

NYISO Business Issues Committee September 21, 2005 Agenda Item 8

MSWG Recommendations

MSWG September 12 meeting recommendations:

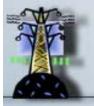
- Capacity basis for compensation will be NET demonstrated lagging MVAr
 - All Testing to be conducted during Summer capability period (regardless of Transmission District location)
 - All test reports to be filed electronically using NYISO supplied reporting form
 - To the extent that Net MVAr metering is not available, NYISO will calculate Net MVAr from metered Gross MVAr and MW output using standard power flow calculation





MSWG Recommendations (cont'd)

- MSWG September 12 meeting recommendations:
 - OATT Rate Schedule 2 Revenue Requirement be adjusted reflecting generation additions and retirements through 10/31/2005
 - Using same method as Dec. 2001 filing
 - Apply 3% annual inflation





MSWG Recommendations (cont'd)

Revise payments by loads under OATT RS 2

- from the current load-weighted to a two-part locational basis as follows:
 - (i) assignment of costs for existing units that were on the system in 1999 to the Transmission Owners that previously owned these units; and
 - (ii) assignment of costs for existing units that have been added to the system since 1999 to Transmission Owners in proportion to load growth or reductions since the inception of the NYISO's markets
- Allocation methodology is subject to review of the feasibility of deployment, and timeframe for implementation



VSS Compensation Rate Calculation Payments to Suppliers

Table 1 Calculates new VSS Compensation Rate

- Based on the total Proposed Revenue Requirement
 - Adjustment based on changes to installed capacity for generation additions and retirements as of 10/31/05
 - Assumes 3% annual inflation
- Table 2 is comparison of payments to suppliers based on Gross-lagging or Net-lagging capability and with/without inflation

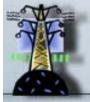




Table 1 – Estimated Payments to Suppliers						
	Gross Lagging	Net Lagging				
MW Capacity	39213	39213				
average pF	0.9	0.92				
MVAr capacity	17259.1	15180.7				
Revenue Req.						
OATT RS 2	\$75,278,500	\$75,278,500				
VSS Comp. Rate						
(ST RS 2)	\$4,361.67	\$4,958.83				





Table 2 Estimated Payment to Suppliers

No Inflationw/3% Inflation\$/MVAr (gross)\$3,818.47\$4,361.67\$/MVAr (net)\$4,341.27\$4,958.83





Estimated Payments by Loads

- Table 3 shows the *estimated* total revenue requirement for OATT RS No. 2
 - Revenue Requirement updated from Dec. 2001
 - Capacity changes through 10/31/2005
 - Assume 3% annual inflation
 - Socialized across all loads, or
 - Socialized across all energy withdrawals (loads, exports and wheel-throughs)

Table 3 – OATT Rate Schedule 2 Calculation (Estimated Total Revenue Requirement w/3% inflation)

				OATT Rate
		VSS Revenue	GWHr Energy	Sch.2
NMSO Transmission	Generation In-	Requirement	Withdrawal	Revenue
District VSS Cost	Service in	in 2006	forecast for	Requirement
Allocation to Loads	2006 (MVV)	w/inflation	2006	w/inflation
Total NYCA	39,213	\$75,278,500	163908	\$0.459
Total NYCA exports	39,213	75,278,500	172535	\$0.436
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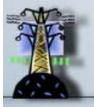
Locational determination of payment

- Table 4 presents initial estimate of the proposed locational payment:
 - Assigns costs for all existing units to the Transmission District where each unit is located
- Table 4 does not address
 - assignment of costs for units that have been added to the system since 1999 to Transmission District in proportion to load changes since 12/1/1999



Table 4 -- OATT Rate Schedule 2 Calculation (Est. Localized Payments by Loads)

				OATT Rate
		VSS Revenue	GWHr Energy	Sch. 2
NYISO Transmission	Generation In-	Requirement	Withdrawal	Revenue
District VSS Cost	Service in	in 2006	forecast for	Requirement
Allocation to Loads	2006 (MW)	w/inflation	2005	w/inflation
Central Hudson	1,127	\$1,533,957	5798	\$0.265
Consolidated Edison	11,246	\$22,074,376	61009	\$0.362
LIPA	5,349	\$5,938,460	21189	\$0.280
NYPA	8,062	\$8,490,654	9443	\$0.899
NYSEG	3,209	\$3,160,991	15173	\$0.208
National Grid	7,878	\$26,083,634	37127	\$0.703
O&R	982	\$4,476,828	4542	\$0.986
RG&E	1,360	\$3,519,631	7738	\$0.455



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OATT Poto