

## **Draft For Discussion**

# **Long Term FTR Compliance Proposal “LSE Price-Taker Approach”**

### **Definition and Creation of Long Term Firm Transmission Right**

A Long Term FTR (FTR) product would be offered by establishing Auction Revenue Rights (ARRs) for a quantity of MWs from a specific source and sink that would be allocated to qualifying LSEs based on the ratio of their peak load in a particular zone to the total peak load in that zone. The ARRs would be derived from the set of existing ETCNL and Original Residual TCCs sinking in load zones that satisfy a simultaneous feasibility test based on summer capability ratings. An LSE's entitlement will be their load ratio share of the entire set of ARRs sinking in that zone. Only ETCNL defined to sink at the zone, rather than at a load bus would be defined as ARRs and subject to conversion into TCCs.

#### Open Issues:

- An alternate approach for allocation that is under consideration is to use MWHrs rather than peak load ratio share.

### **ARRs vs. Converted FTRs**

LSEs shall be offered an allocation of ARRs annually and may convert their share of the ARRs into 1-Year TCCs at that time. If converted, the LSE will pay the market clearing price for the TCC in the initial 1-year round of the Spring capability period auction. An LSE that chooses to convert its ARRs to TCCs must convert its entire share of ARRs in that zone. The TCC taken by the LSE will look and settle like any other TCC and may be retained by the LSE or sold in the auction. Capacity associated with ARRs that are not converted to TCCs will be released for sale in the Spring Capability Period Auction.

Revenues from the sale of TCCs, either paid by an LSE who converts their ARR to a TCC or through the competitive auction will be collected by the ISO and paid to the Transmission Owners as they are today. In addition, it is not envisioned that this proposal will require changes to the process by which auction revenues flow through the Transmission Owners to the loads in the form of a reduced TSC.

#### Open Issues:

- The maximum amount of ARR capacity that can be converted to TCCs needs to be determined.

### **Adjustments for Load Following**

As discussed above, ARRs will be allocated annually. An LSE that has lost load will be offered an adjusted allocation in the next annual allocation and an LSE that acquires load will be assigned the appropriate share of ARRs in that zone and may convert them into TCCs.

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### **Financial Obligations**

Financial settlement of TCCs will be identical to current NYISO TCC settlements and holders of TCCs will be subject to all of the normal tariff requirements of a TCC holder including credit requirements.

### **Treatment of Grandfathered Agreements**

Grandfathered Rights and Grandfathered TCCs are binding agreements that must be respected. Under this proposal an LSE's allocation of ARR's will be adjusted to account for grandfathered rights that they may already hold. As these contracts expire, the capacity associated with the contracts would become available for allocation as ARR's. LSEs that have existing contracts will be given a priority for the capacity associated with the grandfathered agreement when it expires. That is, the LSE that held the grandfathered contract would be eligible to receive ARR equivalents up to the lesser of their historic grandfathered contract amount or their annual peak load obligation in the previous year in the zone where the grandfathered contract sinks. They would be eligible to receive this priority allocation each year for a period of 10 years following the expiration of the grandfathered contract.

Load that had previously been under a grandfathered agreement would now be treated like all other loads for the purposes of TSC payments.

### **Other Changes**

ARRs converted to TCCs may be reconfigured in subsequent annual TCC auctions. In order to accommodate the increased complexity and administrative requirements of the new allocation process, the NYISO will conduct auctions for the sale of one year TCCs in the Spring Capability Period Auction only and this auction will consist of a single Stage 1 auction round for annual TCCs with one Stage 2 reconfiguration round.