

# System Interconnection Cost Allocation

## Report to NY ISO Business Issues Committee April 24, 2001

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Chairman, TPAS & IITF



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## Interconnection Issues Task Force (IITF) Objectives

- Develop Allocation Method Between TO's and Developers for Interconnection Costs
- Recommend a Fair, Realistic, and Robust Procedure
  - Cost Attributed to those Causing/Benefiting from Them
  - Integrates Application Queue, Article X, Development
  - De-Emphasizes an Application Queue
  - Complements Current Processes
  - Can Be Administrated
  - Cost Certainty as Soon as Possible
- Consensus



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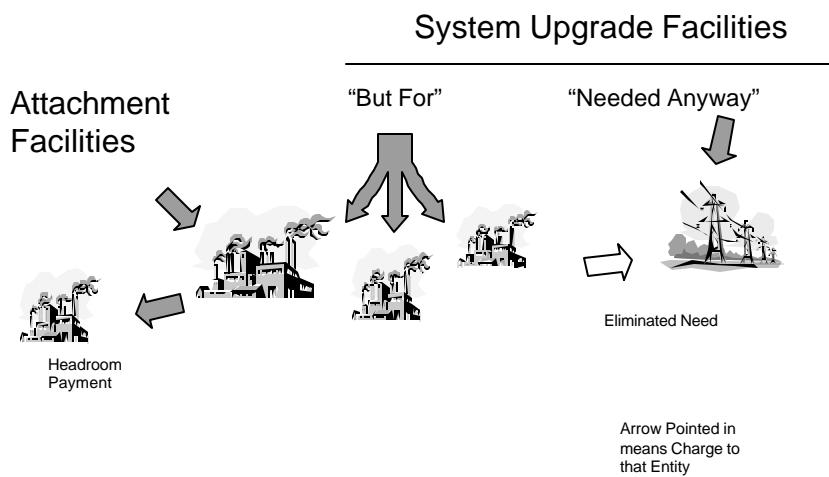
# What Costs ?

- Physical Unit Connection
- System Upgrades to Accommodate:
  - Load Growth & Load Pattern Changes
  - Reliability Requirements
  - New Generators
- NOT
  - Upgrades for Congestion Relief
  - Requirements for Capacity Delivery



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# Cost Allocation



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## The Essentials

### Study Trail

- Generator SRIS
  - Limited "Other Units"
  - Low Starting Hurdles
  - OC Approval
- TO's Annual Baseline Assessment
  - Tied to the RTO Process
- Annual Reliability Assessment
  - "Class Year" Approach
    - Approved SRIS
    - Complete Article X (or equiv)
  - One Time Through



### Money Trail

- Study Cost (Developers)
- Study Cost (TO's)
- "Needed Anyway" Costs (TO's)
- Study Cost
- "But For" Costs (Developers)
  - All with material effect pay
  - Proportional to Problem Contribution
  - Bonding System to Fix Cost and Commitment
  - Cost Offset for Reduced "Needed Anyway" (NO CONSENSUS)



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## SRIS Procedure Overview

- Projects Studied Individually
- Study Applicability Defined in Terms of Project Size
- NYISO Conducts Study in Cooperation With TO & Developer
- Reviewed by TPAS, Approved by OC
- Criteria and Procedures Approved by OC in July 2000



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## TO “Needed Anyway” Study

(Annual Transmission Baseline Assessment)

- Needs for Reliability, Load Growth, & Pattern Changes
- RTO Study and Approval Process
- Only Includes Units from Previous Year Reliability Study
- Consistent With RTO Transmission Planning Process



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## “Class Year” Study

(Annual Transmission Reliability Assessment)

- Transmission Needs with All Units in Place
- Same Study Process and Minimum Interconnection Process as SRIS, Different Starting Assumptions
- “All Units” are:
  - Approved SRIS & Complete Article X (or equivalent) by March 1 (May 1 in 2001)
  - Units from Previous Class Years
- October Study Completion
- Total Cost and Allocated Share Calculated
- Consistent With RTO Transmission Planning Process



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## Developer Cost & Commitment Process

- Total & Allocated Cost Estimate Given
  - Minimum Effect Threshold
  - Cost Share in Proportion to % of Problem Cost Created
- 45 Days to Stay in by Posting Bond
- Final Cost and Bond Adjustment 30 days Later
- Decliners Wait until Next Year or Article X Certificate
- Accepters
  - Cost Capped
  - Estimate Overruns Paid without Interest Over 10 years
  - No Refund if Project is Canceled
  - Offset if “Needed Anyways” are Reduced (NO CONSENSUS)
  - 10 year Depreciated Cost Reimbursement for Headroom Created



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## What Next ?

- Further Discussion, Vote May 24 BIC Meeting
- Management Committee and NYISO Board Approval
- FERC Filing
- IITF in Hibernation for Dissolution when FERC Approved



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