

**4/29/04**

**Cost Allocation Principles  
National Grid**

Costs to implement transmission upgrades pursuant to the Comprehensive Regional Planning shall be allocated based on the following principles:

***The methodology should:***

- 1) be accompanied with assurance of cost recovery.
- 2) be defined in advance with clear upfront rules to assign costs to system users.
- 3) minimize case-by-case analysis for each and every upgrades.
- 4) address the concept of “Beneficiaries Pay”.
- 5) consider the multiple benefits of a facility over its full life.
- 6) consider who needs it, who caused the need, who benefits from it
- 7) address free rider issue
- 8) should consider reliability and economic (e.g. congestion relief) considerations
- 9) minimize debate and delays to necessary investment.
- 10) be easy (or at least not unduly complicated) to implement and administer (by NYISO and asset owners)
- 11) provide price certainty to investors and customers over time.
- 12) be perceived as fair and equitable to transmission customers.