

# Resolution of VSS Issues Recommendations of MSWG



*NYISO Business Issues Committee*

*September 21, 2005*

*Agenda Item 8*

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# 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



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# 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



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# 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*



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# 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



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## 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)	<b>\$4,361.67</b>	<b>\$4,958.83</b>



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## Table 2

### Estimated Payment to Suppliers

	No Inflation	w/3% Inflation
<b>\$/MVA<sub>r</sub> (gross)</b>	<b>\$3,818.47</b>	<b>\$4,361.67</b>
<b>\$/MVA<sub>r</sub> (net)</b>	<b>\$4,341.27</b>	<b>\$4,958.83</b>



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# 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)*



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

NYISO Transmission District VSS Cost Allocation to Loads	Generation In-Service in 2006 (MM)	VSS Revenue Requirement in 2006 w/inflation	GW-Hr Energy Withdrawal forecast for 2006	OATT Rate Sch. 2 Revenue Requirement w/inflation
<b>Total NYCA</b>	<b>39,213</b>	<b>\$75,278,500</b>	<b>163908</b>	<b>\$0.459</b>
<b>Total NYCA+exports</b>	<b>39,213</b>	<b>75,278,500</b>	<b>172535</b>	<b>\$0.436</b>



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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*



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

NYISO Transmission District VSS Cost Allocation to Loads	Generation In-Service in 2006 (MW)	VSS Revenue Requirement in 2006 w/inflation	GWhr Energy Withdrawal forecast for 2005	OATT Rate Sch. 2 Revenue Requirement 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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