

Historic Fixed Price TCC Extension Product

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Agenda

- **Historic Fixed Price TCC (HFPTCC) Background**
 - FERC Order No. 681
 - HFPTCC Overview
 - Current Status
- **HFPTCC Extension Product Straw Proposal**

HFPTCC Background

FERC Order No. 681

- **FERC Order No. 681 required that long-term firm transmission rights (LTFTRs) be made available with terms (and/or rights to renewal) that are sufficient to meet the reasonable needs of load serving entities (LSEs) to support long term power supply arrangements used to satisfy their service obligations**
 - FERC established specific guidelines to aid in the development of rules to comply with the requirement to make LTFTRs available to LSEs
 - Fixed Price TCCs (which includes the HFPTCC product) were created in collaboration with stakeholders and approved by FERC as part of the NYISO's compliance with the requirements of Order No. 681
 - HFPTCCs provided eligible LSEs the ability to obtain TCCs for a period of up to 10 years
 - Certain LSEs that retained grandfathered transmission service that expired in 2013 related to power supply agreements with NYPA that lasted until 2025 were provided the ability to obtain HFPTCCs for up to 12 years
- **The initial HFPTCCs commenced on November 1, 2008**
 - Price was fixed for the first five years and then recalculated and fixed for a second five year period
 - Certain parties, however, challenged the product structure for the initial implementation at FERC
 - FERC subsequently directed the NYISO to modify the product structure to provide the option of either a 10-year fixed price or a 5-year fixed price with price recalculation for a second 5 or 7-year period
 - In doing so, FERC required the NYISO to re-offer HFPTCCs to eligible LSEs and allow LSEs that initially purchased HFPTCCs in 2008 the option to convert to a 10-year fixed price. HFPTCCs first purchased as part of this re-offering commenced on November 1, 2009.

HFPTCC Overview

■ Eligibility

- LSEs with transmission rights under an Existing Transmission Agreement (ETA) in effect on November 19, 1999 that is listed in Table 1A of Attachment L of the Open Access Transmission Tariff may be eligible to obtain HFPTCCs with the same Point of Injection (POI) and Point of Withdrawal (POW) as that ETA upon expiration of the ETA
- LSE must be capable of certifying: (1) continuing obligation to serve the load related to the ETA; and (2) continuing need for transmission capacity between the POI and POW to serve such load
- May purchase HFPTCCs for up to the MW of ETA, but not exceeding the MW of the historic load continuing to be served

■ Price Calculation - Average of the following two components:

- (1) Average of the inflation-adjusted market-clearing prices calculated for TCCs with the POI and POW associated with the prior ETA in the one-year Sub-Auction rounds of each of the four previous Centralized TCC Auctions; and,
- (2) Sum of the inflation-adjusted Day-Ahead Market monthly congestion costs between the same POI and POW over the four most recently concluded Capability Periods, divided by two
- For LSEs that elect a 5-year fixed price option, the price is calculated in this same manner using refreshed values at the time of price recalculation

■ Renewal

- Prior to the anniversary date of the HFPTCC, the NYISO provides a renewal letter and supporting documentation necessary to renew the HFPTCCs for one year at a time
- Total duration of all renewals cannot exceed the maximum allowable term (10 or 12 years)
- Any MW quantity not renewed is no longer eligible for renewal in future years

Current Status

- 1,748 MW of HFPTCCs are currently active
- HFPTCCs which were initially offered in 2008 are now approaching the end of their 10-year term and will expire after October 31, 2018
 - 11 LSEs with a total of 143 MW
- HFPTCCs which were initially offered in 2009 will expire in 2019
 - 29 LSEs with a total of 233 MW
- The NYISO wishes to begin discussion of an extension product which would become available after the full term of a HFPTCC is completed
 - As part of developing the HFPTCC product, the NYISO had committed that it would explore whether such an option would be made available to eligible LSEs
 - To aid discussions, the NYISO has developed an initial straw proposal for consideration

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Straw Proposal: HFPTCC Extension Product

HFPTCC Extension Product

- Available to LSEs that were eligible to purchase HFPTCCs after their full available term (10 or 12 years) is completed
- MW quantity eligible for extension capped at the ETA MW, but not exceeding the MW of the historic load continuing to be served
- POI and POW remain the same
- Same certification requirements continue to apply (obligation to serve and need for transmission capacity)
- One year duration with annual renewals
- No limitation on maximum number of renewals (subject to ongoing ability to meet certification requirements)
- Purchase price based on capacity-weighted average of market-clearing prices from the rounds of the most recently completed one-year Sub-Auction
 - Negative purchase prices will be set to zero (consistent with current rules for HFPTCCs)
 - Pricing typically determined approximately seven months before the start date of the Capability Period in which the TCCs would take effect
 - No historical Day-Ahead Market congestion costs factored in the price
 - Consistent with HFPTCCs, eligible LSEs would not need to participate in TCC auctions to purchase the HFPTCC extension product

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HFPTCC Extension Product (continued)

- **Eligible LSEs would have approximately three to four months to make purchase decisions**
- **Payments**
 - An initial 25% payment due at the time of renewal - prior to the commencement of the upcoming Centralized TCC Auction
 - Remaining 75% payment due on the same date that the upcoming Centralized TCC Auction's payments are due
- **Each year would be a new decision for eligible LSEs (i.e., not renewing the full eligible amount or not renewing at all for a given year will not limit the right to renew the full eligible amount in future years, provided that certification requirements can be met)**
- **Any unused capacity will be sold in the upcoming Centralized TCC Auction**
- **TCC start date would be limited to the first day of the Capability Period following the completion of the full term (10 or 12 years) of the applicable HFPTCCs**
- **Revenues received from the sale of the HFPTCC extensions would be allocated to Transmission Owners and accounted for in TSC/NTAC calculations in the same manner as the existing HFPTCC sales revenue allocation procedures**

Next Steps

- Receive and consider Market Participant feedback
- Continue discussions at MIWG in May 2018
- June/July BIC and MC– Seek stakeholder approval for HFPTCC extension product

Questions/Feedback

- Email additional feedback to: deckels@nyiso.com

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- Maintaining and enhancing regional reliability
- Operating open, fair and competitive wholesale electricity markets
- Planning the power system for the future
- Providing factual information to policy makers, stakeholders and investors in the power system



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