

**DRAFT – FOR DISCUSSION PURPOSES ONLY**  
**For discussion at April 2019 Management Committee Meeting**

**6 Schedules**

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**6.1 Schedule 1 - ISO Annual Budget Charge and Other Non-Budget Charges and Payments**

**6.1.1 Introduction**

The ISO shall bill each Transmission Customer each Billing Period to recover the ISO's annual budgeted costs as set forth in Section 6.1.2 of this Rate Schedule 1.

The ISO shall separately bill each Transmission Customer under this Rate Schedule 1 for certain other charges and payments not related to the ISO annual budget charge. Specifically, the ISO shall bill each Transmission Customer on a quarterly basis to recover NERC and NPCC charges and on a Billing Period basis to recover FERC charges as set forth in Sections 6.1.3 and 6.1.15 respectively of this Rate Schedule 1. The ISO shall also bill each Transmission Customer each Billing Period to recover the following costs or allocate the following received payments under this Rate Schedule 1:

- (i) bad debt loss charges as set forth in Section 6.1.4;
- (ii) Working Capital Fund charges as set forth in Section 6.1.5;
- (iii) non-ISO facilities payment charges as set forth in Section 6.1.6;
- (iv) charges to recover costs for payments made to Suppliers pursuant to incremental cost recovery for units that responded to Local Reliability Rules I-R3 and I-R5 as set forth in Section 6.1.7;
- (v) charges to recover and payments to allocate residual costs as set forth in Section 6.1.8;
- (vi) charges for Special Case Resources and Curtailment Service Providers called to meet reliability needs as set forth in Section 6.1.9;
- (vii) charges to recover DAMAP costs as set forth in Section 6.1.10;

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- (viii) charges to recover Import Curtailment Guarantee Payment costs as set forth in Section 6.1.11;
- (ix) charges to recover Bid Production Cost guarantee payment costs as set forth in Section 6.1.12;
- (x) charges to recover and payments to allocate settlements of disputes as set forth in Section 6.1.13; and
- (xi) payments to allocate financial penalties collected by the ISO as set forth in Section 6.1.14.

Transmission Customers who are retail access customers being served by an LSE shall not pay these charges to the ISO; the LSE shall pay these charges.

**6.1.2 ISO Annual Budget Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the ISO's recovery of its annual budgeted costs. The ISO annual budgeted costs that are recoverable through this Rate Schedule 1 are set forth in Section 6.1.2.1 of this Rate Schedule 1. The ISO shall calculate the charge for the recovery of these ISO annual budgeted costs from each Transmission Customer on the basis of its participation in physical market activity as indicated in Section 6.1.2.2 of this Rate Schedule 1. The ISO shall calculate this charge for each Transmission Customer on the basis of its participation in non-physical market activity, the Special Case Resource program, and the Emergency Demand Response program as indicated in Section 6.1.2.4 of this Rate Schedule 1. The ISO shall use the revenue collected through Section 6.1.2.4 of this Rate Schedule 1 to recover any of its annual budgeted costs for the immediately preceding calendar year that it has not already recovered under Section 6.1.2.2 of this Rate Schedule for that year. The ISO shall credit any additional revenue collected through Section

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6.1.2.4 of this Rate Schedule 1 for the remainder of the calendar year to each Transmission Customer on the basis of its physical market activity as indicated in Section 6.1.2.5 of this Rate Schedule 1.

**6.1.2.1 ISO Annual Budgeted Costs**

The ISO annual budgeted costs to be recovered through Section 6.1.2 of this Rate Schedule 1 include, but are not limited to, the following costs associated with the operation of the NYS Transmission System by the ISO and the administration of the ISO Tariffs and ISO Related Agreements by the ISO:

- Processing and implementing requests for Transmission Service including support of the ISO OASIS node;
- Coordination of Transmission System operation and implementation of necessary control actions by the ISO and support for these functions;
- Performing centralized security constrained dispatch to optimally re-dispatch the NYS Power System to mitigate transmission Interface overloads and provide balancing services;
- Costs related to the ISO's administration and operation of the LBMP market and all other markets administered by the ISO;
- Costs related to the ISO's administration of Control Area Services;
- Costs related to the ISO's administration of the ISO's Market Power Mitigation Measures and the ISO's Market Monitoring Plan;
- Costs related to the maintenance of reliability in the NYCA;
- Costs related to the provision of Transmission Service;
- Preparation of settlement statements;
- NYS Transmission System studies, when the costs of the studies are not recoverable from a Transmission Customer;
- Engineering services and operations planning;
- Data and voice communications network service coordination;
- Metering maintenance and calibration scheduling;
- Record keeping and auditing;
- Training of ISO personnel;

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- Development and maintenance of information, communication and control systems;
- Professional services;
- Carrying costs on ISO assets, capital requirements and debts;
- Tax expenses, if any;
- Administrative and general expenses;
- Insurance premiums and deductibles related to ISO operations;
- Any indemnification of or by the ISO pursuant to Section 2.11.2 of this ISO OATT or Section 12.4 of the Services Tariff;
- Regulatory fees; and
- The ISO's share of the expenses of Northeast Power Coordinating Council, Inc. or its successor.

**6.1.2.2 Calculation of the ISO Annual Budget Charge for Transmission Customers Participating in Physical Market Activity**

The ISO shall charge, and each Transmission Customer that participates in physical market activity shall pay, an ISO annual budget charge each Billing Period as calculated according to the following formula.

*ISO Annual Budget Charge<sub>c,P</sub>*

$$= \left( InjectionUnits_{c,P} * \left( 0.28 * \frac{ISOCosts_{Annual}}{TotalEstWithdrawalUnits_{Annual}} \right) \right) + \left( WithdrawalUnits_{c,P} * \left( 0.72 * \frac{ISOCosts_{Annual}}{TotalEstWithdrawalUnits_{Annual}} \right) \right)$$

Where:

*c* = Transmission Customer.

*P* = The relevant Billing Period.

*ISO Annual Budget Charge<sub>c,P</sub>* = The amount, in \$, of the ISO annual budgeted costs for which Transmission Customer *c* is responsible for Billing Period *P*.

*ISOCosts<sub>Annual</sub>* = The sum, in \$, of the ISO's annual budgeted costs for the current calendar year.

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*InjectionUnits<sub>c,P</sub>* = The Injection Billing Units, in MWh, for Transmission Customer *c* in Billing Period *P*, except for Scheduled Energy Injections at a CTS Enabled Interface with ISO New England resulting from Imports that are not associated with wheels through New England.

