

Michigan PARs Cost Allocation

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Michigan PARs Cost Allocation

◆ Purpose

- *FERC has accepted for filing, subject to refund, the Midwest ISO's ("MISO's") proposed tariff revisions that permit the MISO to send the NYISO, "on behalf of its customers," a bill for International Transmission Company's ("ITC's") Michigan PARs.*
- *On May 22, 2012 FERC issued a declaratory order instructing the NYISO "...the Commission has accepted MISO's proposed allocation and charges in Docket No. ER11-1844, and permitted them to become effective, subject to refund. Therefore, any charges properly billed pursuant to these Commission-accepted MISO Tariff provisions must be paid by NYISO in accordance with the provisions of MISO's Tariff."*

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♦ Purpose (continued)

- *On May 14, 2012 the NYISO received a partial month invoice from MISO for approximately \$255,000. On May 23, 2012 the NYISO paid the charges under protest and made clear that the NYISO believes the charges are unlawful.*
- *The NYISO used its Working Capital Fund to pay the charges because there are no Tariff provisions in place to permit the NYISO to recover these charges from its stakeholders.*
- *The anticipated ITC PAR charges allocated to NYISO customers are approximately \$300,000/ month.*

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♦ Purpose (continued)

- *The NYISO is litigating the allocation of the Michigan PARs costs in an evidentiary proceeding at FERC.*
- *The NYISO will continue to litigate the issues in the DC Circuit Court of Appeals, if necessary.*
- *Even if the MISO charges are ultimately found to be unjust, unreasonable, or unlawful, over the near term, NYISO still needs to have tariff provisions in place to permit it to recover these charges.*

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- ◆ FERC Declaratory Order Proceedings
 - *November 9, 2011, PJM files a petition for declaratory order with the Commission to resolve uncertainty regarding how PJM should recover from its members the costs allocated to PJM pursuant to the December Order. (Docket No. EL12-10)*
 - *February 28, 2012, NYISO files a petition for declaratory order with the Commission to resolve uncertainty regarding how NYISO should recover from its customers the costs allocated to NYISO pursuant to the December Order. (Docket No. EL12-38)*
 - *April 5, 2012, the ITC PARs enter service, allowing MISO to begin charging NYISO for the ITC PARs, subject to refund, pursuant to the MISO tariff revisions.*

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- ◆ Declaratory Order Proceedings (cont.)
 - *April 6, 2012, the Commission issued an order responding to PJM's request for declaratory order, instructing PJM to file proposed tariff revisions pursuant to Section 205 of the FPA to permit PJM to allocate costs charged by MISO to PJM customers.*
 - *May 22, 2012, FERC issued a declaratory order instructing:*
 - **"NYISO would need to make a filing under section 205 of the FPA proposing whatever cost allocation method it determines most appropriately allocates costs in a manner roughly commensurate with benefits."**
 - **"...the Commission has accepted MISO's proposed allocation and charges in Docket No. ER11-1844, and permitted them to become effective, subject to refund. Therefore, any charges properly billed pursuant to these Commission-accepted MISO Tariff provisions must be paid by NYISO in accordance with the provisions of MISO's Tariff."**

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◆ Cost Allocation Proposal

- *The NYISO is presenting to stakeholders proposed revisions to its tariffs to permit the NYISO to pass charges it receives from the MISO for the ITC PARs through to its customers.*
- *The NYISO is requesting stakeholder authorization to submit its proposed tariff revisions to the Commission pursuant to Section 205 of the FPA.*
- *This presentation also addresses modifications to the NYISO's initial proposal that were approved by the BIC.*

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◆ NYISO's Proposed Allocation

- *Michigan PARs would be identified in OATT Rate Schedule 1, Section 6.1.6*
- *Allocation methodology would be the same as is currently prescribed in OATT Rate Schedule 1, Section 6.1.6.1*
Calculation of Non-ISO Facilities Payment Charge
 - **Charges allocated based on NYISO–wide load-ratio share**
 - **If the Commission determines that refunds are appropriate:**
 - For bills that remain open for correction, refunds will be issued on the same load-ratio share basis that was used to assess the charges.
 - For bills that are closed, the ISO will roll-up the load ratio shares used to assess the monthly charges into an annual load ratio share, and use that as the basis for the refund of the charges collected in that year.
- *The NYISO has provided proposed draft Tariff revisions*

