

Agenda #7

REVISED MOTION

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

WHEREAS, the Management Committee, based on a FERC Order, 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 several meetings over the past six months that were widely attended by Market Participants from each sector to address the aforementioned issue;

WHEREAS, Rudden initially formed assumptions and completed the Rudden Study by developing an unbundled structure for the Rate Schedule 1 Charges.

WHEREAS, based upon estimates of the earliest implementation dates and programming costs that would be necessary to implement the unbundled structure and the resulting shift in priorities, Rudden subsequently recommended that the results of the Unbundling Study be implemented as a simple percentage cost allocation to be assessed to loads and suppliers in the ratio of 77%/23% with the further recommendation that reasonable modifications to that percentage allocation would be justified due to the significant number of assumptions that formed the basis of the Rudden Study; and finally 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, based on its analysis, finds that certain costs should reasonably be placed in categories other than those proposed by the Rudden Study with resulting changes in the proposed percentage allocations given the structure of the New York Markets at this time;

WHEREAS, based on its analysis of the Rudden Study including the assumptions incorporated therein, its analysis of the current allocation of the Rate Schedule 1

Charges and its analysis of the New York markets, the BSP Committee has reached consensus that, effective January 1, 2005, a straight percentage allocation of 80% to loads and 20% to suppliers in the New York market for the Rate Schedule 1 Charges is justified and further has reached consensus that the 80%/20% allocation shall remain in place, for the ensuing five years to be reviewed at the end of the fourth year if significant market changes merit its review; and

WHEREAS, NYISO Staff attended the BSP meetings addressing this issue and, based on its analysis of the Rudden Study including the assumptions incorporated therein, its analysis of the current allocation of the Rate Schedule 1 Charges and its analysis of the New York Markets, all as reflected in its June 4, 2004 Management Committee Presentation, NYISO Staff fully concurs with the BSP Committee's determinations on this issue;

NOW THEREFORE, based upon the analyses performed by the BSP Committee and NYISO Staff, the Management Committee hereby agrees with, and approves, the BSP Committee's determination to set a straight percentage allocation, effective January 1, 2005, of 80% to loads and 20% to suppliers in the New York market for the Rate Schedule 1 Charges imposed to recover NYISO costs and FERC fees. It is the Management Committee's intent that this 80%/20% split remain in place at least for the next five years and that this split be reviewed at the end of the fourth year if significant market changes merit its review. The Management Committee hereby further requests that the NYISO Board approve these determinations and direct its Staff to submit a tariff filing with these changes to the Federal Energy Regulatory Commission under Section 205 of the Federal Power Act.