*WithdrawalUnits<sub>c,P</sub>* = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in Billing Period *P*, except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

*TotalEstWithdrawalUnits<sub>Annual</sub>* = The sum, in MWh, of estimated Withdrawal Billing Units for all Transmission Customers in the current calendar year as determined by the ISO in the summer prior to the current calendar year, except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

**6.1.2.3 Review and Modification of the ISO Annual Budget Charge Allocation Methodology**

The current 72%/28% cost allocation methodology between Withdrawal Billing Units and Injection Billing Units for the ISO annual budget charge shall remain unchanged through at least December 31, 2016 and shall continue to remain unchanged until such point in time that a study is conducted and the results of the study warrant changing the 72%/28% cost allocation. The following provisions prescribe the process and timeline for the review and, if warranted by the results of a future study, modification of the 72%/28% cost allocation on a going forward basis:

- (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

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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.
- (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

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applied to the Management Committee vote in the third calendar quarter of 2016 discussed in (ii) above.

- (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.

**6.1.2.4 Calculation of the ISO Annual Budget Charge for Transmission Customers Participating in Non-Physical Market Activity, the Special Case Resource Program, or the Emergency Demand Response Program**

**6.1.2.4.1 Charge for Transmission Customers Engaging in Virtual Transactions**

The ISO shall charge, and each Transmission Customer that has its virtual bids accepted and thereby engages in Virtual Transactions shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$VTCharge_{c,P} = VTRate * VTCleared_{c,P}$$

Where:

$c$  = Transmission Customer.



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$P$  = The relevant Billing Period.

$VTCharge_{c,P}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for Billing Period  $P$ .

$VTRate$  = For calendar year 2012, the applicable rate shall be \$0.0871 per cleared MWh of Virtual Transactions, based on a \$2.6 million projected 2012 annual revenue requirement. For calendar years following 2012, the applicable rate shall be calculated in accordance with the formula set forth in Section 6.1.2.4.4 of this Rate Schedule 1.

$VTcleared_{c,P}$  = The total cleared Virtual Transactions, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

**6.1.2.4.2 Charge for Transmission Customers Purchasing Transmission Congestion Contracts**

The ISO shall charge, and each Transmission Customer that purchases Transmission Congestion Contracts - excluding Transmission Congestion Contracts that are created prior to January 1, 2010 - shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$TCCCharge_{c,P} = TCCRate * TCCSettled_{c,P}$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$TCCCharge_{c,P}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for Billing Period  $P$ .

$TCCRate$  = For calendar year 2012, the applicable rate shall be \$0.0372 per settled MWh of Transmission Congestion Contracts, based on a \$4.9 million projected 2012 annual revenue requirement. For calendar years following 2012, the applicable rate shall be calculated in accordance with the formula set forth in Section 6.1.2.4.4 of this Rate Schedule 1.

$TCCSettled_{c,P}$  = The total settled Transmission Congestion Contracts, excluding Transmission Congestion Contracts created prior to January 1, 2010, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

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**6.1.2.4.3 Charge for Transmission Customers Participating in the Special Case Resource Program or , Emergency Demand Response Program**

The ISO shall charge, and each Transmission Customer that participates in the ISO's Special Case Resources program, its Emergency Demand Response program shall pay, a charge for such activity each Billing Period as calculated according to the following formula.

$$SCR \text{ and } EDR \text{ Charge}_{c,P} = DRInjections_{c,P} * \left( 0.28 * \frac{ISOCosts_{Annual}}{TotalEstWithdrawalUnits_{Annual}} \right)$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$SCR \text{ and } EDR \text{ Charge}_{c,P}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for Billing Period  $P$ .

$DRInjections_{c,P}$  = The total Load reduction, in MWh, measured and compensated during testing or an actual event for Transmission Customer  $c$  in Billing Period  $P$ .

$ISOCosts_{Annual}$  = The sum, in \$, of the ISO's annual budgeted costs in the current calendar year.

$TotalEstWithdrawalUnits_{Annual}$  = The sum, in MWh, of estimated Withdrawal Billing Units for all Transmission Customers in the current calendar year as determined by the ISO in the summer prior to the current calendar year, except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

**6.1.2.4.4 Re-setting of Rate for Virtual Transaction and Transmission Congestion Contracts Related Charges**

For each calendar year after calendar year 2012, the ISO shall use the following formula to calculate (i) the rate for the charge to Transmission Customers engaging in Virtual Transactions as determined in Section 6.1.2.4.1 of this Rate Schedule 1, and (ii) the rate for the

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charge to Transmission Customers purchasing Transmission Congestion Contracts as determined in Section 6.1.2.4.2 of this Rate Schedule 1.

$$\text{ResetRate} = \frac{\text{AnnRevRequirement} - \text{Over/UnderCollection}}{\text{3YearRollingAvgBillUnits}}$$

Where:

*ResetRate* = For each calendar year after calendar year 2012, this rate will be used for either (i) the *VTRate* in the formula in Section 6.1.2.4.1 of this Rate Schedule 1, or (ii) the *TCCRate* in the formula in Section 6.1.2.4.2 of this Rate Schedule 1.

*AnnRevRequirement* = The product, in \$, of (i) the prior year's annual revenue requirement for either (A) Virtual Transaction market activity or (B) Transmission Congestion Contract market activity, and (ii) an escalation factor. The ISO shall calculate the escalation factor as the percentage change in the ISO budget between (i) the ISO budget for the calendar year two years prior to the current calendar year ("Calendar Year Minus 2") and (ii) the ISO budget for the calendar year one year prior to the current calendar year ("Calendar Year Minus 1").

*Over/Under Collection* = The ISO shall calculate the amount, in \$, that it has over or under collected for the prior year's annual revenue requirement for either (A) Virtual Transaction market activity or (B) Transmission Congestion Contract market activity, as the case may be, as follows: (i) The ISO shall divide the annual revenue requirements for the applicable market activity for Calendar Year Minus 2 and for Calendar Year Minus 1 into twelve equal monthly revenue requirements for each of these calendar years. (ii) The ISO shall then calculate the amount of revenue, in \$, that it over or under collected for each of the months from July of Calendar Year Minus 2 through June of Calendar Year Minus 1, which shall be calculated as (a) the revenue amount, in \$, that the ISO collected for each month for the applicable market activity, minus (b) the monthly revenue requirement, in \$, for that month as determined above. If the result of this calculation is positive, then the ISO overcollected for that month. If the result of this calculation is negative, then the ISO undercollected for that month. (iii) The ISO shall then calculate the total over or under collection amount, in \$, for the period of July of Calendar Year Minus 2 through June of Calendar Year Minus 1, which shall be equal to (a) the sum, in \$, of the revenue that the ISO overcollected for each month during this period (i.e., the sum of the positive monthly results determined above), minus (b) the sum, in \$, of the absolute value of the revenue that the ISO undercollected for each month during this period (i.e., the sum of the absolute value of the negative monthly results determined above).

