

Clarification of Allocation When an Outage is Caused by Non-Ownning TO

Prepared for:

Management Committee

Agenda #07

June 18, 2003

Allocation when maintenance outage is caused by non-owning TO -- Clarification

Following the Management Committee (“MC”) vote on May 14, 2003 to approve the Settlement Process for TCCs, NYPA submitted a “Notice of Appeal and Request for Clarification.”

- Under the approach approved by the MC, Settlement Process for TCCs, decreases in congestion rent and auction revenue collections will be attributed to transmission facility outages modeled in the DAM, TCC reconfiguration auctions, or TCC capability period auctions.
- NYPA questions whether the charges for these decreases should be allocated to the TO requesting the transmission outage (e.g., the owner of a circuit breaker), or to the owner of the outaged transmission facility itself.

Allocation when maintenance outage is caused by non-owning TO -- Clarification

After further consideration, the NYISO believes that, in all cases, Settlement Process for TCCs, decreases in congestion rent and auction revenue collections should be allocated to the TO requesting the outage (*e.g.* the owner of the facility causing the transmission outage).

- Follows principles of cost causation.
- Provides correct incentives:
 - TOs will have efficient incentives to invest in replacement parts, sub-station upgrades, etc., to appropriately reduce the congestion shortfall cost of outages.
 - Each facility owner will be in control of its own fate. One TO won't be charged a shortfall cost because a different TO failed to stock replacement parts.
- Approach can be applied in all instances in which related facilities are owned by different TOs; there is no need for situation-specific rules.

Allocation when maintenance outage is caused by non-owning TO -- Clarification

As a practical matter, this issue may be less significant than originally thought.

- A review of circuit breaker diagrams found only a small number of instances in which lines are connected with only one circuit breaker.
- In other cases portions of substations might need to be de-energized for only a short amount of time in the event of a breaker outage, e.g., to isolate facilities for repairs.
- The TOs must determine where this issue exists.

Allocation when maintenance outage is caused by non-owning TO -- Clarification

TOs with transmission facilities, such as circuit breakers, connected to lines owned by other TOs will have time to take action to manage their risk prior to the implementation of the Make Whole Approach.

- Bilateral contracts
- Asset sales (circuit breakers)
- Facility upgrades (extra circuits)
- Spare parts, etc.