

## ISSUES DISCOVERED AND CORRECTED FOR TCC AUCTIONS DURING THE HISTORIC PERIOD OF THE TCC SETTLEMENT

### I. BACKGROUND

In the course of implementing the July 13, 2004, Settlement Agreement regarding the oversale of 912 MW of capacity in prior TCC auctions (“Settlement”), the NYISO determined it was also necessary to incorporate certain other corrections in TCC settlements for the affected periods. These corrections were made within the TCC Settlement process in order to avoid incorrectly calculating and allocating Settlement amounts.

The corrections can be divided into two categories: revenue allocation corrections (“Group One”) and auction modeling corrections (“Group Two”). Group One corrections are corrections in formulas or calculations that impact the distribution of TCC auction revenues and Day-Ahead Market (“DAM”) congestion balancing payments to Transmission Owners (“TOs”). Group Two corrections are data corrections made in response to data validation efforts undertaken during the Settlement calculation period that relate to the amount of capacity that should have been available for sale in each auction, which in turn impacted the auction revenues received by TOs and the DAM congestion balancing payments paid/received by TOs.<sup>1</sup> Both Group One and Group Two corrections were made for each capability period auction in performing the Settlement calculations for the fall 2002 auction through the fall 2003 auction.<sup>2</sup>

### II. SUMMARY OF CORRECTIONS

Corrections made in calculations undertaken as part of the Settlement are briefly summarized below for the fall 2002 through fall 2003 capability period TCC auctions. A fuller description of the corrections appears in the appendices.

#### A. FALL 2002 CAPABILITY PERIOD AUCTION

**1. *Group One Corrections.*** The NYISO corrected the original calculation of ETCNL auction revenue in each round for an error in the calculation of the

---

<sup>1</sup> The data validation efforts included the NYISO’s own review, and the review of its independent contractor, of the NYISO databases to correct for inconsistencies and the review by Transmission Owners and other TCC Holders for inconsistencies between their records and NYISO databases.

<sup>2</sup> The NYISO distributed the description of the methodology applied for the summer 2004 capability period to market participants at an August 4, 2004, meeting of the Scheduling and Pricing Working Group. It included an explanation of the additional corrections included in the Settlement calculations for that period.

amount of feasible ETCNL in each round (“the ETCNL formula error”). The fall 2002 and spring 2003 auctions were corrected for excess reductions in the amount of ETCNL in each auction. A description of this correction is provided in Appendix A. Correcting for this error shifts auction revenue originally allocated as residual auction revenue among the TOs based on the interface MW mile formula to individual TOs as ETCNL revenue.

In addition, corrections were made for minor errors in ETCNL source and sink representations in six-month and one-year rounds and for three minor errors in the calculation of ETCNL values in the original settlements. These are explained in greater detail in Appendix A.

**2. *Group Two Corrections.*** In addition to correcting for the 912 MW database error, the NYISO corrected for an inadvertent omission of 132 MW of grandfathered rights from Poletti to Zone J. Other corrections are described in Appendix A.

## **B. SPRING 2003 CAPABILITY PERIOD AUCTION**

**1. *Group One Corrections.*** The NYISO corrected the ETCNL formula error and other minor source and sink representations. The NYISO also made other corrections in the specification of ETCNL sources and sinks and in the calculations of ETCNL values in the original settlements. These corrections are described in greater detail in Appendix B.

**2. *Group Two Corrections.*** In addition to correcting the 912 MW database error, other corrections, as described in Appendix B, were necessary.

## **C. FALL 2003 CAPABILITY PERIOD AUCTION**

**1. *Group One Corrections.*** The ETCNL formula error was not present in this auction, as the values input in the database were consistent with the formula in the database. However, the settlement of the original residual TCCs and ETCNL for this auction assumed that 5% of the transfer capability of the transmission system was made available for sale in each annual round, and thus 5% of the original residual TCCs and ETCNL was valued in each round. In fact, the scaling methodology was incorrectly applied in the annual rounds of the capability period auction, causing only 1.54% of the transfer capability to be made available for sale in these rounds,<sup>3</sup> while 5% of the original residual TCCs and ETCNL was valued. As a result of this mismatch, ETCNL value greatly exceeded auction revenues in the original settlements for these rounds and payments for ETCNL were prorated. This error was corrected by restating the proportion of ETCNL valued in each round to be consistent with the proportion of the system transfer capability actually made available to support the sale of TCCs in each round.

---

<sup>3</sup> With correspondingly more capacity being made available for auction in the six-month rounds.

The NYISO also corrected other ETCNL source and sink identifications and made minor corrections in the calculation of ETCNL values, as described in Appendix C.

**2. *Group Two Corrections.*** In addition to correcting for the 912 MW database error, other Group Two corrections were made, as described in Appendix C.