*3YearRollingAvgBillUnits* = The ISO shall calculate the three year rolling average of billing units, in MWh, using twelve-month averages of the appropriate billing units for the period between July of the calendar year four years prior to the current calendar year ("Calendar Year Minus 4") and June of Calendar Year Minus 1.

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The annual rate computed through the formula in this Section 6.1.2.4.4 shall be subject to a 25% maximum increase or decrease for each year.

**6.1.2.5 Credit for Transmission Customers Participating in Physical Market Activity After Recovery of ISO Annual Budgeted Costs or Actual Costs for the Preceding Year**

The ISO shall use the revenue collected each Billing Period pursuant to Section 6.1.2.4 of this Rate Schedule 1 to recover the lower of: (i) its annual budgeted costs for the immediately preceding calendar year; or (ii) its actual costs for the immediately preceding calendar year, which it has not already recovered under Section 6.1.2 of this Rate Schedule for that year. Once it has recovered its annual budgeted costs or actual costs for the immediately preceding calendar year, the ISO shall distribute each Billing Period for the remainder of the calendar year any additional revenue collected pursuant to Section 6.1.2.4 of this Rate Schedule to each Transmission Customer that participates in physical market activity as calculated according to the following formula.

$$\begin{aligned} \text{ISO Annual Budget Credit}_{c,P} &= \left( \text{NonPhysicalActivityRevenue}_P * \left( 0.28 * \frac{\text{InjectionUnits}_{c,P}}{\text{TotalInjectionUnits}_P} \right) \right) \\ &+ \left( \text{NonPhysicalActivityRevenue}_P * \left( 0.72 * \frac{\text{WithdrawalUnits}_{c,P}}{\text{TotalWithdrawalUnits}_P} \right) \right) \end{aligned}$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$\text{ISO Annual Budget Credit}_{c,P}$  = The amount, in \$, that Transmission Customer  $c$  will receive for Billing Period  $P$ .

$\text{NonPhysicalActivityRevenue}_P$  = The sum, in \$, of the revenue collected by the ISO for Billing Period  $P$  through the charges to Transmission Customers for non-physical market

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activity as calculated in Section 6.1.2.4 of this Rate Schedule 1, less the amount the ISO is using to recover the annual budgeted costs or actual costs for the immediately preceding calendar year that it did not recover 1) under Section 6.1.2.2 of this Rate Schedule for that year or 2) through NonPhysicalActivityRevenue previously used for this purpose in the current calendar year provided, however,  $NonPhysicalActivityRevenue_p$  shall not be less than zero

$InjectionUnits_{c,P}$  = The Injection Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ , except for Scheduled Energy Injections at a CTS Enabled Interface with ISO New England resulting from Imports that are not associated with wheels through New England.

$WithdrawalUnits_{c,P}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ , except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

$TotalInjectionUnits_P$  = The sum, in MWh, of Injection Billing Units for all Transmission Customers in Billing Period  $P$ , except for Scheduled Energy Injections at a CTS Enabled Interface with ISO New England resulting from Imports that are not associated with wheels through New England.

$TotalWithdrawalUnits_P$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in Billing Period  $P$ , except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England

Following the end of calendar year 2017, the ISO shall review the credits that have been made to Transmission Customers participating in physical market activity pursuant to this Section 6.1.2.5 and shall present the results of its review to Market Participants for comment.

### **6.1.3 NERC and NPCC Charges**

The ISO receives an invoice from NERC and NPCC (as defined below) on a quarterly basis for the recovery of the upcoming calendar quarter's costs related to the dues, fees, and related charges of:

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- (i) the NERC for its service as the Electric Reliability Organization for the United States (“ERO”), recovered pursuant to FERC Docket Nos. RM05-30-000, RR06-1-000 and RR06-3-000 and related dockets, and
- (ii) the Northeast Power Coordinating Council: Cross-Border Regional Entity, Inc. (“NPCC”), or its successors, incurred to carry out functions that are delegated by the NERC and that are related to ERO matters pursuant to Section 215 of the FPA.

The ISO shall charge on a quarterly basis, and each Transmission Customer taking service under the ISO Tariffs shall pay, a charge for the recovery of the NERC and NPCC costs in accordance with Section 6.1.3.1 of this Rate Schedule 1.

Notwithstanding any applicable provisions of this ISO OATT or of the ISO Services Tariff, the ISO may supply to NERC the name of any LSE failing to pay any amounts due to NERC and the amounts not paid.

**6.1.3.1 Calculation of NERC and NPCC Charges**

The ISO shall charge, and each Transmission Customer shall pay, a charge on a quarterly basis to recover the NERC and NPCC costs invoiced to the NYISO by NERC and NPCC for the upcoming calendar quarter. This charge shall be calculated according to the following formula.

$$NERC\&NPCC\ Charge_{c,Q} = NERC\&NPCC\ Costs_Q * \frac{TUWithdrawalUnits_{c,M}}{TUTotalWithdrawalUnits_M}$$

Where:

$c$  = Transmission Customer.

$Q$  = The relevant calendar quarter, for which the NERC and NPCC costs apply.

$NERC\&NPCC\ Charge_{c,Q}$  = The amount of the NERC and NPCC costs invoiced to the ISO, in \$, for which Transmission Customer  $c$  is responsible for calendar quarter  $Q$ .

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$NERC\&NPCCCosts_Q$  = The NERC and NPCC costs, in \$, invoiced to the ISO for calendar quarter  $Q$ .

$M$  = The month in which the ISO charges Transmission Customers to recover NERC and NPCC costs for calendar quarter  $Q$ .

$TUWithdrawalUnits_{c,M}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in its four-month true-up invoice that is issued with its regular monthly invoice in month  $M$ , except for Withdrawal Billing Units for Wheels Through and Exports.

$TUTotalWithdrawalUnits_M$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in their four-month true-up invoices that are issued with their regular monthly invoices in month  $M$ , except for Withdrawal Billing Units for Wheels Through and Exports.

In calculating the Withdrawal Billing Units for this NERC and NPCC charge, the ISO shall use the LSE bus meter data that have been submitted by the meter authorities for use in the calculation of the four-month true-up of the Transmission Customer's monthly invoice pursuant to Sections 7.4.1.1.2 and 7.4.1.1.3 of the ISO Services Tariff and Sections 2.7.4.2.1(ii) and 2.7.4.2.1(iii) of this ISO OATT. This calculation of the NERC and NPCC charge shall not be subject to correction or adjustment.

#### **6.1.4 Bad Debt Loss Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of bad debt losses in accordance with the methodology established in Attachment U of this ISO OATT.

#### **6.1.5 Working Capital Fund Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the collection and maintenance of the Working Capital Fund in accordance with the methodology established in Attachment V of this ISO OATT.

