

**VSS Cost Allocation Proposal**  
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**Business Issues Committee – 09/21/05**  
**Agenda 08**

- Original Cost Allocation methodology developed using cost base information contained in the individual TO OATTs.
- Propose to assign each Transmission District those costs that were borne by that District's customers under the OATT.
- Generation additions and associated VSS costs occurring since the NYISO rates were developed in 2002 would be assigned to Transmission Districts based on load growth occurring in those Districts since 2002.
- NYPA costs would continue to be socialized.
- Presumption that TO OATT costs originally borne by Transmission District customers were justified, fair, and properly allocated.
- Tie added voltage support from new resources to areas where load is growing.
- NYISO should study voltage support requirements, with a goal of assigning costs based on usage and impact on the system. This should include a determination of total voltage support needs by region, and may include a cap on voltage resources procured.
- Future ICAP Demand Curve development processes should study the appropriate application of VSS revenue offsets in developing curve equilibrium values.