

NERC ERO Funding

**Billing and Accounting
Working Group
December 4, 2006**

Background

- ♦ FERC issued order on 7/20/2006 certifying NERC as the Electric Reliability Organization (“ERO”) and concurred with NERC’s proposal to allocate its ERO costs based on “Net Energy for Load”.
- ♦ FERC’s 10/24/06 order conditionally approving NERC ERO budget allowed NERC the option to contract with RTOs/ISOs for collection purposes.
- ♦ On October 25th the NYISO Management Committee passed a motion recommending that NYISO implement a procedure to bill the ERO costs to New York loads and to consult with BAWG on the specific terms and conditions.
- ♦ On November 21st the NYISO BOD approved the MC motion.

NYISO Proposed Approach

- ♦ NERC ERO will issue NYISO a quarterly bill 45-60 days prior to due date.
 - *Bill will include both NERC and NPCC “CBRE” charges as approved by FERC*
- ♦ NYISO will bill internal loads based on the monthly load ratio share for the four-month settlement adjustment on the next invoice following receipt of the bill.
 - *Ensures that load allocation is based on the most accurate and appropriate data available*
 - *If NERC performed the billing, the allocations would be based on 2005 data*
- ♦ NERC ERO charges will not be subject to subsequent true-ups
 - *If NERC performed the billing, there would be no true-up.*
- ♦ NYISO will pay initial NERC ERO charges (due January 1) from operating funds and recover costs from loads once FERC approves Tariff language to expressly allow collection.

Additional Considerations

- ◆ Per the anticipated agreement with NERC, the NYISO will only remit to NERC the funds it collects.
 - *Subject to any necessary tariff amendment, the NYISO will notify NERC of individual non-paying LSEs and the amount of the non-payment*
 - *NERC may pursue collection procedures with such LSEs*
 - *No risk of bad debt loss for NYISO Market Participants; and no required changes to NYISO credit or bad debt policies*
- ◆ Per discussions with NERC on its procedures, any accumulated underpayment in any given year would be added to the subsequent year's budget allocation for the Regional Entity (NPCC).

Next Steps

- ◆ Review NYISO's proposed terms and conditions for NERC ERO funding with BAWG.
- ◆ Draft Tariff language to be distributed to MC members for comment in early December 2006.
- ◆ Tariff language to be filed with FERC in mid-December 2006.