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**6.1.6 Non-ISO Facilities Payment Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge in accordance with Section 6.1.6.5 of this Rate Schedule 1 for the recovery of the costs of the ISO's monthly payments to the owners of facilities that are needed for the economic and reliable operation of the NYS Transmission System. At present, the ISO makes such payments to:

- (i) Consolidated Edison Co. of New York, Inc. for the purchase, installation, operation, and maintenance of phase angle regulators at the Hopatcong-Ramapo Interconnection between the ISO and PJM Interconnection, LLC (the "Ramapo PARs Charge"), and
- (ii) Rochester Gas & Electric Corporation for the installation of a 135 MVAR Capacitor Bank at Rochester Station 80 on the cross-state 345 kV system.

**6.1.6.1 Calculation of the Ramapo PARs Charge**

The Ramapo PARs Charge is the Consolidated Edison Co. of New York ("Con Edison") component of the *NonISOFacilitiesCosts* defined in Section 6.1.6.5 below. Con Edison shall calculate the Ramapo PARs Charge using the procedures described in the 1993 PARs Facilities Agreement that was accepted for filing by FERC in Docket No. ER93-640-000 on May 10, 1993 (the "1993 Agreement"), irrespective of the effectiveness of the 1993 Agreement. The costs Con Edison may include in the Ramapo PARs Charge are limited to the categories of costs that are eligible for recovery under the 1993 Agreement, and by the rules in this Section.

In order to permit the replacement of the Ramapo 3500 PAR that failed in June of 2016 without further delay, commencing on July 1, 2017 Transmission Customers will begin reimbursing Con Edison for up to 100% of the costs Con Edison incurred or incurs to purchase



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and install a replacement for the 3500 PAR, and up to 100% of the going-forward costs Con Edison incurs to operate and maintain the 3500 PAR.

With regard to the Ramapo PAR installed in and in service since 2013 (“Installed PAR”), Con Edison shall not submit a Ramapo PARs Charge that would cause Transmission Customers to pay more than 50% of the costs Con Edison submitted for inclusion in the *Non-ISO Facilities Payment Charge* for the Installed PAR prior to July 1, 2017. Subject to the foregoing restriction, in order to permit the continued operation of the Ramapo Installed PAR, commencing on July 1, 2017, Transmission Customers will reimburse Con Edison for up to 100% of Con Edison’s going-forward cost of purchasing, installing, operating and maintaining the Installed PAR.

If PJM Interconnection, LLC (“PJM”), on behalf of some or all of its customers, assumes an obligation to pay a portion of the Ramapo PARs Charge, then the obligation of Transmission Customers to pay the Ramapo PARs Charge shall be reduced consistent with the obligation that PJM Interconnection, LLC assumes.

**6.1.6.2 Transparency of the Ramapo PARs Charge**

The ISO shall post on its web site the itemized monthly bill (for the preceding month) that Con Edison develops and submits to the ISO in accordance with Section 2.4 of the 1993 Agreement. The itemized monthly bill determines the Ramapo PARs Charge.

No later than August 1 of each year Con Edison shall prepare and the ISO shall post on its website an estimate of the monthly costs and expenses associated with the Ramapo PARs for the next calendar year and for each of the four subsequent years.

Con Edison shall maintain books and records related to its calculation of Ramapo PARs Charge, including costs incurred. Such books and records shall be subject to review by any New York Transmission Customer at reasonable intervals during normal business hours.

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**6.1.6.3 Refund of the Ramapo PARs Charge to Transmission Customers**

To the extent Transmission Customers paid more than 50% of the Ramapo PARs Charge for a Billing Period, they shall be eligible to receive a refund if and to the extent Con Edison's cost recovery exceeds 100% of the Ramapo PARs Charge for that Billing Period.

If PJM, or one or more PJM transmission owners, submit(s) a payment to the ISO covering Ramapo PARs Charges assessed by Con Edison for a past period that is on or after July 1, 2017, and the conditions set forth in the first paragraph of this Section 6.1.6.3 are satisfied, then appropriate refunds shall be paid to Transmission Customers in accordance with the rules set forth below.

If PJM or any of the PJM transmission owners submit payments to Con Edison covering Ramapo PARs Charges assessed by Con Edison on or after July 1, 2017 and the conditions set forth in the first paragraph of this Section 6.1.6.3 are satisfied, then Con Edison shall refund to the ISO any amounts it received in excess of 100% of the Ramapo PARs Charge for a Billing Period and the ISO shall distribute the refund it receives from Con Edison in accordance with the rules set forth below.

If the ISO receives a refund from Con Edison, or a payment from PJM or from one or more PJM transmission owners related to the Ramapo PARs Charge, then the ISO shall refund the amount received to its Transmission Customers as soon as practicable. Refunds shall be allocated to each Transmission Customer based on its market participation in the Billing Period during which refunds are issued, using the same load ratio share basis that the ISO uses to allocate the *NonISOFacilitiesCosts* charges to Transmission Customers. Interest paid to the ISO shall be allocated to each Transmission Customer in the same manner as refunds are allocated.

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**6.1.6.4 Retirement and Replacement of the Ramapo PARs**

If either of the Ramapo PARs described in Section 6.1.6.1 fail and are not reparable, or are retired with the consent of the ISO, then the original cost of the facilities retired shall be deducted from the gross plant in service and any unrecovered book cost shall be increased by the cost of removal and reduced by any salvage value, tax benefits, and insurance proceeds. The net balance shall be billed to the ISO for payment to Con Edison in a lump sum in accordance with the calculation, transparency, and cost allocation provisions applicable to the Ramapo PARs Charge.

If either of the Ramapo PARs described in Section 6.1.6.1 are damaged or condemned, the ISO may direct Con Edison to repair or replace them, provided that: (1) the costs of such repair or replacement net any insurance proceeds shall be recovered by Con Edison in accordance with the calculation, transparency, and cost allocation provisions applicable to the Ramapo PARs Charge; (2) Con Edison shall be the sole party responsible for determining whether a repair or replacement is in accordance with good utility practice; and (3) the schedule for any such repair or replacement shall be determined by Con Edison based on reliability considerations.

**6.1.6.5 Calculation of Non-ISO Facilities Payment Charge**

**6.1.6.5.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Section 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a non-ISO facilities payment charge for each Billing Period. This charge shall be equal to the sum

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of the hourly non-ISO facilities payment charges for the Transmission Customer, as calculated according to the following formula, for each hour in the relevant Billing Period.

$$\text{Non-ISO Facilities Payment Charge}_{c,h} = \frac{\text{NonISOFacilitiesCost}_M}{N} * \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$M$  = The relevant month.

$h$  = A given hour in the relevant Billing Period in month  $M$ .

$N$  = Total number of hours  $h$  in month  $M$ .

$\text{Non-ISO Facilities Payment Charge}_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$ .

$\text{NonISOFacilitiesCosts}_M$  = The sum, in \$, of the ISO's bills for month  $M$  for the non-ISO facilities from (i) Consolidated Edison Co. of New York (less the portion, if any, of such bill paid by PJM Interconnection, LLC) and (ii) Rochester Gas and Electric Corporation.

