

Rate Schedule 1: Allocation of NYISO Budget

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Background

- ◆ **The purpose of this presentation is to remind stakeholders of the language included in Rate Schedule 1 requiring a vote by the Management Committee in Q3 2015 to determine whether a new Cost of Service Study should be conducted to evaluate the Rate Schedule 1 allocation between withdrawals and injections.**
- ◆ **For purposes of this presentation, references to allocations of Rate Schedule 1 relate solely to the ISO Annual Budget (as discussed in section 6.1.2 of the OATT).**

History of NYISO RS1 Allocations

Nov. '99 – May '02: 100% Withdrawals/ 0% Injections

June '02 – Dec. '04: 85% Withdrawals/ 15% Injections

Jan. '05 – Dec. '09: 80% Withdrawals/ 20% Injections

Jan. '10 – Dec. '11: 80% Withdrawals/ 20% Injections*

(Non-Physical transactions included with rebates provided to Withdrawals and Injections, resulting in an approximate allocation of 75% Withdrawals/ 19% Injections/ 6% Non-Physical)

Jan. '12 – present: 72% Withdrawals/ 28% Injections*

(With Non-Physical transactions and rebates included, the approximate allocation is 68% Withdrawals/ 26% Injections/ 6% Non-Physical)

Current RS1 Allocation

- ◆ **Jan. '12 – present: 72% Withdrawals/ 28% Injections***
(With Non-Physical transactions and rebates included, the approximate allocation is 68% Withdrawals/ 26% Injections/ 6% Non-Physical).
 - *Followed consultant study in 2011 and ~67% affirmative support of Management Committee in July 2011*
 - *Scheduled to be effective for a minimum of five years, from January 2012 – December 2016*

Tariff requirements

- ***Current tariff language requires a vote of the Management Committee in the third calendar quarter of 2015 on whether a new study should be conducted during late 2015 and 2016 to allow for modification of the current cost allocation***
- ***If the vote does not result in a recommendation for conducting a study of RS1 in 2015-2016, the tariff outlines the required process for extending the current structure in future years***

Tariff requirements (continued)

MC Vote in Q3 2015 to Determine if a new study should be conducted	
If 58% Support New Study:	If 58% DO NOT SUPPORT New Study:
NYISO would present a draft study scope to Market Participants for consideration and comment before beginning RFP process to retain a consultant to perform the study (likely Q3-Q4 2015).	Current RS1 Allocation extended through 12/31/17
Consultant cost to be included within 2016 Budget. Study to be conducted by consultant from Q1 2016 - Q2 2016.	MC vote in Q3 2016 to determine if new study should be conducted.
Consultant to share results of study with Market Participants by June 30, 2016 for consideration of potential implementation on January 1, 2017	

Tariff requirements (continued)

Operative language from the current OAT RS1 Section 6.1.2.3:

- (i) A vote of the Management Committee will be taken in the third calendar quarter of 2015 on whether a new study should be conducted during late-2015 and 2016 to allow modification of the 72%/28% cost allocation, if warranted by the results of the study, to be implemented by January 1, 2017. A positive vote by 58% of the Management Committee will be required to go forward with the study, but there will no longer be a “material change” standard as was historically applied to the determination of whether a study should be conducted.**

- (ii) If the Management Committee vote discussed in (i) above determines that a study should not be conducted, the 72%/28% cost allocation between Withdrawal Billing Units and Injection Billing Units shall be extended through at least December 31, 2017. In the third calendar quarter of 2016, a vote will be taken on whether a new study should be conducted during late-2016 and 2017 to allow modification of the percentage allocation, if warranted by the results of the study, to be implemented by January 1, 2018. Unless a 58% vote of the Management Committee is registered in favor of declining to go forward with the study, the study will be conducted.**

Tariff requirements (continued)

Operative language from the current OAT RS1 Section 6.1.2.3:

- (iii) If the Management Committee vote in the third calendar quarter of 2016 discussed in (ii) above determines that a study should not be conducted, the current 72%/28% cost allocation shall remain unchanged until such point in time as the Management Committee determines that a study shall be conducted and the results of that study warrant changing the percentage allocation between Withdrawal Billing Units and Injection Billing Units. If the Management Committee vote in the third calendar quarter of 2016 discussed in (ii) above determines that a study should not be conducted, the Management Committee will revisit the issue of conducting a study annually in the third calendar quarter of each year using the same voting standard (*i.e.* the study shall be performed unless 58% of the Management Committee votes not to commission the study) that was applied to the Management Committee vote in the third calendar quarter of 2016 discussed in (ii) above.**

Tariff requirements (continued)

Operative language from the current OAT RS1 Section 6.1.2.3:

- (iv) If, and when, the Management Committee determines a study shall be conducted:**
 - (a) Such study shall be completed, and the results thereof shared with Market Participants, before the end of the second calendar quarter of the year prior to the date on which a possible change to the then current allocation may become effective; and**
 - (b) The ISO will present a draft study scope to Market Participants for consideration and comment before the ISO issues the study scope as part of its Request For Proposal process to retain a consultant to perform the study. A meeting shall be held with Market Participants to discuss the components (e.g., categories of costs considered, allocation of benefits, unbundling, etc.) that should be included in the draft study scope before the draft is issued by the ISO.**

Most Recent RS1 Allocation Study

- ◆ **Most recent RS1 Allocation study was performed by Black and Veatch in 2011.**
 - *Cost = ~ \$ 215K*
 - *Study time= ~ 6 months*
 - *MP Meetings= 5 Individual Sector meetings, 6 working group meetings, and 1 MC*
 - *Scope= Evaluate NYISO cost for potential changes in cost recovery structure using NYISO data, staff interviews, and comparison of other ISO practices, etc.*

Next Steps

**August 26 – Management Committee
Vote: RS1 Allocation
Study**

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