

DRAFT OF JANUARY 25, 2007
FOR DISCUSSION PURPOSES ONLY

Proposed Revised Attachment N

New York Independent System Operator, Inc.
FERC Electric Tariff
Original Volume No. 1
Attachment N

Second Revised Sheet No. 625K
Superseding First Revised Sheet No. 625K

equal to the product of (i) NCR_m , and (ii) the allocation factor for Transmission Owner t for month m , as calculated pursuant to Formula N-15.

Formula N-15

$$\text{AllocationFactor}_{t,m} = \frac{(\text{Original Residual}_{t,m} + \text{ETCNL}_{t,m} + \text{NARs}_{t,m} + \text{GFR\&GFTCC}_{t,m})}{\sum_{q \in T} (\text{Original Residual}_{q,m} + \text{ETCNL}_{q,m} + \text{NARs}_{q,m} + \text{GFR\&GFTCC}_{q,m})}$$

Where,

Allocation Factor $_{t,m}$ = The allocation factor used by the ISO to allocate a share of the Net Congestion Rents to Transmission Owner t for month m

Original Residual $_{q,m}$ = The one-month portion of the revenue imputed to the Direct Sale or the sale (other than through conversion into TCCs of AAR created from Original Residual TCCs) in any Centralized TCC Auction sub-auction of Original Residual TCCs that are valid in month m or the sale of Original Residual TCCs through the conversion of AARs created therefrom into TCCs that are valid in month m . The one-month portion of the revenue imputed to the Direct Sale of these Original Residual TCCs shall be the market clearing price of the TCCs in the Reconfiguration Auction held for month m (or one-sixth of the average market clearing price in the stage 1 rounds of the 6-month sub-auction of the last Centralized TCC Auction if no Reconfiguration Auction was held for month m). The one-month portion of the revenue imputed to the sale in any Centralized TCC Auction sub-auction of these Original Residual TCCs shall be calculated by dividing the revenue received from the sale of these Original Residual TCCs (other than through conversion into TCCs of AAR created from Original Residual TCCs) in the Centralized TCC Auction sub-auction by the duration in months of the TCCs sold in that Centralized TCC Auction sub-auction. The one-month portion of the revenue imputed to the sale of Original Residual TCCs through the conversion of AARs created therefrom into TCCs that are valid in month m shall be calculated by dividing the revenue received from the sale of these Original Residual TCC by the duration in months of the TCCs created from the Original Residual TCCs.

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$ETCNL_{q,m}$ = The sum of the one-month portion of the revenue the Transmission Owner has received as payment for the Direct Sale of ETCNL or for its ETCNL released in the Centralized TCC Auction sub-auction held for TCCs valid for month m or for its ETCNL used to allocate AARs that are converted into TCCs. Each one-month portion of the revenue for ETCNL released in such Centralized TCC Auction shall be calculated by dividing the revenue received in a Centralized TCC Auction sub-auction from the sale of the ETCNL by the duration in months of the TCCs corresponding to the ETCNL sold in the Centralized TCC Auction sub-auction.¹ The one-month portion of the revenue imputed to the Direct Sale of ETCNL shall be the value of the TCCs corresponding to that ETCNL in the Reconfiguration Auction held for month m (or one-sixth of the average market clearing price of such TCCs in stage 1 rounds of the 6-month sub-auction of the last Centralized TCC Auction if no Reconfiguration Auction was held for month m).
The one-month portion of the revenue for ETCNL used to create AARs converted into TCCs in such Centralized TCC Auction shall be calculated by dividing the revenue received in a Centralized TCC Auction from the conversion of the ETCNL AARs by the duration in months of the TCCs corresponding to the ETCNL converted into TCCs in the Centralized TCC Auction.

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2 A TCC corresponds to ETCNL if it has the same POI and POW as the ETCNL.