$\text{WithdrawalUnits}_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

$\text{TotalWithdrawalUnits}_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

**6.1.6.5.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Section 5 of this ISO OATT.**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a non-ISO facilities payment charge for each Billing Period. This charge shall be equal to the sum of the

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daily non-ISO facilities payment charges for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

$$\text{Non-ISO Facilities Payment Charge}_{c,d} = \frac{\text{NonISOFacilitiesCosts}_M}{N} * \frac{\text{StationPower}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

$d$  = A given day in the relevant Billing Period in month M.

$N$  = Number of days  $d$  in month M.

$\text{StationPower}_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  used to supply Station Power as a third-party provider for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.6.5.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.6.5.2 shall be determined for day  $d$ .

**6.1.6.5.3 Non-ISO Facilities Payment Credit**

The ISO shall credit each Transmission Customer based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the non-ISO facilities payment charge under Section 6.1.6.5.2 of this Rate Schedule 1 for each Billing Period. This credit shall be equal to the sum of daily payments for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

$$\text{Non-ISO Facilities Payment Credit}_{c,d} = \text{NonISOFacPayCharge}_d * \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

$d$  = A given day in the relevant Billing Period.

$\text{Non-ISO Facilities Payment Credit}_{c,d}$  = The amount, in \$, that Transmission Customer  $c$  will receive for day  $d$ .

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*NonISOFacPayCharge<sub>d</sub>* = The sum of non-ISO facilities payment charges, in \$, for all Transmission Customers as calculated in Section 6.1.6.5.2 of this Rate Schedule 1 for day *d*.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.6.5.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.6.5.3 shall be determined for day *d*.

**6.1.7 Charge to Recover Payments Made to Suppliers Pursuant to Incremental Cost Recovery for Units Responding to Local Reliability Rules I-R3 and I-R5**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a charge for the recovery of the costs of payments to Suppliers pursuant to the incremental cost recovery for units that responded to either (i) Local Reliability Rule I-R3 or (ii) Local Reliability Rule I-R5, as applicable, for each Billing Period. This charge shall be equal to the sum of the daily charges for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period. The ISO shall perform this calculation separately to recover as applicable either (i) the payment costs related to Local Reliability I-R3, or (ii) the payment costs related to Local Reliability Rule I-R5.

$$\text{Local Reliability Rules Payment Recovery Charge}_{c,d} = \text{LRRPayment}_d * \frac{\text{TDWithdrawal}_{c,d}}{\text{TDTotalWithdrawalUnits}_d}$$

Where:

*c* = Transmission Customer.

*d* = A given day in the relevant Billing Period.

*Local Reliability Rules Payment Recovery Charge<sub>c,d</sub>* = The amount, in \$, for which Transmission Customer *c* is responsible for day *d*.

*LRRPayment<sub>d</sub>* - The amount, in \$, paid in day *d* to Suppliers pursuant to the incremental cost recovery for units that responded, as applicable, to either (i) Local Reliability Rule I-R3 in the Consolidated Edison Transmission District or (ii) Local Reliability Rule I-R5 in the LIPA Transmission District.

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$TDWithdrawalUnits_{c,d}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in day  $d$  in either (i) the Consolidated Edison Transmission District (in the case of Local Reliability Rule I-R3) or (ii) the LIPA Transmission District (in the case of Local Reliability Rule I-R5), except for the Withdrawal Billing Units to supply Station Power as a third-party provider.

$TDTotalWithdrawalUnits_d$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day  $d$  in either (i) the Consolidated Edison Transmission District (in the case of Local Reliability Rule I-R3) or (ii) the LIPA Transmission District (in the case of Local Reliability Rule I-R5), except for the Withdrawal Billing Units to supply Station Power as third-party providers.

**6.1.8 Residual Costs Payment/Charge**

The ISO's payments for market transactions by Transmission Customers will not equal the ISO's payments to Suppliers for market transactions. Part of the difference consists of Day-Ahead Congestion Rent. The remainder comprises a residual adjustment, which the ISO shall calculate and each Transmission Customer shall receive or pay on the basis of its Withdrawal Billing Units. The most significant component of the residual adjustment is the residual costs payment or charge calculated in accordance with Section 6.1.8.1 of this Rate Schedule 1.

**6.1.8.1 Calculation of Residual Costs Payment/Charge**

**6.1.8.1.1 Transmission Customers Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Section 5 of this ISO OATT**

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a residual costs payment or a residual costs charge for each Billing Period. The payment or charge for the relevant Billing Period shall be equal to (i) the sum of the hourly residual costs payments for the Transmission Customer as calculated according to the following formula for each hour in the relevant Billing Period, minus (ii) the sum of the hourly residual costs charges for the

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Transmission Customer as calculated in the following formula for each hour in the relevant Billing Period. If the result of this determination is positive, the ISO shall pay the Transmission Customer a residual costs payment for the relevant Billing Period. If the result of this determination is negative, the ISO shall charge the Transmission Customer a residual costs charge for the relevant Billing Period.

$$Residual\ Costs\ Payment/Charge_{c,h} = (CustomerPayments_h - ISOPayments_h) * \frac{WithdrawalUnits_{c,h}}{TotalWithdrawalUnits_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

$Residual\ Costs\ Payment/Charge_{c,h}$  = The amount, in \$, for hour  $h$  that Transmission Customer  $c$  will receive (if positive) or for which Transmission Customer  $c$  is responsible (if negative).

$WithdrawalUnits_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

$TotalWithdrawalUnits_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

$CustomerPayments_h$  = The ISO's receipts, in \$, for each hour  $h$  from Transmission Customers that equal the sum of the following components, which could be either positive or negative amounts:

- (i) payments of the Energy component and Marginal Losses Component of LBMP for Energy scheduled in the LBMP Market in hour  $h$  in the Day-Ahead Market;



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- (ii) payments of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy purchased in the Real-Time LBMP Market for hour  $h$  that was not scheduled Day-Ahead;
- (iii) payments of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy by Suppliers that provided less Energy in the real-time dispatch for hour  $h$  than they were scheduled Day-Ahead to provide in hour  $h$  for the LBMP Market;
- (iv) the Marginal Losses Component of the TUC payments made in accordance with this ISO OATT for Bilateral Transactions that were scheduled in hour  $h$  in the Day-Ahead Market; and
- (v) the Marginal Losses Component and Congestion Component of the real-time TUC payments made in accordance with this ISO OATT for Bilateral Transactions that were not scheduled in hour  $h$  in the Day-Ahead Market.
- (vi) the M2M settlement between the ISO and PJM Interconnection, L.L.C. for hour  $h$ , determined in accordance with Section 8 of Schedule D to Attachment CC to this ISO OATT.

