost allocation among beneficiaries shall be according to a methodology specified by the Public Policy Requirement itself, or if the Public Policy Requirement does not specify a cost allocation methodology, according to a methodology approved by the applicable regulatory authority and consistent with the Order No. 1000 Regional Cost Allocation Principles.

31.5.5.3 Project Eligibility for Cost Allocation

Projects which are proposed as solutions for transmission needs driven by a Public Policy Requirement and that are evaluated by the ISO, and approved by the NYPSC, are eligible for Cost Allocation under this tariff. Such eligibility begins when: (i) The Transmission Owner or Other Developer petitions the NYPSC for an order to allow such project to proceed to request necessary local, state, and federal authorizations for construction and operation; or (ii) the NYPSC determines, based on relevant factors, including the extent to which such project would advance the identified Public Policy Requirement, whether the project should proceed to a more detailed project proposal and application under PSL Article VII.

Reasonable costs incurred, by the Transmission Owner or Other Developer proposing such project, to provide a more detailed study or cost estimate for such project and to prepare the application required to comply with PSL Article VII will be recoverable. At this point in the process, cost allocation for selected projects will be calculated by the ISO, at the request of the

NYPSC and with the assistance of the NYDPS, using the process set forth in Section 31.5.5.4 of this Attachment Y.

31.5.5.4 Cost Allocation for Eligible Projects

As noted in Section 31.5.5.2 of this Attachment Y, the cost allocation of a proposed solution to a transmission need driven by a Public Policy Requirement will be calculated by the ISO in accordance with the following methodology:

31.5.5.4.1 If the Public Policy Requirement that results in the construction of a transmission project prescribes the use of a particular cost allocation and recovery methodology, then the ISO shall use that methodology.

31.5.5.4.2 If the Public Policy Requirement that results in the construction of a transmission project solution does not prescribe a cost allocation methodology, then the project sponsor may propose and, subject to any guidance that may be provided by the NYPSC and subject to the approval of the applicable regulatory authorities, use a cost allocation based on load ratio share, adjusted to reflect the transmission needs driven by the Public Policy Requirement, the party(ies) responsible for complying with the Public Policy Requirement, and the parties who benefit from the transmission facility ("Adjusted Load Ratio Share").

31.5.5.4.3 If the Public Policy Requirement does not specify a cost allocation methodology, or the developer's cost allocation methodology is not accepted, the NYDPS/NYPSC may identify an alternative cost allocation methodology to be applied, consistent with the Order No. 1000 Regional Cost Allocation Principles.

31.5.5.4.5 In the absence of any of the above cost allocation methodologies, the NYISO will allocate the costs of the transmission using a default cost allocation formula, based upon a load ratio share methodology.

31.54.64 Cost Recovery for Regulated Projects

Responsible Transmission Owners, Transmission Owners and Other Developers will be entitled to full recovery of all reasonably incurred costs, including a reasonable return on investment and any applicable incentives, related to the development, construction, operation and maintenance of regulated solutions, including Gap Solutions, proposed or undertaken pursuant to the provisions of this Attachment Y to meet a Reliability Need. Transmission Owners and Other Developers will be entitled to recovery of costs associated with the implementation of a regulated economic transmission project ("RETP") in accordance with the provisions of Section 31.5.4.4~~.4.4~~ of this Attachment Y. Transmission Owners and Other Developers will be entitled to recovery of costs associated with the implementation of regulated transmission project undertaken to meet a transmission need driven by a Public Policy Requirement in accordance with the provisions of Section 31.5.5.4 of this Attachment Y.

31.54.64.1 The Responsible Transmission Owner, Transmission Owner or Other Developer will receive cost recovery for a regulated solution it undertakes to meet a Reliability Need pursuant to Section 31.2. of this Attachment Y that is subsequently halted in accordance with the criteria established pursuant to Section 31.2.7 of this Attachment Y. Such costs will include reasonably incurred costs through the time of cancellation, including any forward commitments made.

31.54.64.2 The Responsible Transmission Owner, Transmission Owner or Other Developer will recover its costs described in this Section 31.54~~.~~ incurred with

respect to the implementation of a regulated transmission solution to Reliability Needs in accordance with the provisions of Rate Schedule 10 of this ISO OATT. Provided further that cost recovery for regulated transmission projects undertaken by a Transmission Owner pursuant to this Attachment Y shall be in accordance with the provisions of the NYISO/TO Reliability Agreement.

31.54.64.3 Costs related to non-transmission regulated solutions to Reliability Needs will be recovered by Responsible Transmission Owners, Transmission Owners and Other Developers in accordance with the provisions of New York Public Service Law, New York Public Authorities Law, or other applicable state law. A Responsible Transmission Owner, a Transmission Owner, or Other Developer may propose and undertake a regulated non-transmission solution, provided that the appropriate state agency(ies) has established cost recovery procedures comparable to those provided in this tariff for regulated transmission solutions to ensure the full and prompt recovery of all reasonably-incurred costs related to such non-transmission solutions. Nothing in this section shall affect the Commission's jurisdiction over the sale and transmission of electric energy subject to the jurisdiction of the Commission.

31.54.64.4 For a regulated economic transmission project that is approved pursuant to Section 31.54.4.6.3 of this Attachment Y, the Transmission Owner or Other Developer shall have the right to make a filing with the Commission, under Section 205 of the Federal Power Act, for approval of its costs associated with implementation of the project. The filing of the Transmission Owner or Other Developer must be consistent with its project proposal made to and evaluated by

the ISO under Section 31.54.43 of this Attachment Y. The period for cost recovery, if any cost recovery is approved, will be determined by the Commission and will begin if and when the project begins commercial operation. Upon request by NYPA, the ISO will make a filing on behalf of NYPA.

31.5.6.5 For a regulated transmission project that is implemented to meet a transmission need driven by a Public Policy Requirement, the Transmission Owner or Other Developer shall have the right to make a filing with the Commission, under Section 205 of the Federal Power Act, for approval of its costs associated with implementation of the project. The filing of the Transmission Owner or Other Developer must be consistent with its project proposal made to an evaluated by the ISO under Section 31.4 of this Attachment Y. The period for cost recovery, if any cost recovery is approved, will be determined by the Commission and will begin if and when the project begins commercial operation. Upon request by NYPA, the ISO will make a filing on behalf of NYPA. **[LIPA issues will be addressed. LIPA's share of any cost allocation would be subject to LIPA ratification].**

31.54.64.65 To the extent that Incremental TCCs are created as a result of a regulated economic transmission project that has been approved for cost recovery under the NYISO Tariff, those Incremental TCCs that can be sold will be auctioned or otherwise sold by the ISO. The ISO shall determine the amount of Incremental TCCs that may be awarded to an expansion in accordance with the provisions of Section 19.2.2 of Attachment M of the ISO OATT. The ISO will use these revenues to offset the revenue requirements for the project. The Incremental

TCCs shall continue to be sold for the depreciable life of the project, and the revenues offset will commence upon the first payment of revenues related to a sale of Incremental TCCs on or after the charge for a specific RETP is implemented.