ISSUE 7

Clarification Regarding Headroom Accounting

Contribution Percentage: The ratio of an interconnection project's measured impact or pro rata ~~electrical~~ contribution to a System Upgrade Facility identified in the Annual Transmission Reliability Assessment, to the sum of the measure impacts or pro rata ~~electrical~~ contributions of all the projects that have at least a *de minimus* impact or contribution to the System Upgrade Facility.

Draft – For discussion purposes only
6/19/08 Operating Committee Meeting

Clarification Regarding Headroom Accounting

Attachment S Third Revised Sheet No. 656A

Headroom: In the case of any System Upgrade Facility that has been paid for by a Developer, the **functional or** electrical capacity of the System Upgrade Facility that is in excess of the **functional or** electrical capacity actually used by the Developer's generation or merchant transmission project.

Clarification Regarding Headroom Accounting

e. For interconnection projects included in each Annual Transmission Reliability Assessment, the Interconnection System Reliability Impact Study updated results will specify the impact of each project in the Class Year on the reliability of the transmission system, that is, the pro rata contribution of each project in the Class Year to each ~~of the~~ individual System Upgrade ~~Facilities~~ **Facility** identified in the updates.

(1) ~~The~~**In the case of a System Upgrade Facility that has a functional capacity not readily measured in amperes or other discrete electrical units, such as a System Upgrade Facility dedicated to system protection, the** pro rata impact of each project in the Class Year on the reliability of the transmission system will ~~not simply~~ be based upon the number of projects in the Class Year **contributing to the need for the System Upgrade Facility**.

(2) ~~Instead~~**In the case of a System Upgrade Facility that has a capacity readily measured in amperes or other discrete electrical units**, the impact of each project in the Class Year will be stated in terms of its pro rata contribution to the total electrical impact on each individual System Upgrade Facility in the Class Year of all projects that have at least a *de*

minimus impact, as described in Section IV.F.5.e.(1) of these rules. The contribution to electrical impact will be measured in various ways depending on the nature of the transmission problem primarily causing the need for the individual System Upgrade Facility.

Clarification Regarding Headroom Accounting

There will be no prioritization of the projects grouped and studied together in a Class Year. Each such project will share in the then currently available **functional or** electrical capability of the transmission system, and share in the cost of the System Upgrade Facilities required to interconnect its respective project, in accordance with the rules set forth herein.

Clarification Regarding Headroom Accounting

Attachment S First Revised Sheet No. 686

14. If a Developer pays for any System Upgrade Facilities, or for any Attachment Facilities that are later determined to be System Upgrade Facilities, that create ~~electrical capacity or~~ "Headroom" ~~in excess of the electrical capacity actually used by its project~~, then that Developer will be repaid the depreciated cost of that ~~headroom~~**Headroom** by the Developer of any subsequent project that interconnects and uses the Headroom within ten years of the creation of the headroom**. Headroom means that the System Upgrade Facilities have the electrical or functional capacity to accommodate additional projects**.

    a. Developers of terminated projects who have paid for Headroom with forfeited security instruments, as well as Developers of completed projects who have paid for Headroom, will be repaid in accordance with these ~~results~~**rules**.

    b. The Developer of the subsequent project shall repay the prior Developer as soon as the cost responsibilities of the subsequent Developer are determined in accordance with these ~~results~~**rules**.

    c. The NYISO will determine the depreciated cost of the System Upgrade Facilities associated with the Developer-created Headroom using the FERC-approved depreciation schedule applied to comparable facilities by the Connecting Transmission Owner.

d. Developer-created Headroom will be measured by the NYISO in accordance with these rules. The use that a subsequent project makes of Developer-created Headroom~~, that is, the reliability impact that a subsequent project has on the transmission system and its pro rata cost responsibility for the~~ **will also be measured by the NYISO in accordance with these rules. In the case of Headroom on** System Upgrade Facilities~~, will also be measured~~ **that have an excess functional capacity not readily measured in amperes or other discrete electrical units, the use the subsequent project makes of the Develop-created Headroom will be measured solely by using the total number of projects in the current or prior Class Years needing or using the System Upgrade Facility. In the case of System Upgrade Facilities that have an excess capacity readily measured in amperes or other discrete electrical units, the use the subsequent project makes of the Developer-created Headroom will be measured in terms of the electrical impact of the subsequent project, as that electrical impact is determined** by the NYISO in accordance with these rules. The NYISO will publish accounts showing the Headroom for each Class Year of Developers, and will update those accounts to reflect the impact of subsequent projects. The NYISO will close the Headroom account of a Developer when the ~~electrical~~**capacity** values in the account are reduced to zero or when ten years have passed since the establishment of the account, whichever occurs first.

(1) If a subsequent Developer uses up all the Headroom of an earlier Developer, and also triggers the need for a new System Upgrade Facility, then the subsequent Developer will pay the Transmission Owner for the

new System Upgrade Facility but will not pay the earlier Developer for the Headroom used up or the account extinguished. However, the earlier Developer will get a new Headroom account and a *pro rata* share of the Headroom in the new System Upgrade Facility purchased by the subsequent Developer. The economic value of this pro rata share will be equal to the economic value of the earlier Developer's Headroom account that was extinguished by the subsequent Developer.

e. For Class Years 2001 and 2002, the NYISO shall account for Headroom as provided by the Non-Financial Settlement. Developers in Class Year 2002 shall reimburse Class Year 2001 Developers in accordance with the terms of the Non-Financial Settlement.

15. In addition to the adjustments made by the NYISO in Headroom accounts to reflect the impact of subsequent projects, the NYISO will make other adjustments to Headroom accounts when preparing for each Annual Transmission Baseline Assessment. The NYISO will make these adjustments to reflect the impact of changes in the Existing System Representation modeled for the Annual Transmission Baseline Assessment that result from the installation, expansion or retirement of generation and transmission facilities for load growth and changes in load patterns. Such changes in the Existing System Representation can also result from changes in these rules or the criteria, methods or, software used to apply these rules.

a. No compensation will be paid as a result of these changes to the Existing System Representation. However, the NYISO will adjust the ratios of dollars to electrical values in each Developer's account to maintain the economic value of the

Developer's account that existed before the changes were made in the Existing System Representation.

b. The NYISO will make no adjustments to Headroom accounts for the impact of subsequent generic solutions, except in those cases where the generic solution is a Class Year project and the adjustment is made to reflect the impact of the Class Year project.