$ISOPayments_h$  = The ISO's payments, in \$, in each hour  $h$  to Suppliers that equal the sum of the following components, which could be either positive or negative amounts:

- (i) payments of the Energy component and Marginal Losses Components of LBMP for Energy to Suppliers that were scheduled to provide in the LBMP Market in hour  $h$  in the Day-Ahead Market;
- (ii) payments to Suppliers of the Energy component, Marginal Losses Component, and Congestion Component of LBMP for Energy, not including for Demand Reductions, provided to the ISO in the Real-Time Dispatch for hour  $h$  that those

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Suppliers were not scheduled to provide Energy in hour h in the Day-Ahead Market;

- (iii) payments of the Energy component and Marginal Losses Component of LBMP for Energy to LSEs that consumed less Energy in the real-time dispatch than those LSEs were scheduled Day-Ahead to consume in hour h; and
- (iv) payments of the Marginal Losses Component and Congestion Component of the real-time TUC to Transmission Customers that reduced their Bilateral Transaction schedules for hour h after the Day-Ahead Market.

**6.1.8.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Section 5 of this ISO OATT.**

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a residual costs payment or a residual costs charge for each Billing Period. The payment or charge for the relevant Billing Period shall be equal to (i) the sum of the daily residual costs payments for the Transmission Customer as calculated according to the following formula for each day in the relevant Billing Period, minus (ii) the sum of the daily residual costs charges for the Transmission Customer as calculated in the following formula for each day in the relevant Billing Period. If the result of this determination is positive, the ISO shall pay the Transmission Customer a residual costs payment for the relevant Billing Period. If the result of this determination is negative, the ISO shall charge the Transmission Customer a residual costs charge for the relevant Billing Period.

$$Residual\ Costs\ Payment/Charge_{c,d} = \frac{(CustomerPayments_d - ISOPayments_d)}{TotalWithdrawalUnits_d} * StationPower_{c,d}$$

Where:

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$d$  = A given day in the relevant Billing Period.

$StationPower_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  that it used to supply Station Power as a third-party provider for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.8.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.8.1.2 shall be determined for day  $d$ .

**6.1.8.1.3 Residual Costs Adjustment**

The ISO shall calculate, and each Transmission Customer shall receive or pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a residual costs adjustment for each Billing Period. This adjustment shall be equal to the sum of the daily adjustments (positive and negative) for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period. If the summed amount is positive for the Billing Period, the ISO shall pay the Transmission Customer the adjustment amount. If the summed amount is negative for the Billing Period, the ISO shall charge the Transmission Customer the adjustment amount.

$$Residual\ Costs\ Adjustment_{c,d} = ResidCharge/PaymentCosts_d * \frac{WithdrawalUnits_{c,d}}{TotalWithdrawalUnits_d}$$

Where:

$d$  = A given day in the relevant Billing Period.

$Residual\ Costs\ Adjustment_{c,d}$  = The amount, in \$, for day  $d$  that Transmission Customer  $c$  will receive (if positive) or for which Transmission Customer  $c$  is responsible (if negative).

$ResidCharge/PaymentCosts_d$  = (i) If Transmission Customers were responsible for a residual costs charge for day  $d$  pursuant to Section 6.1.8.1.2 of this Rate Schedule 1, the (positive) amount, in \$, of the costs that the ISO has collected through the residual costs charges for all Transmission Customers for day  $d$ . (ii) If Transmission Customers received a residual costs payment for day  $d$  pursuant to Section 6.1.8.1.2 of this Rate

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Schedule 1, the (negative) amount, in \$, of the revenue that the ISO has paid through the residual costs payments to all Transmission Customers for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.8.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.8.1.3 shall be determined for day  $d$ .

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**6.1.9 Recovery of Special Case Resources and Curtailment Services Providers Costs**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of Special Case Resources and Curtailment Service Providers costs for each Billing Period. This charge shall be equal to the sum of the hourly charges for the Transmission Customer, as calculated in Sections 6.1.9.1 and 6.1.9.2 of this Rate Schedule 1, for each hour in the relevant Billing Period and, where applicable, for each Subzone.

**6.1.9.1 Recovery of Costs for Payments for Special Case Resources and Curtailment Service Providers Called to Meet the Reliability Needs of a Local System**

Pursuant to this Section 6.1.9.1, the ISO shall recover the costs of payments to Special Case Resources and Curtailment Service Providers that were called to meet the reliability needs of a local system. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the Subzone for which the reliability services of the Special Case Resources and Curtailment Service Providers were called shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula for each Subzone.

$$Local\ Reliability\ SCR\ and\ CSP\ Charge_{c,h} = LocalReliabilityCosts_h * \frac{SZWithdrawalUnits_{c,h}}{SZTotalWithdrawalUnits_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

$Local\ Reliability\ SCR\ and\ CSP\ Charge_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$  for the relevant Subzone.

$LocalReliabilityCosts_h$  = The payments, in \$, for hour  $h$  in the relevant Subzone made to Suppliers for Special Case Resources and Curtailment Service Providers called to meet the reliability needs of that Subzone.

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$SZWithdrawalUnits_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

$SZTotalWithdrawalUnits_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

**6.1.9.2 Recovery of Costs for Payments for Special Case Resources and Curtailment Service Providers Called to Meet the Reliability Needs of the NYCA**

Pursuant to this Section 6.1.9.2, the ISO shall recover the costs of payments to Special Case Resources and Curtailment Service Providers called to meet the reliability needs of the NYCA. To do so, the ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units except for Withdrawal Billing Units for Wheels Through, Exports or to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula.

$$NYCA\ Reliability\ SCR\ and\ CSP\ Charge_{c,h} = NYCAReliabilityCosts_h * \frac{WithdrawalUnits_{c,h}}{TotalWithdrawalUnits_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

$NYCA\ Reliability\ SCR\ and\ CSP\ Charge_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$ .

$NYCAReliabilityCosts_h$  = The payments, in \$, for hour  $h$  made to Suppliers for Special Case Resources and Curtailment Service Providers called to meet the reliability needs of the NYCA.

$WithdrawalUnits_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units for Wheels Through, Exports or to supply Station Power as a third-party provider.

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*TotalWithdrawalUnits<sub>h</sub>* = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour *h*, except for the Withdrawal Billing Units for Wheels Through, Exports or to supply Station Power as third-party providers.

**6.1.10. Recovery of Day-Ahead Margin Assurance Payment Costs**

The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of DAMAP costs for each Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the charges and credits for the Transmission Customer, as calculated in Sections 6.1.10.1 and 6.1.10.2 of this Rate Schedule 1, for each hour or each day, as applicable, in the relevant Billing Period and for each Subzone, where applicable.

