

LONG-TERM TCC ALLOCATION EXAMPLES

November 21, 2006

Suppose that the ETCNL assigned to load in Zone X was as shown in Table 1. Most of the ETCNL is defined to sink at the load zone, however, some is defined to load buses within the load zone. The ETCNL is defined to particular buses within the load zone because this ETCNL would not be feasible if defined to the load zone as a whole due to load pocket constraints within the load zone.

Table 1
ETCNL

| | |
|------|-------------|
| 1300 | A to Zone X |
| 1000 | B to Zone X |
| 50 | B to Bus C |
| 150 | B to Bus D |

A simultaneous feasibility testing using summer ratings would be applied to this ETCNL to determine the quantity that would be defined as auction allocation rights (AARs). For the example, we assume that 1,100 A to Zone X and 800 B to Zone X AARs satisfy the simultaneous feasibility test. Since no AARs would be defined for ETCNL sinking at load buses, the AARs would be as shown in Table 2.¹

Table 2
AARs Eligible for Allocation

| | |
|------|-------------|
| 1100 | A to Zone X |
| 900 | B to Zone X |

The example assumes that in the spring 2008 auction, 75% of the available transmission system will be used to support the sale of six-month TCCs and the remaining 25% will be used to support the sale of annual TCCs. Thus, 275 A to Zone X AARs TCCs and 225 B to Zone AARs would be eligible for conversion into long-term. In the example, LSEs Blue and Red each serve 10% of the load within Zone X. LSE Blue chooses to exercise its right to convert its AARs into long-term TCCs. Since only whole MW AARs can be converted into TCCs, each LSE would be eligible to convert 27 A to Zone X and 22 B to Zone X AARs into TCCs. In the example, we assume that Blue LSE chooses to convert its AARs into TCCs while Red LSE does not.

Since LSE Blue opted to convert its AARs into TCCs, these converted AARs would be modeled as fixed injections and withdrawals in the spring 2008 auction, leaving the remaining capacity to support the sale of additional TCCs.

¹ The example assumes that 50% of the load in Zone X is within load pocket E, 12.5% within load pocket C, and 37.5% within load pocket D.

Table 3 portrays the assumed source/sink prices in the spring 2008 six-month TCC auction. C1, D1 and E1 are generation buses within pockets C, D and E.

Table 3
Auction Source/Sink Prices
Six-Month Rounds

| | | Price |
|----|----------|---------|
| A | West | 0 |
| F | Central | 250 |
| B | East | 1750 |
| C1 | C Pocket | 5500 |
| D1 | D Pocket | 4750 |
| E1 | E Pocket | 9750 |
| X | Zone | 7343.75 |

Table 4 portrays the number of TCCs sold between each source and sink in the six-month rounds of the auction, TCC prices and the total auction revenues. The price of each TCC is the difference between the sink price and the source price.

Table 4
Auction Revenues
Six-Month Rounds

| | MW | Sink Price | Source Price | Price | Revenues |
|-----|---------|------------|--------------|---------|----------|
| A-F | 150 | 250 | 0 | 250 | 37500 |
| A-X | 825 | 7343.75 | 0 | 7343.75 | 6058594 |
| B-X | 600 | 7343.75 | 1750 | 5593.75 | 3356250 |
| B-C | 46.875 | 5500 | 1750 | 3750 | 175781.3 |
| B-D | 103.125 | 4750 | 1750 | 3000 | 309375 |
| | | | | | 9937500 |

Table 5 portrays the assumed source/sink prices in the spring 2008 annual TCC rounds.

Table 5
Auction Source/Sink Prices
Annual Rounds

| | | Price |
|----|----------|----------|
| A | West | 0 |
| F | Central | 250 |
| B | East | 2750 |
| C1 | C Pocket | 7525 |
| D1 | D Pocket | 6750 |
| E1 | E Pocket | 12250 |
| X | Zone | 9596.875 |

Table 6 portrays the number of TCCs sold between each source and sink in the annual rounds of the spring auction, TCC prices and the total auction revenues.

Table 6
Annual Auction Revenues

| | MW | Sink Price | Source Price | Price | Revenues |
|-----|-----------|-------------------|---------------------|--------------|-----------------|
| A-F | 50 | 250 | 0 | 250 | 12500 |
| A-X | 248 | 9596.875 | 0 | 9596.875 | 2380025 |
| B-X | 178 | 9596.875 | 2750 | 6846.875 | 1218744 |
| B-C | 15.625 | 7525 | 2750 | 4775 | 74609.38 |
| B-D | 34.375 | 6750 | 2750 | 4000 | 137500 |
| | | | | | 3823378 |

In addition to the payments for TCCs purchased in the auction, the NYISO would collect payments for the allocated long-term TCCs based on the prices in the annual TCC round as shown in Table 7.²

Table 7
Charges for Allocated TCCs

| | MW | Sink Price | Source Price | TCC Price | Revenues |
|-------|-----------|-------------------|---------------------|------------------|-----------------|
| A-X | 27 | 9596.875 | 0 | 9596.875 | 259115.6 |
| B-X | 22 | 9596.875 | 2750 | 6846.875 | 150631.3 |
| Total | | | | | 409746.9 |

ETCNL would be valued in the six-month rounds as in any other auction as illustrated in Table 8.

Table 8
Six-Month Auction Revenue and ETCNL Values

| ETCNL | Payment | Quantity | Value |
|----------------------------|----------------|-----------------|--------------|
| A to Zone X | 7343.75 | 825 | 6058594 |
| B to Zone X | 5593.75 | 600 | 3356250 |
| B to Bus C | 3750 | 37.5 | 140625 |
| B to Bus D | 3000 | 112.5 | 337500 |
| ETCNL Payments | | | 9892969 |
| Six-month auction revenues | | | 9937500 |
| Residual-six month auction | | | 44531.25 |

² Allocated TCCs would be priced in the first one year round the auction, the same round in which ETCNL would be valued, maintaining revenue adequacy for the auction.

ETCNL would also be valued in the annual round, but payments to ETCNL holders would be funded both by auction revenues and payments for allocated TCCs as shown in Table 9.

Table 9
Annual Auction Revenues and ETCNL Values

| ETCNL | Payment | Quantity | Value |
|-----------------------------|----------|----------|----------|
| A to Zone X | 9596.875 | 275 | 2639141 |
| B to Zone X | 6846.875 | 200 | 1369375 |
| B to Bus C | 4775 | 12.5 | 59687.5 |
| B to Bus D | 4000 | 37.5 | 150000 |
| ETCNL Payments | | | 4218203 |
| Annual auction revenues | | | 3823378 |
| Payments for allocated TCCs | | | 409746.9 |
| Residual annual auction | | | 14921.88 |