

NYISO Comprehensive Reliability Planning Process Cost Allocation Principles

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Cost Allocation: Background

- **Cost Allocation has been discussed at ESPWG for:**
 - *Regulated solutions to identified reliability needs*
 - *If there is no acceptable market-based response*
- **Two principal positions have emerged**
 - *"Beneficiaries Pay" approach*
 - *"Bright Line" approach to define socialization of costs*
- **Majority consensus view supports a "beneficiaries pay" approach**
 - *Considerable discussions on appropriate methodology*
- **April 15th ESPWG agreement to develop higher level "principles" for FERC filing**
 - *Work out details of methodology later*

Market Participant Comments

- Multiple Intervenors
- NY Municipals
- National Grid
- NYTOs
 - *NYSEG, Con Ed, NYPA, LIPA*

Multiple Intervenors

- **Costs should be paid by beneficiaries of the upgrade**
 - *Design specific methodology in future*
 - *An imprecise method is preferable to socialization of costs*
- **Focus should be on violations of reliability criteria**
 - *Beneficiaries should be those who benefit from the elimination of the reliability criteria violation*
 - *Benefits unrelated to reliability should be irrelevant for cost allocation purposes*
- **A materiality threshold should be applied**
- **Cost allocation should be:**
 - *Subject to jurisdiction of PSC and/or FERC*
 - *Limited to costs that are incremental to existing rate levels*

NY Municipals

- **Support “license plate” TSC’s under the NYISO OATT**
 - *Each TOs transmission costs are rolled into one revenue requirement*
 - *TSC’s should continue to include costs of reliability upgrades*
- **Beneficiaries of reliability upgrades are all wholesale and retail customers served by a TO**
- **NYMunis believe they can support the “line deloading” approach to allocate costs among TOs**
 - *Each TO would then include their assigned costs in their respective TSC revenue requirement*

National Grid

- Provide assurance of cost recovery
- Clear upfront rules defined in advance
- Minimize case-by-case analysis
- Address “beneficiaries pay” concept
- Consider multiple benefits over lifetime of facility
- Consider who needs it, who caused the need, and who benefits
- Address free rider issue
- Consider both reliability & economic issues
- Minimize debate and delays
- Easy to implement and administer
- Provide price certainty
- Fair and equitable to transmission customers

NYTOs: NYSEG, Con Ed, LIPA, NYPA

- **Endorse principle of “beneficiaries pay”**
 - *Two sets of beneficiaries*
- **Primary Beneficiaries**
 - *Those Transmission Districts where the reliability violation resides and who require the upgrade*
 - *Rules based on nature of reliability violation*
 - ▶ Locational capacity deficiency: divide among TD’s on load ratio share
 - ▶ Stability, overload and voltage: divide among TD’s according to share of load contributing to the violation
 - ▶ Other violations: determine allocation on a case-by case basis
 - *Recognize terms of prior agreements among TOs*
 - *Primary Beneficiaries to assume full cost responsibility for non-transmission reliability solutions*

NYTOs: (Cont'd)

➤ Other Beneficiaries

- *Those TDs who receive ancillary benefits from the upgrades*
- *Identify TDs who will experience significant de-loading as a result of the reliability upgrade*
 - ▶ Conduct a load flow before and after reliability upgrade
 - ▶ Identify eligibility thresholds for pre-loading and for incremental level of deloading
- *Determine cost allocation based on PV of savings resulting from deferral of a future reliability upgrade]*
 - ▶ Analyze on a case-by-case basis
- *Reduce costs allocated to Primary Beneficiaries by the amount allocated to Other Beneficiaries*

DISCUSSION