

## **Agenda Item #7**

### **Management Committee Motion to Accept Recommendation of BSP Committee Regarding Rate Schedule 1 Allocation**

WHEREAS, the Management Committee, in response to market participant interest and a FERC directive, charged the Budget, Standards & Performance Committee (“BSP Committee”) to review the allocation between Market Participants of the portion of the NYISO’s Rate Schedule 1 charges attributable to its operating budget and FERC fees (hereinafter “Rate Schedule 1 Charges”);

WHEREAS, to provide input into this review, the NYISO retained RJ Rudden & Associates (“Rudden”) to develop its recommendation for an unbundled structure for the Rate Schedule 1 Charges (“Rudden Study”);

WHEREAS, the BSP Committee has held numerous meetings over the past six months that were widely attended by Market Participants to address the aforementioned issue;

WHEREAS, Rudden initially formed assumptions and developed a recommendation for an unbundled structure for the Rate Schedule 1 Charges;

WHEREAS, based upon estimates of the programming costs that would be necessary to implement the unbundled structure and the resulting shift in project priorities, Rudden subsequently revised its recommendation to propose a simple percentage cost allocation to be assessed to loads and suppliers in the ratio of 77%/23%; and further that the composite rate be implemented on January 1, 2005;

WHEREAS, the BSP Committee has reviewed the Rudden Study, including Rudden’s assumptions and recommendations, and, due to a lack of consensus on the 77%/23% recommendation, hereby reports the results of the Rudden Study to the Management Committee for its consideration;

WHEREAS, the BSP Committee did reach consensus that the rate finally approved by the Management Committee should remain in place for a multi-year period which ranged from 3 to 5 years at which time the rate split between load and supply should be re-examined;

WHEREAS, NYISO Staff attended the BSP meetings addressing this issue, followed the development of the Rudden Study, including the assumptions incorporated therein and has advised that it concurs that the programming costs associated with fully

unbundling Rate Schedule 1 are not only significant, but more importantly, would conflict with other project priorities that will yield higher value to the Market Participants.

Accordingly, the Management Committee having considered the foregoing, hereby requests that the NYISO Board authorize a filing to be made with the Federal Energy Regulatory Commission, pursuant to Section 205 of the Federal Power Act, to implement the Rudden Study cost allocation recommendation assessing Rate Schedule 1 costs, including FERC fees, to the loads and suppliers in a 77%/23% ratio, effective January 1, 2005, to remain in effect for three years unless market changes significantly effect the fairness of that allocation.