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$NAR_{s,q,m}$ = The one-month portion of the Net Auction Revenues the Transmission Owner has received in Centralized TCC Auction sub-auctions (including from AARs converted to TCCs) and Reconfiguration Auctions held for TCCs valid for month m (which shall not include any revenue from the sale of Original Residual TCCs). The one-month portion of the revenues shall be calculated by summing (i) the revenue Transmission Owner q received in each Centralized TCC Auction sub-auction or Reconfiguration Auction from the allocation of Net Auction Revenue pursuant to Section 3.7, divided by the duration in months of the TCCs sold in the Centralized TCC Auction sub-auction or Reconfiguration Auction (or, to the extent TCC auction revenues were allocated pursuant to a different methodology, the amount of such revenues allocated to Transmission Owner q), minus (ii) the sum of $NetAuctionAllocations_{t,n}$ as calculated pursuant to Formula N-27 (as adjusted for any charges or payments that are zeroed out) for Transmission Owner q for all 6-month sub-auction stage 1 rounds n of all Centralized TCC Auctions held for TCCs valid in month m , divided in each case by the duration in months of the TCCs sold in each Centralized TCC Auction sub-auction (or, to the extent that the revenue impact of transmission facility outages, returns-to-service, upratings, and deratings were settled pursuant to a different methodology, the net of such revenue impacts for Transmission Owner q), minus (iii) $NetAuctionAllocations_{t,n}$ as calculated pursuant to Formula N-27 and as adjusted for any charges or payments that are zeroed out for Transmission Owner q for the Reconfiguration Auction n held for month m (or, to the extent that the revenue impact of transmission facility outages, returns-to-service, upratings, and deratings were settled pursuant to a different methodology, the net of such revenue impacts for Transmission Owner q)

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Superseding First Revised Sheet No. 625N

- Net Auction Revenue_n = Net Auction Revenue for the round n of a Centralized TCC Auction or for Reconfiguration Auction n , as the case may be
- TCC Auction Revenue_n = The sum of (i) the gross amount of revenue that the ISO collects from the award of TCCs to purchasers in round n or in Reconfiguration Auction n , which results from the charges and payments allocated pursuant to Section 3.2-and (ii) the gross amount, per round, of revenue that the ISO collects from the purchase of TCCs that are created through the conversion of AARs into TCCs pursuant to Attachment M, which for a Reconfiguration Auction n shall be 0 and for a Centralized TCC Auction round n shall be equal to the gross amount of such revenue divided by the number of rounds for the Centralized TCC Auction
- ETCNL_n = Either (i) if round n is a stage 1 round of a Centralized TCC Auction, the total of all payments that the ISO makes to Transmission Owners releasing ETCNL into the round pursuant to Section 3.3; (ii) if round n is a stage 2 round of a Centralized TCC Auction, 0; or (iii) for Reconfiguration Auction n , 0
- Primary Holder TCCs Sold_n = The net of the total payments and charges the ISO allocates to Primary Holders selling TCCs in round n or in Reconfiguration Auction n pursuant to Section 3.4
- Original Residual TCCs_n = Either (i) if round n is a stage 1 round of a Centralized TCC Auction, the total payments the ISO makes in round n pursuant to Section 3.5 to Transmission Owners that release into round n Original Residual TCCs; (ii) if round n is a stage 2 round of a Centralized TCC Auction, 0; or (iii) for Reconfiguration Auction n , 0

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O/R-t-S&U/D
ARSC&ARSP_n = Either (i) if round n is a stage 1 round of a Centralized TCC Auction in which 6-month TCCs are sold, the sum of the total O/R-t-S Auction Revenue Shortfall Charges, U/D Auction Revenue Shortfall Charges, O/R-t-S Auction Revenue Surplus Payments, and U/D Auction Revenue Surplus Payments (calculated as $\text{NetAuctionAllocations}_{t,n}$ pursuant to Formula N-27) for all Transmission Owners t , reduced by any zeroing out of such charges or payments pursuant to Section 3.6.5; (ii) if round n is a stage 2 round of a Centralized TCC Auction or a stage 1 round of a Centralized TCC Auction sub-auction in which TCCs with durations longer than 6 months are sold, 0; or (iii) for Reconfiguration Auction n , the sum of the total O/R-t-S Auction Revenue Shortfall Charges ($\text{O/R-t-S ARSC}_{a,t,n}$), U/D Auction Revenue Shortfall Charges ($\text{U/D ARSC}_{a,t,n}$), O/R-t-S Auction Revenue Surplus Payments ($\text{O/R-t-S ARSP}_{a,t,n}$), and U/D Auction Revenue Surplus Payments ($\text{U/D ARSP}_{a,t,n}$) for all Transmission Owners t (which sum is calculated for each Transmission Owner as $\text{NetAuctionAllocations}_{t,n}$ pursuant to Formula N-27), reduced by any zeroing out of such charges or payments pursuant to Section 3.6.5