## **APPENDICES**

## **APPENDIX A: FALL 2002**

### **GROUP ONE CORRECTIONS**

- The NYISO corrected the ETCNL formula error as follows: The original calculation of ETCNL auction revenues in each round contained an error in the calculation of feasible ETCNL to be sold. The error can be reviewed in the revenue allocation templates circulated to TOs.<sup>1</sup> Feasible ETCNL should be determined by multiplying the feasible ETCNL by the percentage of capacity available in the auction (see column (AC) in the revenue allocation templates) and the percentage available in the round (see column (AD) in the revenue allocation templates). In some rounds, the number appearing in column AD was already the product of the percentage of capacity available in the auction and the percentage available in the round. When available ETCNL was multiplied by the percentages in both columns it was reduced inappropriately.
- The NYISO corrected the representation of the NYSEG ETCNL originally described as 61752-61754 to 24039-61754 in all rounds. In addition, the sources and sinks for a number of ETCNL were not correctly input into the worksheets for the six month rounds. The NYISO also corrected the specification of the grandfathered TCC sources and sinks for an adjustment AES made pursuant to an existing agreement.<sup>2</sup>
- The NYISO revised the calculation of ETCNL values<sup>3</sup> in the original settlement worksheets to correct the following: (i) the ETCNL values were not taken from the column<sup>4</sup> in which negative ETCNL values were set to zero, but were instead taken from the column<sup>5</sup> used for application of the Interface Allocation methodology; (ii) the value of the AES TCC adjustment was not properly deducted from the value of NIMO ETCNL based upon AES' redirection of capacity, as contemplated by an existing transmission agreement;<sup>6</sup> and (iii) the values of original residual TCCs were incorrectly set to zero<sup>7</sup> in some rounds in which original residual TCCs had positive values.

---

<sup>1</sup> Column (I) of the revenue allocation templates circulated to TOs multiplied the prorated ETCNL from columns AA and AB by the fractions in both Columns (AC) and (AD) rather than just times the fraction in Column (AD).

<sup>2</sup> The adjustment originally included three source sink pairs: 100 MW, 61845-61754; 98 MW, 61757-61754; and 100 MW, 61758-61754. The NYISO has determined that there should be a single 298 MW adjustment of 61757-61758.

<sup>3</sup> See column (Q) at the bottom of the revenue allocation templates circulated to TOs.

<sup>4</sup> See column (X) of the revenue allocation templates circulated to TOs.

<sup>5</sup> See column (Y) of the revenue allocation templates circulated to TOs.

<sup>6</sup> See, for example, cells X478, Y478 and Q545 in Round 1 of the original revenue allocation templates.

<sup>7</sup> See column O at the bottom of the revenue allocation templates circulated to TOs.

## GROUP TWO CORRECTIONS

- The NYISO corrected for six database inconsistencies discovered in an internal audit: an inadvertent omission of 132 MW of grandfathered rights from Poletti to Zone J ; the inadvertent omission from the auction database of a 25 MW Gilboa to Hudson Valley (23756 to 61758) grandfathered right; the inadvertent inclusion in the auction model of an extra 22 MW Niagara to North (23760 to 61755) grandfathered right; the inadvertent inclusion in the auction model of an extra 9 MW Fitzpatrick to West (23598 to 61752) grandfathered right; the inadvertent inclusion in the auction model of an extra 1 MW of KIAC JFK Airport to NYC (23541 to 61761) grandfathered right (this right was represented in the auction database as 105 MW instead of 104 MW); and the inadvertent understatement in the auction model of a PJM to Mohawk Valley (61847 to 61756) grandfathered right as 7 MW instead of 12 MW.
- The NYISO corrected two database inconsistencies first reported by Transmission Owners in the self-validation process undertaken as part of the process for performing the Settlement calculations: (i) a 270 MW grandfathered right from Selkirk to Pleasant Valley (23799 to 24000) was wrongly modeled in the auction as 265 MW; and (ii) a 103 MW grandfathered right that should have been represented as from Ginna to Gilboa (23603 to 23756) was represented as a Ginna to Capital right (23603 to 61757).
- The NYISO corrected database inconsistencies in the representation of the following grandfathered rights (listed in Attachment L as part of contracts 110 and 113) in the Settlement calculations: (i) the Niagara to PJM (23760 to 61847) grandfathered right, which was included in the auction model as 64 MW should have been 48 MW; (ii) the St. Lawrence to PJM grandfathered right (23600 to 61847) should have been reduced by 1 MW; and (iii) the St. Lawrence to West (23600 to 61752) grandfathered right should have been reduced by 17 MW.<sup>8</sup>

---

<sup>8</sup> The NYISO will be discussing this set of corrections with the relevant Transmission Owner and will announce changes subsequently found to be necessary (if any).

