

# Historic Fixed Price TCC Extensions

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# Agenda

- **Overview of additional, clarifying (generally minor and non-substantive), tariff changes related to Historic Fixed Price TCC (HFPTCC) extensions since the May 31, 2018 joint ICAPWG/MIWG meeting**
  - Open Access Transmission Tariff (OATT) Sections 1\*, 2\*, 14 (Att. H)\*, 19 (Att. M), and 20 (Att. N)\*
  - The Market Administration & Control Area Services Tariff (MST) Section 26.4 (Att. K) and OATT Section 1.19 remain unchanged from the May 31, 2018 joint ICAPWG/MIWG meeting
- **Implementation considerations**
- **Appendices:**
  - HFPTCC Background (presented at the May 9, 2018 joint ICAPWG/MIWG meeting)
  - HFPTCC Extension Proposal (presented at the May 31, 2018 joint ICAPWG/MIWG meeting)
  - Overview of Proposed Tariff Changes (presented at the May 31, 2018 joint ICAPWG/MIWG meeting)

\* Ministerial or minor wording changes only

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# Additional Tariff Changes

- **The following incremental revisions are proposed in OATT Section 19.2.1.4:**
  - Added a new provision that the number of HFPTCCs that a Load Serving Entity (LSE) may extend for a one-year extension period may be reduced to ensure feasibility with existing and valid TCCs (this same requirement applies to current HFPTCCs awarded under OATT Section 19.2.1)
    - This reduction process, if necessary, would be consistent with the reduction process for Existing Transmission Capacity for Native Load and Grandfathered TCCs subject to reduction (OATT Section 19.8.2)
  - Clarified that each set of an LSE's HFPTCCs shall be treated separately with regard to the eligibility to purchase extensions of those HFPTCCs, if:
    - an LSE was awarded sets of HFPTCCs associated with more than one expired/terminated ETA, or
    - an LSE was awarded two sets of HFPTCCs with different initial start dates that are related to the same expired/terminated ETA (as a result of OATT Section 19.2.1.1.1)
  - Clarified when the ISO shall offer qualifying LSEs the option to purchase a HFPTCC extension
  - Clarified the effective dates of awarded HFPTCC extensions

# Additional Tariff Changes (continued)

- The following incremental revisions are proposed in OATT Section 19.2.1.4 (continued):
  - The following concepts remain unchanged from the May 31, 2018 joint ICAPWG/MIWG meeting:
    - HFPTCC extensions would be available to LSEs that converted expired/terminated ETAs to HFPTCCs and continued to purchase HFPTCCs throughout the entire full term for which the LSE initially had the right to purchase and renew HFPTCCs (10 or 12 years)
    - As a limited exception to this general rule, LSEs that purchased HFPTCCs but elected to terminate their HFPTCCs prior to the completion of the entire full term would be eligible to purchase HFPTCC extensions if this termination occurred prior to a specific date
  - OATT Section 19.2.1.4 was updated to limit this exception to LSEs that terminated their HFPTCCs prior to June 1, 2018 rather than “the effective date of Section 19.2.1.4”
    - This exception is intended to apply to LSEs that made *historical* decisions to terminate their HFPTCCs early without the knowledge that this decision would impact their future eligibility to purchase HFPTCC extensions

# Additional Tariff Changes (continued)

- Updated the following OATT sections by adding the word “awarded” to the phrase “extensions of Historic Fixed Price TCCs awarded pursuant to Section 19.2.1.4”. This is the only additional update in the following sections (except where noted):
  - Section 2.2.2
  - Section 14.1.2.1.1
  - Section 14.2.2.2.1
  - Section 19.1
  - Sections 19.2.1 and 19.2.1.3\*\*
  - Section 19.7
  - Section 19.8.3
  - Section 20.1.1
  - Section 20.2.5
  - Section 20.3.7
  - Sections 20.4.1.1, 20.4.1.2, 20.4.2, 20.4.3 and 20.4.4

\*\* Also, corrected typographical errors – see next slide

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# Additional Tariff Changes (continued)

- Updated the following OATT sections by adding the word “Section” before OATT section number references. This is the only additional update in the following sections (except where noted):
  - Section 1.6\*\*\*
  - Sections 19.2.3 and 19.2.3.1
  - Section 19.8.2
  - Section 19.9.3
- Ministerial corrections proposed in the following OATT sections:
  - Section 1.6: corrected grammatical error
  - Section 19.2.1.3: corrected typographical errors
  - Section 19.2.1.4: corrected typographical errors and a punctuation mark
  - Section 19.2.2.1: corrected punctuation mark (note: this is the only update in this section)

\*\*\* Also, corrected a grammatical error

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# Implementation Considerations

- The tariff requires the NYISO to make all transmission capacity not used to support existing and valid TCCs available to support the sale of TCCs in each Centralized TCC Auction
- The bidding and offering period for the first round of the 2018 Autumn Centralized TCC Auction is expected to begin in mid-August 2018
- Assuming the current proposal is accepted by FERC subsequent to approval by stakeholders in June and the NYISO Board of Directors in July, the earliest the tariff language could become effective would be approximately mid-September to late-September
- The NYISO would need to seek a waiver from FERC for permission to reserve 256 MW of transmission capacity from the upcoming 2018 Autumn Centralized TCC Auction to support the potential award of HFPTCC extensions that would begin on November 1, 2018 and ensure feasibility issues do not arise from offering such extensions to qualifying LSEs

# Next Steps

- Receive and consider Market Participant feedback
- June BIC and Special MC– Seek stakeholder approval for HFPTCC extension product



