

Elimination of Pancaking Charges on Exports from the NYCA

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NYISO Management Committee Meeting May 5, 2004 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

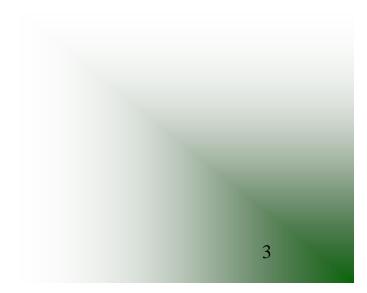
MP Questions Raised at BIC

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