**6.1.10.1 Recovery of Costs of DAMAPs Resulting from Meeting the Reliability Needs of a Local System**

Pursuant to this Section 6.1.10.1, the ISO shall recover the costs for DAMAPs incurred to compensate Resources for meeting the reliability needs of a local system.

**6.1.10.1.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Section 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula for each Subzone.

$$Local\ Reliability\ DAMAP\ Charge_{c,h} = DAMAPCosts_h * \frac{SZWithdrawalUnits_{c,h}}{SZTotalWithdrawalUnits_h}$$

Where:

*c* = Transmission Customer.

*h* = A given hour in the relevant Billing Period.

*Local Reliability DAMAP Charge<sub>c,h</sub>* = The amount, in \$, for which Transmission Customer *c* is responsible for hour *h* for the relevant Subzone.

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$DAMAPCosts_h$  = The DAMAP costs, in \$, for hour  $h$  in the relevant Subzone incurred to compensate Resources meeting the reliability needs of that Subzone.

$SZWithdrawalUnits_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

$SZTotalWithdrawalUnits_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

**6.1.10.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Section 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$Local\ Reliability\ DAMAP\ Charge_{c,d} = \frac{DAMAPCosts_d}{SZTotalWithdrawalUnits_d} * SZStationPower_{c,d}$$

Where:

$d$  = A given day in the relevant Billing Period.

$SZStationPower_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  in day  $d$  in the relevant Subzone that are used to supply Station Power as a third-party provider, except for Withdrawal Billing Units for Wheels Through and Exports.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.1.2 shall be determined for day  $d$ .

**6.1.10.1.3 Local Reliability DAMAP Credit**

The ISO shall calculate, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall receive based on its Withdrawal Billing Units that



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are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.10.1.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$Local\ Reliability\ DAMAP\ Credit_{c,d} = LocRelDAMAPCharge_d * \frac{SZWithdrawalUnits_{c,d}}{SZTotalWithdrawalUnits_d}$$

Where:

$d$  = A given day in the relevant Billing Period.

$Local\ Reliability\ DAMAP\ Credit_{c,d}$  = The amount, in \$, that Transmission Customer  $c$  will receive for day  $d$  for the relevant Subzone.

$LocRelDAMAPCharge_d$  = The sum of charges, in \$, for all Transmission Customers in the relevant Subzone as calculated in Section 6.1.10.1.2 of this Rate Schedule 1 for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.1.3 shall be determined for day  $d$ .

**6.1.10.2 Recovery of Costs of All Remaining DAMAPs**

Pursuant to this Section 6.1.10.2, the ISO shall recover the costs of all DAMAPs not recovered through Section 6.1.10.1 of this Rate Schedule 1 from all Transmission Customers.

**6.1.10.2.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Section 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an hourly charge in accordance with the following formula.

$$Remaining\ DAMAP\ Charge_{c,h} = RemainingDAMAPCosts_h * \frac{WithdrawalUnits_{c,h}}{TotalWithdrawalUnits_h}$$

Where:

$c$  = Transmission Customer.

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$h$  = A given hour in the relevant Billing Period.

*Remaining DAMAP Charge<sub>c,h</sub>* = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$ .

*RemainingDAMAPCosts<sub>h</sub>* = The DAMAP costs, in \$, for hour  $h$  not recovered by the ISO through Section 6.1.10.1 of this Rate Schedule 1.

*WithdrawalUnits<sub>c,h</sub>* = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

*TotalWithdrawalUnits<sub>h</sub>* = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

**6.1.10.2.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Section 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$\text{Remaining DAMAP Charge}_{c,d} = \frac{\text{RemainingDAMAPCosts}_d}{\text{TotalWithdrawalUnits}_d} * \text{StationPower}_{c,d}$$

Where:

$d$  = A given day in the relevant Billing Period.

*StationPower<sub>c,d</sub>* = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  used to supply Station Power as a third-party provider for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.2.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.2.2 shall be determined for day  $d$ .

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**6.1.10.2.3 Remaining DAMAP Credit**

The ISO shall calculate, and each Transmission Customer shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.10.2.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$\text{Remaining DAMAP Credit}_{c,d} = \text{Remaining DAMAP Charge}_d * \frac{\text{Withdrawal Units}_{c,d}}{\text{Total Withdrawal Units}_{c,d}}$$

Where:

$d$  = A given day in the relevant Billing Period.

$\text{Remaining DAMAP Credit}_{c,d}$  = The amount, in \$, that Transmission Customer  $c$  will receive for day  $d$ .

$\text{Remaining DAMAP Charge}_d$  = The sum of charges, in \$, for all Transmission Customers as calculated in Section 6.1.10.2.2 of this Rate Schedule 1 for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.10.2.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.10.2.3 shall be determined for day  $d$ .

**6.1.11 Recovery of Import Curtailment Guarantee Payment Costs**

**6.1.11.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Section 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a charge each Billing Period to recover the costs of all Import Curtailment Guarantee Payments paid to Import Suppliers for that Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the hourly charges for the Transmission Customer, as calculated in accordance with the following formula, for each hour in the relevant Billing Period.

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$$\text{Import Curtailment Guarantee Charge}_{c,h} = \text{ImportCurtGuarCosts}_h * \frac{\text{WithdrawalUnits}_{c,h}}{\text{TotalWithdrawalUnits}_h}$$

Where:

$c$  = Transmission Customer.

$h$  = A given hour in the relevant Billing Period.

$\text{Import Curtailment Guarantee Charge}_{c,h}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for hour  $h$ .

$\text{ImportCurtGuarCosts}_h$  = The costs, in \$, for the Import Curtailment Guarantee Payments to Import Suppliers for hour  $h$ .

$\text{WithdrawalUnits}_{c,h}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

$\text{TotalWithdrawalUnits}_h$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in hour  $h$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

**6.1.11.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Section 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a charge for each Billing Period to recover the costs of all Import Curtailment Guarantee Payments paid to Import Suppliers for that Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the daily charges for the Transmission Customer, as calculated in accordance with the following formula, for each day in the relevant Billing Period.

$$\text{Import Curtailment Guarantee Charge}_{c,d} = \frac{\text{ImportCurtGuarCosts}_d}{\text{TotalWithdrawalUnits}_d} * \text{StationPower}_{c,d}$$

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Where:

$d$  = A given day in the relevant Billing Period.

$StationPower_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  used to supply Station Power as a third-party provider for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.11.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.11.2 shall be determined for day  $d$ .

**6.1.11.3 Import Curtailment Guarantee Credit**

The ISO shall credit each Transmission Customer based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.11.2 of this Rate Schedule 1 above for each Billing Period. This credit shall be equal to the sum of daily payments for the Transmission Customer, as calculated according to the following formula, for each day in the relevant Billing Period.

$$Import\ Curtailment\ Guarantee\ Credit_{c,d} = ImpCurtGuarCharge_d * \frac{WithdrawalUnits_{c,d}}{TotalWithdrawalUnits_d}$$

Where:

$d$  = A given day in the relevant Billing Period.

