

FERC Fee Recovery

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Background

- ◆ **In September 2015, FERC accepted changes to Rate Schedule 1 that require NYISO to collect the costs associated with FERC Fees as a separate billing line item with an effective date of January 1, 2016.**
- ◆ **Prior to this tariff amendment, FERC Fees were included as a line item in the NYISO Budget and recovered as part of the annual RS1 rate.**

FERC Fee Structure

- ◆ FERC follows the standard Federal Fiscal year – Beginning October 1st and Ending September 30th.
- ◆ The FERC Fee Invoice is not issued until approximately July 1st each year, and is payable on or about August 15th.

FERC Fees Annual Cycle



FERC Fee Recovery Process

- ◆ **Invoice Market Participants on a monthly basis – January to December**
 - *Estimated values until Invoice is received*
 - *2016 Estimate is \$11,700,000*
 - *True-ups required July – December*
 - *Apply to load, supply, and non-physicals using same allocation percentages as Rate Schedule 1 Budget recovery*

FERC Fee Recovery Process

- ◆ **Allocation Methodology (all percentages based on current OATT RS1)**
 - ***Physical Market (Injection/ Load) – 94% of cost***
 - **After application of 72/28 split**
 - Load ~67.7% of the total cost
 - Injections ~26.3% of the total cost
 - ***Non-Physicals – 6% of Cost***
 - **TCC ~65.3% of cost to Non-Physicals**
 - **Virtual Trading ~34.7% of cost to Non-Physicals**

Example

- ◆ **Estimated Fee for 2016 - \$11,700,00**
- ◆ **One Month Estimate = \$975,000**
 - ***Physical Market (Injection/ Load) – 94% of cost***
 - **Load ~67.7%= \$660,075**
 - **Injections ~26.3%= \$256,425**
 - ***Non-Physicals – 6% of Cost***
 - **TCC ~65.3% of Non-Physical = \$38,200**
 - **Virtual Trading ~34.7% of Non-Physical = \$20,300**

(all costs allocated by ratio share of the individual products)

Example (cont.)

- ◆ Estimated Fee for 2016 - \$11,700,00
- ◆ If Actual Fee = \$12,000,000 (True –up of \$50,000/ month added to allocation)
 - *Physical Market (Injection/ Load) – 94% of cost*
 - Load ~67.7%= \$660,075 + \$33,850 = \$693,925
 - Injections ~26.3%= \$256,425 + \$13,150 = \$269,575
 - *Non-Physicals – 6% of Cost*
 - TCC ~65.3% of Non-Physical = \$38,200+\$1,959 =\$40,159
 - Virtual Trading ~34.7% of Non-Physical = \$20,300 + \$1,041= \$21,341

Recovery Timeline

1st Year of Implementation Timeline

<p><u>Oct 1 – Dec 31, 2015:</u> <u>FERC Fee recovered</u> <u>via RS1</u></p>		<p>True-up July – December</p>		
		<p><u>Approx.</u> <u>Jul 1:</u> FERC Invoice Received</p>	<p><u>Approx. Aug</u> <u>15:</u> FERC Fee Due</p>	<p><u>Oct 1 – Dec</u> <u>31: FERC</u> <u>Year Begins</u> <u>New</u> <u>estimated</u> <u>Fee Recovery</u></p>
<p><u>Jan 1 – Dec 31, 2016: FERC Fee recovered via load ratio share</u></p>				

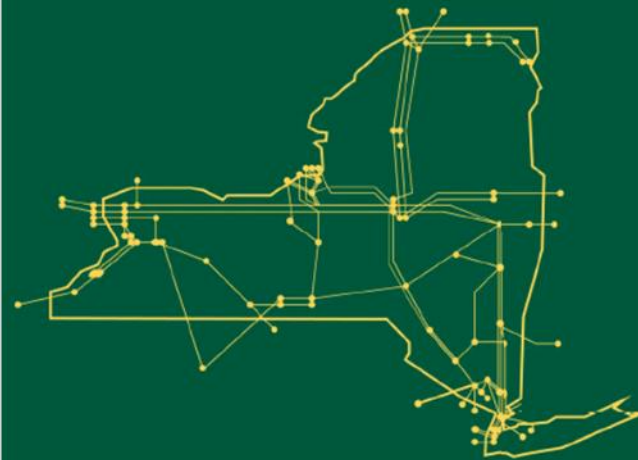
Subsequent Years Timeline

<p><u>Jan 1 to June 30 – Continue collecting based on estimated Fee</u></p>	<p>True-up July – December</p>		
	<p><u>Approx.</u> <u>Jul 1:</u> FERC Invoice Received</p>	<p><u>Approx. Aug</u> <u>15:</u> FERC Fee Due</p>	<p><u>Oct 1 – Dec</u> <u>31: FERC</u> <u>Year Begins</u> <u>New</u> <u>estimated</u> <u>Fee Recovery</u></p>
<p><u>Jan 1 – Dec 31, 2017: FERC Fee recovered via load ratio share</u></p>			

Two Step process

- ◆ **Beginning with the January 2016 Initial Billing Month, FERC Fees will be recovered from the Market through manual adjustments**
- ◆ **The Rate Schedule 1 Automation project (anticipated deployment – October 2016) will eliminate the need for these manual adjustments going forward, and replace both the Non-Physical RS1 recovery/ refund methodology and FERC Fee Recovery with an automated solution. A presentation outlining the details of this project will be made later in the year.**

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