## Unit CONE and Net CONE Methodology

- **Perform two benchmark analyses to demonstrate the methodology that the NYISO will utilize to determine a hypothetical new entrant's Unit Net CONE using the 2010 Demand Curve Reset Process assumptions for the NYC Proxy GT.**

The Demand Curve assumptions should be used for this hypothetical because it is the data that is most familiar to the Market Participants, the NYISO and the NYISO's consultants.

First, the proxy Unit Net CONE calculation should be provided. This determination is to be consistent with the Demand Curves that are being used for the mitigation analysis.

- If FERC has not issued a decision on the March 29, 2011 NYISO compliance filing by the time that the NYISO presents its analysis on May 16, the analysis should be done using the unit cost assumptions that were included in the NYISO's November 30 filing in FERC Docket ER11-2224.
- If FERC has issued a final decision on the NYISO compliance filing, the NYISO should use the property tax assumptions and SUF/SDU assumptions that are consistent with that decision.

In presenting the Unit CONE, the NYISO should specify all of the resources that are assumed to be operating for the calculation of the net E&AS revenues for the proxy unit. The NYISO also should identify all other key assumptions that are used, highlighting any assumption that has applied differently in the Mitigation Exemption Test methodology context as compared to the Demand Curve methodology.

Second, the NYISO should show how the Proxy Unit interacts with other units in the same class year and the following class year. To best show this interaction, the Proxy Unit should be assumed to be in CY 2009 and the Class Year should include two additional 400 MW units. Once the Unit Net CONE has been determined for the Proxy Unit, one of the other two units in the Class Year should be assumed to have a Unit Net CONE that is sufficiently below the Proxy Unit's Unit Net CONE so that the unit would receive a determination that it is exempt from mitigation. The other unit should be assumed to have a Unit Net CONE that is $10/kW-year above the Proxy Unit's Unit Net CONE.

The NYISO should show how both the Mitigation Exemption Tests (the unit specific test and the default test) would be applied to the three units.

The analysis should then be carried forward to the following class year (CY 2010) to show how units that had/had not received an exemption in a previous class year would be treated in the future class year. To show the interaction that the CY 2009 units would have with CY 2010 units, the NYISO should assume that CY 2010 has two 400 MW units with one unit having a Unit Net CONE that is $5/kW-year below the Proxy Unit and the other unit having a Unit Net CONE that is $5/kW-year above the Proxy Unit. This representation of the Unit Net CONEs for

CY 2010 should provide the most information about the interaction of the different units in the class years.

As a final point, the NYISO should identify how a project dropping out of a Class Year would affect the Unit Net CONE of the projects that remain. It is not necessary to recalculate the Unit Net CONE as long as there is an explanation of which costs/revenues would be modeled as having changed and how that would impact the Unit Net CONE for each remaining project.

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