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The ISO shall allocate the Net Auction Revenue calculated in each round of a Centralized TCC Auction sub-auction and in each Reconfiguration Auction to Transmission Owners pursuant to Section 3.7.

Section 3.2. Charges for TCCs Purchased

All bidders awarded TCCs in round n of a Centralized TCC Auction or in Reconfiguration Auction n shall pay or be paid the market clearing price in round n or in Reconfiguration Auction n , as determined pursuant to Attachment M of this Tariff, for the TCCs purchased. All Transmission Customers purchasing TCCs that are created through the conversion of AARs into TCCs pursuant to Attachment M of this Tariff shall pay or be paid the average market clearing price for all rounds in that Centralized TCC Auction for such converted AAR, as determined pursuant to Attachment M of this Tariff.

Section 3.3. Payments for ETCNL

The ISO shall, in each round of a Centralized TCC Auction in which ETCNL is released, pay the market clearing price determined in that round for TCCs that correspond to that ETCNL to the Transmission Owner that releases the ETCNL. The ISO shall, in each Centralized TCC Auction in which an AAR created from ETCNL is converted into a TCC, pay the average market clearing price for all rounds in that Centralized TCC Auction for TCCs that correspond to that ETCNL to the Transmission Owner whose ETCNL supported the creation of the converted AAR.

If a Transmission Owner releases ETCNL for sale in a round of the Centralized TCC Auction, and the market-clearing price for those TCCs corresponding to that ETCNL in that round is negative, the value of those TCCs will not be included in the determination of payments to the Transmission Owners for ETCNL released into the Centralized TCC Auction. If the

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market-clearing price is negative for TCCs corresponding to any ETCNL, the value will be set to zero for purposes of allocating auction revenues from the sale of ETCNL. If the total value of

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In the event a Grandfathered TCC² is terminated by mutual agreement of the parties to the grandfathered ETA prior to the conditions specified within Attachments K and L, then the ISO shall distribute the revenues from the sale of the TCCs that correspond to the terminated Grandfathered TCCs in a round of a Centralized TCC Auction directly back to the Transmission Owner identified in Attachment L, until such time as the conditions specified within Attachments K and L are met. Upon such time that the conditions within Attachments K and L are met, the ISO shall allocate the revenues from the sale of the TCCs that correspond to terminated Grandfathered TCCs in the Centralized TCC Auction as Net Auction Revenues in accordance with Section 3.7 of this Attachment.

Section 3.5. Allocation of Revenues from the Sale of Original Residual TCCs

Revenues associated with Original Residual TCCs shall be distributed directly to each Primary Owner for the duration of the LBMP Transition Period. The Primary Owner of such an Original Residual TCC shall be paid the market clearing price of the Original Residual TCC in the round of the sub-auction in which that Original Residual TCC was sold. The ISO shall, in each Centralized TCC Auction in which an AAR created from Original Residual TCCs is converted into a TCC, pay the average market clearing price for all rounds in that Centralized TCC Auction for TCCs that correspond to that Original Residual TCC to the Transmission Owner whose Original Residual TCC supported the creation of the converted AAR.

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³ These TCCs include TCCs, if any, associated with those rate schedules to which footnote 9 of Attachment L pertains, whether by mutual agreement or otherwise.

