

Elimination of Pancaking Charges on Exports from the NYCA

Prepared By
John P. Buechler

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Albany

Progress with New England

- Agreement in principle achieved on April 22nd between NYISO, ISO-NE, NY and NE state regulators to an elimination of export fees between the regions
- Joint letter has been sent to FERC confirming this agreement (See Attachment):
 - *Goal to eliminate export fees on, or before, December 22nd*
 - *Participants have agreed to work together to achieve this goal as soon as possible*
 - *State commissions have agreed to ensure recovery of lost revenues to TOs*

MP Questions Raised at BIC

- **New England Issues**
 - *Timing of ISO-NE filing*
 - *NE TOs meeting with state regulators*
 - *Tax-exempt issue*
- **Estimated Impact on TSC rates**
 - *Wholesale TSC*
 - *Retail rates*
- **Benefits to NY/NE**
- **B&A implications—if any**
- **NYISO Tariff language**

New England Issues

- **Compliance filing due June 22nd**
 - *Must include a proposal for the elimination of export fees between NY and NE by December 22nd*
- **NECPUC in process of setting up a meeting with TOs**
 - *Revenue recovery*
 - *Tax-exempt concerns*
- **NYISO is coordinating its filing with ISO-NE**
 - *Filings do not have to be coincident*
 - *Effective date must be the same for both NY and NE (Reciprocity Issue)*

Impact on TSC Rates

- **New England export fees impact TSCs for:**
 - *Central Hudson; Con Ed; LIPA, NYPA, NiMo*
 - *NYSEG; O&R; RGE not impacted*
- **Aggregate rate impact is approximately 1.5% (\$10M)**
- **Individual TSC impact varies between 0.6%-2.3%**
- **NYISO wholesale TSC will adjust on a monthly basis**
- **Retail adjustments vary in accordance with individual TO rate agreements**
- **Municipal load is approximately 3% of total NYCA load**
 - *Munis will see no impact on delivery rates under grandfathered wheeling agreements*

NERTO Cost/Benefit Study

- Base Case indicated a higher level of benefits for NY as compared with NE

- “Hi Gas” case is representative of today’s gas prices

- NY Savings for eliminating pancaking fees w/NE:
 - *2005*
 - ▶ Base Case: \$166 Million
 - ▶ Hi Gas Case: \$ 93 Million

 - *2010*
 - ▶ Base Case: \$ 94 Million
 - ▶ Hi Gas Case: \$ 16 Million

Billing & Accounting Implications

➤ TSC elimination on NE border

- *NYISO still needs to track transactions to New England for billing ancillary services*
- *NYISO reports transaction data to TOs*
- *TOs will not bill TSC for exports to New England*
- *No NYISO BAS modifications needed*

➤ NTAC

- *NYISO tracks transactions to New England*
- *NYISO will zero out NTAC charge for transactions to New England but retain NTAC for other exports*
- *BAS Code modifications will likely be required*
- *This is currently under review by NYISO*

NYISO Tariff Modifications

- **Will be consistent with NYISO/NYTO Principles issued in June 2003 (See Appendix)**
 - *Immediate elimination*
 - *Subject to reciprocity*
 - *No phase-out period*
 - *No transition charge*
 - *No benefit sharing*
- **Will be effective coincident with the date that ISO-NE eliminates export fees to NY**
- **TSC and NTAC eliminated for transactions to New England**
 - *Other export charges will continue to apply*

NYISO Tariff Modifications (Cont'd)

- Recognition of TOs rights to recover their revenue requirements
- Explicit language for ensuring retention of current tax-exempt provisions in NYISO OATT, if needed
- **Applicable sections of NYISO OATT:**
 - *Section 7.B.1: TSC*
 - *Section 7.B.4: NTAC*
 - *Attachment H*

Proposed Schedule for NYISO Tariff Filing

- NYISO is in the process of developing tariff modifications for filing with FERC
- Discuss at MC on May 5th
- Seek MC approval on/or before June 4th
- Seek Board approval on/or before June 15th
- File by end of June
- Coordinate with ISO-NE Compliance Filing
 - *Due June 22nd*

APPENDIX

-NYISO/NYTO Principles

-Historic Export Charges

NYISO/NYTOs' "Principles": June 2003

Key Elements

- **Current export fees (TSC & NTAC) will be eliminated from the NYISO OATT immediately, subject to reciprocity**
- **No transition adjustment mechanism providing payments to NY TOs from importing regions will be required, subject to reciprocity.**
- **While a single mechanism for all neighboring control areas is preferable, there may be different agreements on each border**

Key Elements (Cont'd)

- The existing NYISO export charge rates will continue to apply absent a reciprocity agreement with any control area
- NYPSC will allow recovery of these export fees through retail rates
 - *Any savings realized by a TO from the elimination of export charges imposed by neighboring control areas will flow through to consumers in accordance with existing rate plans*
- The NYISO wholesale TSC will account for the elimination of these export fees
- This proposal does not contemplate a benefit sharing mechanism with other jurisdictions

Historical Export Charges*

➤ Total NYISO Export Charges

- *3-Year Average: \$ 25.7 million (2000-2002)*
- *2-Year Average: \$ 26.6 million (2001-2002)*

➤ NYISO/New England Export Charges (2-Year Avg)

- *NYISO to ISO-NE: \$ 10.0 million*
- *ISO-NE to NYISO: \$ 11.9 million*

* *NOTE: Figures based on NYISO data*