

a. The focus of the cost allocation methodology shall be on solutions to violations of specific Reliability Criteria.

1. A solution either resolves the reliability violation exactly or is the next increment of equipment that is commonly available or used on the host utility's system.

2. If prudent investment dictates a solution that solves more than the immediate reliability need and state regulatory authorization for the solution is granted, the full prudent cost of the project will be allocated and be recoverable through the NYISO tariff. In considering whether the proposal is prudent, consideration shall be given to the impact of such a n increased project solution on competitive markets in general and upon the decisions of merchant providers to enter the New York markets in light of such regulatory actions. Impacts on market clearing prices shall not be considered in de termining whether the increased size of the proposal is prudent.

Example: The immediate need calls for a single-circuit transmission line but it would be prudent to build towers that could eventually support a double-circuit line. If state authority is g granted for the double-circuit line capability, the entire prudent costs associated with the double-circuit line capability would be subject to cost allocation under the NYISO tariff.

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