

9. Cost Allocation Methodology for Reliability Projects

9.1 Cost Allocation Principles - Costs to implement needed reliability reinforcements pursuant to the Comprehensive Planning Process shall be allocated based on the principle of "beneficiaries pay," where beneficiaries consist of two sets of parties; 1.) those who need the upgrade (Primary Beneficiaries), and 2.) those who receive ancillary benefits, if any, from the upgrade (Other Beneficiaries).

9.2 Responsible Parties - The responsible parties for costs required to fund upgrades required for reliability are the New York State Transmission Owners who have the responsibility to maintain reliability within their transmission districts.¹

9.3 Determination of "Primary Beneficiaries" The Primary Beneficiaries are those transmission districts where the reliability violation resides, and who require the project to maintain acceptable reliability.

9.3.1 The Primary Beneficiaries shall be determined by applying the following rules based on the nature of the reliability violation.

- Locational capacity deficiency (resource adequacy)- The transmission districts within the area in which a locational capacity deficiency exists shall be identified. The transmission districts within this area shall divide the costs on a load ratio share within the area.

- Stability, overload and low voltage violations - The area that is subject to any of the above violations shall be identified, and the transmission districts whose load is contributing to the reliability violation shall be determined. The costs shall be divided between such transmission districts according to their share of the load that contributes to the problem.

- Other violations - Cost allocations for projects required to resolve reliability violations of any other nature shall be determined on a case-by-case basis consistent with the principles identified in 9.1.

All load values used for the determination of cost allocation percentages shall be forecasted on a NYISO coincident peak basis for the year in which the reliability violation is found.

9.3.2 Prior Agreements - The determination of Primary Beneficiaries shall recognize the terms of any prior agreements between TOs that are in effect.

¹ The intent is that the TOs will fund projects needed to meet reliability criteria and recover project costs from applicable load pursuant to the Cost Recovery mechanisms in Section 10.

9.4 Identification of "Other Beneficiaries" - Following the determination of the Primary Beneficiaries for the reliability improvement project, a search shall be conducted to find Other Beneficiaries of the project. "Other Beneficiaries" are defined as those transmission districts, who are not identified as Primary Beneficiaries, whose facilities will experience significant de-loading, in accordance with 9.4.2, as a result of the reliability improvement project such that a meaningful deferral of future reinforcements(s) will be made possible. The determination of Other Beneficiaries is intended to eliminate "free riders", or those parties who receive identifiable benefits from a project without any responsibility for the costs.

9.4.1 A load flow analysis shall be performed to identify the expected system loading patterns both "before" and "after" the reliability improvement project is installed. If the project is intended to relieve a reliability violation under a contingency situation, the load flow analysis shall recognize such contingency.

9.4.2 Individual TO facilities shall be identified that are loaded to at least X % of their summer normal thermal rating before the reliability project is installed and that experience a decrease in loading such that they are loaded to no more than Y % of their summer normal thermal rating after the reliability improvement project is installed. The load flow analysis shall recognize contingency conditions as appropriate. The owners of any such facilities found through this screen shall become candidates for Other Beneficiaries.

Note: the values of X and Y shall be determined later

9.5 Costs Allocated to Other Beneficiaries - Other Beneficiaries shall be allocated a portion of the cost of the project that shall be no more than the present value of the savings expected to accrue to the Other Beneficiaries that may be achievable through a deferral of a future reliability upgrade, required because of load growth or other reliability problems, for the facility(ies) identified in 9.4.2. Such analysis shall be done on a case-by-case basis. The Primary Beneficiaries shall then have their cost allocation reduced accordingly.

9.6 Cost Allocation for Other than Transmission Projects - The Primary Beneficiaries will assume full responsibility for the costs of such a project and a search for Other Beneficiaries shall not be undertaken.

9.7 Negotiated Agreements - Nothing in Section 9 is intended to prevent any potentially affected TOs from achieving a negotiated agreement for cost allocation.

In addition, the following should be added at the end of the first paragraph under 3.2.1:

The NYISO, in determining that there is a reliability need, shall conclude that the reliability need cannot be resolved through changes in unit commitment and dispatch.