## **APPENDIX B: SPRING 2003**

### **GROUP ONE CORRECTIONS**

- The NYISO corrected the ETCNL formula error as described in Appendix A.
- The NYISO corrected the representation of the NYSEG ETCNL 61752-61754 as 24039-61754 in all rounds. The NYISO also corrected the specification of the grandfathered TCC source and sink for the AES adjustment, as described in Appendix A.
- The NYISO revised the calculation of ETCNL values<sup>1</sup> in the original settlement worksheets to correct the following: (i) the ETCNL values were not taken from the column<sup>2</sup> in which negative ETCNL values were set to zero, but were instead taken from the column<sup>3</sup> used for application of the Interface Allocation methodology; (ii) the value of the AES TCC adjustment was not properly deducted from the value of NIMO ETCNL based upon AES' redirection of capacity, as contemplated by an existing transmission agreement.<sup>4</sup>

### **GROUP TWO CORRECTIONS**

- The NYISO corrected the understatement in the auction model, discovered in an internal audit, of a PJM to Mohawk Valley (61847 to 61756) grandfathered right as 1 MW instead of 2 MW.
- The NYISO corrected two database inconsistencies first reported by Transmission Owners in the self-validation process: (i) a 270 MW grandfathered right from Selkirk to Pleasant Valley (23799 to 24000) was wrongly modeled in the auction as 265 MW; and (ii) a 94 MW grandfathered right that should have been represented as from Ginna to Gilboa (23603 to 23756) was represented as a Ginna to Capital right (23603 to 61757).
- The NYISO corrected for database inconsistencies in the representation of the following grandfathered rights (listed in Attachment L as part of contracts 110 and 113) in the Settlement calculations: (i) the Niagara to PJM (23760 to 61847) grandfathered right, which was included in the auction model as 64 MW should have been 48 MW; (ii) the St. Lawrence to PJM grandfathered right (23600 to 61847)

---

<sup>1</sup> See column (Q) of the revenue allocation templates circulated to TOs.

<sup>2</sup> See column (X) of the revenue allocation templates circulated to TOs.

<sup>3</sup> See column (Y) of the revenue allocation templates circulated to TOs.

<sup>4</sup> See, for example, cells X478, Y478 and Q545 in Round 1 of the revenue allocation templates.

should have been reduced by 1 MW; and (iii) the St. Lawrence to West (23600 to 61752) grandfathered right should have been reduced by 17 MW.<sup>5</sup>

---

<sup>5</sup> The NYISO will be discussing this set of corrections with the relevant Transmission Owner and will announce changes subsequently found to be necessary (if any).



## **APPENDIX C: FALL 2003**

### **GROUP ONE CORRECTIONS**

- The NYISO corrected the original auction revenue proration calculations for the fall 2003 auction because NYSEG's Homer City – Central ETCNL had not been properly pro rated. The NYISO corrected the representation of the NYSEG ETCNL 61752-61754 in the original settlement calculations as 24039-61754 in all rounds. The NYISO also corrected the specification of the source and sink for the AES ETCNL adjustment, and corrected the representation of a Con Edison ETCNL from 23595-61761 in the original settlement calculations to 23595-99956 in all rounds.
- ETCNL values<sup>1</sup> were incorrectly calculated in the original settlement: (i) the ETCNL values were not taken from the column<sup>2</sup> in which negative ETCNL values were set to zero, but were instead taken from the column<sup>3</sup> used for application of the Interface Allocation methodology; (ii) the value of the AES TCC adjustment was not properly deducted from the value of NIMO's ETCNL based upon AES' redirection of capacity, as contemplated by an existing transmission agreement.<sup>4</sup>
- The settlement of the original residual TCCs and ETCNL for this auction assumed that 5% of the transfer capability of the transmission system was made available for sale in each annual round, and thus 5% of the original residual TCCs and ETCNL was valued in each round. In fact, the scaling methodology was incorrectly applied in the annual rounds of the capability period auction, causing only 1.54% of the transfer capability to be made available for sale in these rounds,<sup>5</sup> while 5% of the original residual TCCs and ETCNL was valued. As a result of this mismatch, ETCNL value greatly exceeded auction revenues in the original settlements for these rounds and payments for ETCNL were prorated. This error was corrected by restating the proportion of ETCNL valued in each round to be consistent with the proportion of the system transfer capability actually made available to support the sale of TCCs in each round.

### **GROUP TWO CORRECTIONS**

- The NYISO corrected for two database inconsistencies first reported to it by the Transmission Owners in the self-validation process: (i) a 270 MW grandfathered right from Selkirk to Pleasant Valley (23799 to 24000) was wrongly modeled in the auction as 265 MW; and (ii) a 94 MW grandfathered right that should have been

---

<sup>1</sup> See column (Q) of the revenue allocation templates circulated to TOs.

<sup>2</sup> See column (X) of the revenue allocation templates circulated to TOs.

<sup>3</sup> See column (Y) of the revenue allocation templates circulated to TOs.

<sup>4</sup> See, for example, cells X478, Y478 and Q545 in Round 1 of the revenue allocation templates.

<sup>5</sup> With correspondingly more capacity being made available for auction in the six-month rounds.

represented as from Ginna to Gilboa (23603 to 23756) was represented as a Ginna to Capital right (23603 to 61757).

- The NYISO corrected a Fitzpatrick to Central right (23598 to 61754) which was erroneously represented in the auction model as 3 MW instead of 2 MW.