

Rate Schedule 1 – June 2000

- The Rate Schedule 1 charge for the month of June 2000 is \$.94 per megawatt-hour.

Summary Statement:

1. Cost Components

	<u>\$ Million</u>
One twelfth of the NYISO Year 2000 Operating Budget -----	5.268
Amortization of NYISO Start-Up Costs -----	.942
Provision for May billing variables; primarily bid production cost guarantees-----	7.489
	\$13.699

2. Rate Derivation

The \$13.699 million is divided by an estimated 14.573 million megawatt-hours to be billed in June.

- $\$13.699 / 14.573 = \$.94$

Explanation of Calculation:

In the posting of the May 2000 Rate Schedule 1 charge, the NYISO indicated that it would make every effort to stabilize the Rate Schedule 1 charge at \$.44 for the remainder of the year; as indicated in the May posting, the NYISO considered several factors in weighing its ability to stabilize the rate at the \$.44 level.

One of the more significant factors delineated in the May Rate Schedule 1 posting was that the net billing variables, including bid production cost guarantees, had produced a positive contribution to cash flow for the prior three months. Unfortunately, due to the sudden and extreme heat wave that hit New York on May 8-9, 2000, in conjunction with an under-bid of energy requirements by the load serving entities on those days, the bid production cost guarantees for the Day-Ahead market increased significantly in comparison to the prior three months. This increase in bid production cost guarantee payments for the month of May, at the current time, is projected to significantly diminish the NYISO's working capital reserve and may require a draw on the NYISO's revolving credit line.

This situation has been carefully reviewed with the NYISO Board of Directors, and the NYISO has determined that in order to minimize the potential for having to short pay energy market suppliers, it is prudent to increase the Rate Schedule 1 charge to \$.94 for June, 2000.

NYISO's Board of Directors and Staff reviewed the circumstances leading to the decision to increase the June Rate Schedule 1 charge with the Management Committee's Board Liaison Committee on May 16, 2000, and with the Business Issues Committee on May 18, 2000.

At the Business Issues Committee meeting on May 18, 2000, NYISO Staff suggested that the Business Issues Committee request its Billing and Accounting Working Group to work with NYISO Staff to evaluate the alternatives for reducing the uncertainty associated with Rate Schedule 1 charges in the future.

Although the NYISO is unable to predict what the July Rate Schedule 1 charge will be, NYISO staff will continue to make every effort to moderate Rate Schedule 1 fluctuations and to post the Rate Schedule 1 charge as far in advance as practical.

The NYISO Staff extends its gratitude to all market participants for their continued support and confidence in the New York market, and continued prompt payment of invoices. The NYISO staff is committed to the development of a stable and liquid market in New York, and being responsive to market participants in that regard.