Revised Proposal Approved by BIC

- ◆ The approved BIC motion recommended that the Board take official notice that the NYISO's stakeholders disagree with FERC's decision to require NYISO to pay for the PARs, even on an interim basis, subject to refund.
 - *All stakeholders supported this proposal.*
- ◆ The BIC motion accepted the NYISO's proposed allocation of MISO's ITC PAR charges on a temporary basis, until FERC issues a final order on the merits of ITC's cost allocation proposal.
- ◆ The BIC motion recommended that the Board issue a statement that the interim tariff revisions are being submitted under protest, and do not support either the merits of ITC's claim for compensation, or ITC's proposed cost recovery mechanism.
 - *All stakeholders supported this proposal.*

Revised Proposal Approved by BIC

- ◆ The BIC motion stated that if FERC ultimately determines that NYISO customers must pay for a portion of the cost of ITC's PARs, then NYISO will convene a stakeholder process to develop a more permanent cost recovery mechanism.
- ◆ The BIC motion recommends that the more permanent cost recovery mechanism that the NYISO and its stakeholders may develop after FERC issues its order should be capable of being applied both prospectively, to charges that have not yet been assessed and retroactively, to re-allocate charges that have already been assessed.
 - *At the meeting the mover of the BIC motion indicated that the motion was not intended to bind future stakeholders to apply the same method both prospectively and retroactively, but was intended to permit a revised method to be implemented retroactively, should the stakeholders, Board and FERC approve a retroactive change.*

Other Matters Discussed at BIC

- ◆ Stakeholders asked how PJM is recovering PAR costs from its customers. PJM's proposed charges are based on MWh delivered to loads across the entire PJM region.
 - *See FERC Docket No. ER12-1761.*
 - *Neither PJM's nor NYISO's proposed allocation methods would spread the ITC PAR costs to suppliers.*
- ◆ At the BIC a small number of stakeholders suggested that the ITC PAR costs should be recovered as a NYISO litigation expense. The NYISO staff will recommend that the Board reject any proposed Tariff revision that treats the MISO PAR charges as a NYISO litigation expense.
 - *Litigation expenses cover things like legal fees and consulting fees, not paying a FERC-accepted rate.*
 - *The MISO tariff revisions that FERC accepted subject to refund, make clear that the charges are to the NYISO's customers for benefits allegedly provided by ITC's PARs.*
 - *The motion that the BIC approved did not incorporate this suggestion.*

Management Committee Motion

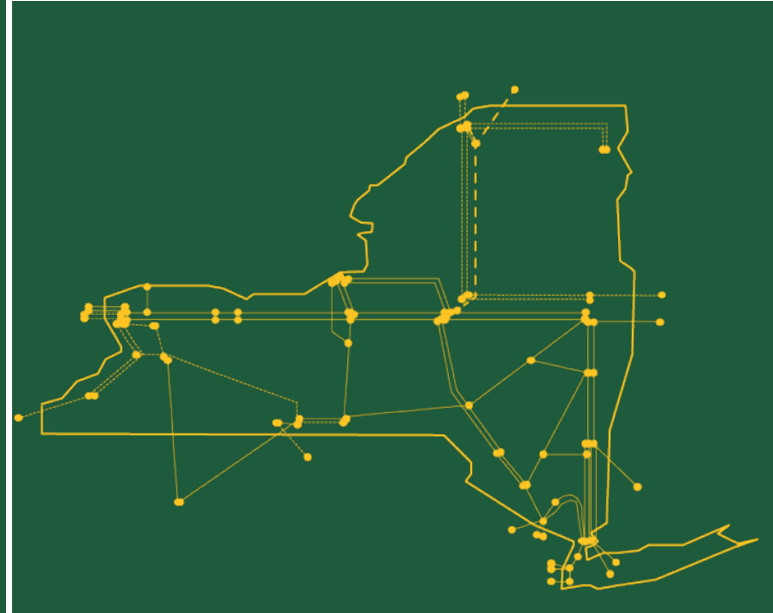
- ◆ The NYISO's proposed motion incorporates the changes proposed at the BIC, modified to reflect the discussions that occurred at the BIC.
- ◆ The NYISO recommends that the Management Committee approve the NYISO's filing of the tariff language that the NYISO has provided with this presentation.
 - *The tariff language addressing the allocation of refunds is more specific than the language that was presented to the BIC.*

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- ◆ Next Steps

- *NYISO Board of Directors – July*
- *Filing with FERC*

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.



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