# Questions/Feedback

- Email additional feedback to: [deckels@nyiso.com](mailto:deckels@nyiso.com)

# The Mission of the New York Independent System Operator, in collaboration with its stakeholders, is to serve the public interest and provide benefits to consumers by:

- 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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# Appendix A: HFPTCC Background

(presented at the May 9, 2018 joint  
ICAPWG/MIWG meeting)

# 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

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# Appendix B: HFPTCC Extension Proposal

(presented at the May 31, 2018 joint  
ICAPWG/MIWG meeting)

# HFPTCC Extensions

- Available to LSEs that converted expired/terminated ETAs to HFPTCCs and continued to purchase HFPTCCs throughout the entire full term for which the LSE initially had the right to purchase and renew HFPTCCs (10 or 12 years)
  - NYISO is proposing a limited exception to this general rule for LSEs that purchased HFPTCCs but previously elected to terminate their HFPTCCs early
- 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 extensions (renewals)

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# HFPTCC Extensions (continued)

- No limitation on maximum number of extensions (subject to ongoing ability to meet certification requirements)
- Each year would be a new decision for eligible LSEs (i.e., not purchasing a HFPTCC extension for the full eligible amount or not purchasing a HFPTCC extension at all for a given year will not limit the right to purchase a HFPTCC extension for the full eligible amount in future years, provided that certification requirements can be met)
- Eligible LSEs must notify the ISO of a decision to purchase or decline to purchase a HFPTCC extension for a given one-year period; otherwise, the LSE will become ineligible to purchase any future HFPTCC extensions
- Any unused transmission capacity will be made available for purchase in the upcoming Centralized TCC Auction

# HFPTCC Extensions (continued)

- **Purchase price based on capacity-weighted average of market-clearing prices from the most recently completed one-year Sub-Auction rounds of a Centralized TCC 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
- **Eligible LSEs would have approximately three to four months to make their purchase decision**

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# HFPTCC Extensions (continued)

- **Payments (consistent with current procedures for HFPTCC purchases)**
  - An initial 25% payment due at the time that the purchase election is due for the HFPTCC extension - 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
- **Start date of extension 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**

# Appendix C: Overview of Proposed Tariff Changes

(presented at the May 31, 2018 joint  
ICAPWG/MIWG meeting)

# Proposed Tariff Changes

- Updated the following section in Attachment K of the MST (Section 26) to clarify that the current credit requirements for HFPTCCs shall also apply to HFPTCC extensions:
  - Section 26.4.2.4.2 (holding requirement for Fixed Price TCCs)
- Proposed revisions are included in the following provisions of Section 19.2 of the OATT:
  - Section 19.2.1.1: added clarifying language to recognize HFPTCC extensions and address eligibility for extensions
  - Section 19.2.1.2: added language to clarify that pricing for HFPTCC extensions is determined pursuant to Section 19.2.1.4
  - Section 19.2.1.3: removed a redundant paragraph, clarified this section does not apply to HFPTCC extensions, and clarified that because non-timely payments for HFPTCCs results in permanent surrender, it consequently also eliminates eligibility to purchase HFPTCC extensions
  - Section 19.2.1.4: added a new section addressing the requirements for the HFPTCC extension product

# Proposed Tariff Changes (continued)

- Updated the following OATT sections to clarify that the described treatment of HFPTCCs shall also apply to HFPTCC extensions:

- 2.2.2 - Reservation Priority For Existing Firm Service
- 14.1.2.1.1 - Elements of SR Component
- 14.2.2.2.1 - NTAC Formula
- 19.1 - Overview of the Sales of TCCs
- 19.2.1 - Converting Transmission Capacity Associated with Expired, Terminated, or Expiring ETAs Into Historic Fixed Price TCCs
- 19.2.3 - Miscellaneous Provisions Affecting Historic and Non-Historic Fixed Price TCCs
- 19.2.3.1 - Responsibilities of LSEs that Obtain Fixed Price TCCs
- 19.7 - Primary Holders
- 19.8.2 - Description of the Reduction Process For Reducible ETCNL/GFTCCs
- 19.8.3 - Transmission Capacity Sold in Centralized Auctions for TCCs
- 19.9.3 - Additional Responsibilities of the ISO
- 20.1.1 - Overview
- 20.2.5 - Allocation of Net Congestion Rents to Transmission Owners
- 20.3.7 - Allocation of Net Auction Revenue to Transmission Owners
- 20.4.1.1 - Defined Terms
- 20.4.1.2 - Overview
- 20.4.2 - Calculation of Historic Fixed Price TCC Revenue Deemed to be Associated with a Round of a One-Year Sub-Auction
- 20.4.3 - Calculation of Historic Fixed Price TCC Facility Flow-Based Methodology Coefficient
- 20.4.4 - Allocation of Historic Fixed Price TCC Revenue Deemed to be Associated with a Round of a One-Year Sub-Auction

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# Proposed Tariff Changes (continued)

- **Proposed revisions to the following definitions in the OATT:**
  - Section 1.6 (Definition of “Fixed Price TCC”): clarified that the definitions of the terms “Fixed Price TCC” and “Historic Fixed Price TCC” also encompass HFPTCC extensions and removed an extraneous punctuation mark
  - Section 1.19 (Definition of “Sub-Auction”): replaced the incorrect reference to the term “Capability Period Auction” with “Centralized TCC Auction”
- **Ministerial corrections proposed in the following update in OATT sections:**
  - Section 19.2.2: corrected punctuation mark at the end of the section
  - Section 19.7: corrected punctuation mark in the first sentence of the second paragraph
  - Section 19.9.1: corrected typographical error, corrected punctuation mark, and removed extraneous spaces in the third paragraph