

Long Term TCC Compliance Proposal "LSE Price-Taker Approach"

Definition and Creation of Long Term TCCs

A Long Term TCC product would be offered by establishing Auction Allocation Rights (AARs) for a quantity of MWs from a specific source and sink that would be allocated to qualifying LSEs based on the ratio of metered load that has been subject to the four month true up to the total load in that zone over the same period. The AARs would be derived from the set of existing ETCNL and Original Residual TCCs sinking in load zones, scaling down the ETCNL based on the proration rules applied in the capability period auctions for the initial allocation of long-term TCCs to determine a set of AARs that satisfy a simultaneous feasibility test based on summer capability ratings. This set of AARs will remain fixed. An LSE's entitlement to AARs will be based on their load ratio share of the entire set of AARs sinking in that zone. Only ETCNL defined to sink at the zone, rather than at a load bus would be defined as AARs and subject to conversion into TCCs.

AARs vs. Converted TCCs

LSEs shall be offered an allocation of AARs prior to the Spring Capability Period auction and will have the option to convert their allocation of AARs into 1-Year TCCs with the same source and sink as the AAR prior to the Spring Capability Period auction. If converted, the LSE will pay the market-clearing price for the TCC with that source and sink in the initial 1-year round of the Spring Capability Period auction. An LSE that chooses to convert its AARs to TCCs must convert its entire allocation of AARs sinking in that zone. The TCCs allocated to the LSE will be treated for settlement purposes like any other TCC and may be retained by the LSE or sold in the auction. Capacity associated with AARs that are not converted to TCCs will be released for sale in the Spring Capability Period Auction.

Revenues from the sale of TCCs, whether paid by an LSE that converts its AAR to a TCC or by winning bidders in the capability period auctions will be collected by the ISO and paid to the Transmission Owners on the same basis as they are today. It is not envisioned that this proposal will entail changes to the process by which auction revenues flow through the Transmission Owners to the loads in the form of a reduced TSC pursuant to the NYISO tariff, which will be unchanged.

The maximum amount of AARs that can be converted to TCCs prior to the Spring Capability Period auction will be equal to the proportion of the NYCA transmission system used to support the sale of 1 year TCCs in the Spring Capability Period auction.

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Adjustments for Load Following

As discussed above, AARs will be allocated annually. An LSE that has lost load since the prior annual allocation of AARs will be offered a reduced allocation in the next annual allocation based on its annual load ratio share and an LSE that acquires load will be assigned the appropriate share of AARs in that zone and may convert them into TCCs.

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Financial Obligations

Financial settlement of TCCs will be identical to current NYISO TCC settlements and holders of long-term TCCs will be subject to all of the normal tariff requirements of a TCC holder including credit requirements.

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Treatment of Grandfathered Agreements

Grandfathered Rights and Grandfathered TCCs are binding agreements that will be respected. Under this proposal an LSE's allocation of AARs will take into account grandfathered rights that they may already hold. An LSE's entitlement to an AAR allocation will be computed without regard to grandfathered rights holdings and a total AAR entitlement determined. The number of AARs eligible for conversion into TCCs will be the total AAR entitlement less the number of grandfathered TCCs outstanding for any portion of the period covered by the annual TCCs subject to allocation. The number of AARs eligible for conversion from any source and sink would be reduced proportionately [LSE j AAR entitlement ik = Total AARs ik * LSE j load ratio share * proportion Capacity sold in annual auction * (total LSE j AAR entitlement less total LSEj grandfathered TCCs)/total LSE j AAR entitlement.], where total LSE j AAR entitlement = Total zone AARs * LSEj load ratio share * proportion capacity sold in annual auction.

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When grandfathered contracts expire they become AARs and the LSE that holds the expiring contract will have the option to receive AARs corresponding to the source and sink associated with the grandfathered agreement. That is, the LSE that held the grandfathered contract would be eligible to receive AARs corresponding to the grandfathered right up to their historic grandfathered contract amount. They would be eligible to receive this priority allocation each year for a period of 10 years following the expiration of the grandfathered contract. If they do not choose to take the AAR, the capacity associated with the expiring grandfathered right will become AARs for allocation among all loads in the zone where the contract sinks and those AARs that are not converted into long-term TCCs would be available for sale in capability period auctions like all other capacity and the allocation of the auction revenues associated with the sale of TCCs supported by this capacity would be governed by the provisions of the NYISO tariff.

Following expiration of the grandfathered agreement, the load that had previously been under the agreement would be treated like all other loads for the purposes of TSC payments.

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Other Changes

AARs converted to TCCs may be reconfigured in annual TCC auctions. In order to accommodate the increased complexity and administrative requirements of the new allocation process, pending completion of TCC automation projects and implementation of the end state TCC auction, the NYISO will conduct auctions for the sale of one year TCCs in the Spring Capability Period auction only and this auction will consist of a single Stage 1 auction round for annual TCCs with one Stage 2 reconfiguration round. The structure of auctions following completion of the TCC automation projects and implementation of the end state TCC auction will be determined prior to implementation of the end state TCC auction.

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Open Issues:

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ARRs

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