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Formula N-29

$$NNAR_{t,n} = \frac{\left(\text{Original Residual}_{t,n} + \text{ETCNL}_{t,n} + \text{NARS}_{t,n} + \text{GFR\&GFTCC}_{t,n} \right)}{\sum_{q \in T} \left(\text{Original Residual}_{q,n} + \text{ETCNL}_{q,n} + \text{NARS}_{q,n} + \text{GFR\&GFTCC}_{q,n} \right)}$$

Where,

$NNAR_{t,n}$ = The negative Net Auction Revenue coefficient for Transmission Owner t for Reconfiguration Auction n

$\text{Original Residual}_{q,n}$ = The one-month portion of the revenue imputed to the Direct Sale or the sale (other than through conversion into TCCs of AARs created from Original Residual TCCs) in any Centralized TCC Auction sub-auction of Original Residual TCCs that are valid during the month corresponding to Reconfiguration Auction n or the sale through conversion of Original Residual TCC AARs into TCCs valid during such month. The one-month portion of the revenue imputed to the Direct Sale of these Original Residual TCCs shall be one-sixth of the average market clearing price in the stage 1 rounds of the 6-month sub-auction of the last Centralized TCC Auction held for TCCs valid during the month corresponding to Reconfiguration Auction n . The one-month portion of the revenue imputed to the sale (other than through conversion into TCCs of AARs created from Original Residual TCCs) in any Centralized TCC Auction sub-auction of these Original Residual TCCs shall be calculated by dividing the revenue received from the sale of these Original Residual TCCs in the Centralized TCC Auction sub-auction by the duration in months of the TCCs sold in that Centralized TCC Auction sub-auction. The one-month portion of the revenue imputed to the sale through conversion into TCCs of AARs created from Original Residual TCCs in any Centralized TCC Auction shall be calculated by dividing the revenue received from the conversion of these Original Residual TCC AARs in the Centralized TCC Auction by the duration in months of the TCCs created through such conversion.

$\text{ETCNL}_{q,n}$ = The sum of the one-month portion of the revenues the Transmission Owner has received as payment for the Direct Sale of ETCNL or for its ETCNL released (other than through conversion into TCCs of AARs created from Original Residual TCCs) in the Centralized TCC Auction sub-auctions held for TCCs valid for the month corresponding to Reconfiguration Auction n or the sale through conversion of ETCNL AARs into TCCs valid during such month. Each one-month portion of the revenue for ETCNL released in such Centralized TCC Auction shall be calculated by dividing the revenue received in a Centralized TCC Auction sub-auction from the sale of the ETCNL by the duration in months of the TCCs corresponding to the ETCNL sold in the Centralized TCC Auction sub-auction.³ The one-month portion of the revenue imputed to the Direct Sale of ETCNL shall

⁴ A TCC corresponds to ETCNL if it has the same POI and POW as the ETCNL.

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be one-sixth of the average market clearing price of the TCCs corresponding to that ETCNL in the stage 1 rounds of the 6-month sub-auction of the last Centralized TCC Auction held for TCCs valid during the month corresponding to Reconfiguration Auction *n*. The one-month portion of the revenue imputed to the sale through conversion into TCCs of AARs created from ETCNL in any Centralized TCC Auction shall be calculated by dividing the revenue received from the conversion of these ETCNL AARs in the Centralized TCC Auction by the duration in months of the TCCs created through such conversion.

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$GFR\&GFTCC_{q,n}$ = The one-month portion of the imputed value of Grandfathered TCCs and Grandfathered Rights, valued at one-sixth of the market clearing price in the last Centralized TCC Auction held for TCCs valid during the month corresponding to Reconfiguration Auction n , provided that the Transmission Owner is the selling party and the Existing Transmission Agreement related to each Grandfathered TCC and Grandfathered Right remains valid in the month corresponding to Reconfiguration Auction n

t = Transmission Owner t

T = The set of all Transmission Owners q .

Each Transmission Owner's share of Net Auction Revenues allocated pursuant to this Section 3.7 shall be incorporated into its TSC or NTAC, as the case may be.

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