

Elimination of Transmission Capacity Assignment Provisions of NYISO OATT

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Background – OATT § 23

- Section 23 of the NYISO OATT, identical to § 23 of FERC’s *pro forma* OATT, governs assignment of point-to-point (PTP) transmission rights from one customer to another.
- The purpose of OATT § 23 is to allow a secondary market for physical PTP rights.
- Section 23 does not involve Transmission Congestion Contracts (“TCCs”). It states: “Nothing in this Section shall apply to the sale, resale or assignment of TCCs.”

Background – NYISO Transmission Rights

- The NYISO provides transmission service based on a “financial reservation” model.
- There are no express physical reservations of transmission service in the NYISO.
- Any customer in the NYISO may purchase firm PTP service as long as it is willing to pay associated congestion costs.
- Customers in the NYISO hedge against congestion through Transmission Congestion Contracts, not the acquisition of physical transmission rights.

Rationale for Proposed Tariff Change – Lack of Use

- Section 23 of the NYISO OATT is a vestige of FERC policies requiring an ISO's OATT to be patterned on the *pro forma* OATT.
- Since the financial reservation system in NY renders the assignment of transmission rights under § 23 of the NYISO OATT unused, the NYISO proposes to eliminate it.
- In Order No. 890 and in other orders (*e.g.*, on California ISO), FERC has signaled a new flexibility for tariffs of ISOs/RTOs using financial rights rather than physical rights. The Cal-ISO OATT, for instance, has no *pro forma* reassignment provision.

Rationale for Proposed Tariff Change – New OASIS Functionality

- If the NYISO does not eliminate its transmission assignment provisions, it will continue to be exposed to compliance obligations when FERC or NAESB revise the rules.
- For instance, in Order No. 890, FERC revised the rules for assignments of transmission rights.
 - Assignments of transmission rights must be effected by releasing rights back to the Transmission Provider, for reassignment to a third party customer. These provisions are currently in the NYISO's OATT.
 - The NYISO is required to report on capacity reassignments in its Electric Quarterly Reports.
- As well, in Order No. 676-C, FERC adopted new regulations, effective January 31, 2009, requiring all Transmission Providers to implement new NAESB OASIS standards.
 - The new NAESB standards require, *inter alia*, new OASIS functionality for transmission assignments.
- Eliminating Section 23 will make it easier for the NYISO to obtain the waiver needed to avoid burdensome and unnecessary compliance obligations otherwise imposed by the Order Nos. 890 and 676-C requirements.

Proposed Tariff Amendments

- The NYISO proposes to eliminate the substance of Section 23 and Attachment A-1 of the NYISO OATT.
- Section 23 and Attachment A-1 will remain in the NYISO OATT, but will be blank (to avoid having to renumber subsequent provisions).

Steps in the Process

- Present proposed changes to MIWG today.
- Present proposed changes to the Business Issues Committee for approval this month, the Management Committee in January and the NYISO Board in February.
- File proposed tariff changes at FERC.
- Seek waiver of NAESB OASIS standards on transmission assignments.