$Import\ Curtailment\ Guarantee\ Credit_{c,d}$  = The amount, in \$, that Transmission Customer  $c$  will receive for day  $d$ .

$ImpCurtGuarCharge_d$  = The sum of charges, in \$, for all Transmission Customers as calculated in Section 6.1.11.2 of this Rate Schedule 1 for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.11.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.11.3 shall be determined for day  $d$ .

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**6.1.12 ~~Recovery of Bid Production Cost Guarantee Payment and Demand Reduction Incentive Payment Costs~~**

~~The ISO shall charge, and each Transmission Customer shall pay, a charge for the recovery of BPCG and Demand Reduction Incentive Payment costs for each Billing Period. The charge for the relevant Billing Period shall be equal to the sum of the charges and credits for the Transmission Customer, as calculated in Sections 6.1.12.1 through 6.1.12.6 of this Rate Schedule 1, for each day in the relevant Billing Period and for each Subzone, where applicable.~~

**6.1.12.1 ~~Costs of Demand Reduction BPCGs and Demand Reduction Incentive Payments~~**

~~After accounting for imbalance charges paid by Demand Reduction Providers, the ISO shall recover the costs associated with Demand Reduction Bid Production Cost guarantee payments and Demand Reduction Incentive Payments from Transmission Customers pursuant to the methodology established in Attachment R of this ISO OATT.~~

**6.1.12.12 Costs of BPCGs for Additional Generating Units Committed to Meet Forecast Load**

If the sum of all Bilateral Transaction schedules, excluding schedules of Bilateral Transactions with Trading Hubs as their POWs, and all Day-Ahead Market purchases to serve Load in the Day-Ahead schedule is less than the ISO's Day-Ahead forecast of Load, the ISO may commit Resources in addition to the reserves that it normally maintains to enable it to respond to contingencies to meet the ISO's Day-Ahead forecast of Load. The ISO shall recover a portion of the costs associated with Bid Production Cost guarantee payments for the additional Resources committed Day-Ahead to meet the Day-Ahead forecast of Load from Transmission Customers pursuant to the methodology established in Attachment T of this ISO OATT. The ISO shall recover the residual costs of such Bid Production Cost guarantee payments not recovered through the methodology in Attachment T of the ISO OATT pursuant to Section 6.1.12.56 of this Rate Schedule 1.

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**6.1.12.23 Costs of BPCGs Resulting from Meeting the Reliability Needs of a Local System**

Pursuant to this Section 6.1.12.23, the ISO shall recover the costs for Bid Production Cost guarantee payments incurred to compensate Suppliers for their Resources, other than Special Case Resources, that are committed or dispatched to meet the reliability needs of a local system.

**6.1.12.23.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Section 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$Local\ Reliability\ BPCG\ Charge_{c,d} = BPCGCosts_d * \frac{SZWithdrawalUnits_{c,d}}{SZTotalWithdrawalUnits_d}$$

Where:

$c$  = Transmission Customer.

$d$  = A given day in the relevant Billing Period.

$Local\ Reliability\ BPCG\ Charge_{c,d}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for day  $d$  for the relevant Subzone.

$BPCGCosts_d$  = The Bid Production Cost guarantee payments, in \$, made to Suppliers for Resources for day  $d$  in the relevant Subzone arising as a result of meeting the reliability needs of that Subzone, except for the Bid Production Cost guarantee payments made to Suppliers for Special Case Resources.

$SZWithdrawalUnits_{c,d}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in day  $d$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

$SZTotalWithdrawalUnits_d$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day  $d$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

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**6.1.12.23.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Section 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$Local\ Reliability\ BPCG\ Charge_{c,d} = \frac{BPCGCosts_d}{SZTotalWithdrawalUnits_d} * SZStationPower_{c,d}$$

Where:

$SZStationPower_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  in day  $d$  in the relevant Subzone that are used to supply Station Power as a third-party provider, except for Withdrawal Billing Units for Wheels Through and Exports.

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.23.1 above,

**6.1.12.23.3 Local Reliability BPCG Credit**

The ISO shall calculate, and each Transmission Customer that serves Load in the Subzone where the Resource is located shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.12.23.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$Local\ Reliability\ BPCG\ Credit_{c,d} = LocRelBPCGCharge_d * \frac{SZWithdrawalUnits_{c,d}}{SZWithdrawalUnits_{c,d}}$$

Where:

$Local\ Reliability\ BPCG\ Credit_{c,d}$  = The amount, in \$, that Transmission Customer  $c$  will receive for day  $d$  for the relevant Subzone.



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$LocRelBPCGCharge_d$  = The sum of charges, in \$, for all Transmission Customers in the relevant Subzone as calculated in Section 6.1.12.23.2 of this Rate Schedule 1 for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.23.1 above.

**6.1.12.34 Cost of BPCGs for Special Case Resources Called to Meet the Reliability Needs of a Local System**

Pursuant to this Section 6.1.12.34, the ISO shall recover the costs of Bid Production Cost guarantee payments incurred to compensate Special Case Resources called to meet the reliability needs of a local system. To do so, the ISO shall charge, and each Transmission Customer that serves Load in the Subzone where the Special Case Resource is located shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula for each Subzone.

$$Local\ Reliability\ SCR\ BPCG\ Charge_{c,d} = BPCGCosts_d * \frac{SZWithdrawalUnits_{c,d}}{SZTotalWithdrawalUnits_d}$$

Where:

$c$  = Transmission Customer.

$d$  = A given day in the relevant Billing Period.

$Local\ Reliability\ SCR\ BPCG\ Charge_{c,d}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for day  $d$  for the relevant Subzone.

$BPCGCosts_d$  = The Bid Production Cost guarantee payments, in \$, made to Suppliers for Special Case Resources for day  $d$  in the relevant Subzone arising as a result of meeting the reliability needs of that Subzone.

$SZWithdrawalUnits_{c,d}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in day  $d$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as a third-party provider.

$SZTotalWithdrawalUnits_d$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day  $d$  in the relevant Subzone, except for Withdrawal Billing Units for Wheels Through, Exports, and to supply Station Power as third-party providers.

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**6.1.12.45 Cost of BPCG for Special Case Resources Called to Meet the Reliability Needs of the NYCA**

Pursuant to this Section 6.1.12.45, the ISO shall recover the costs for Bid Production Cost guarantee payments to compensate Special Case Resources called to meet the reliability needs of the NYCA. To do so, the ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used except for Withdrawal Billing Units for Wheels Through, Exports or to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$NYCA\ Reliability\ SCR\ BPCG_{c,d} = BPCGCost_d * \frac{WithdrawalUnits_{c,d}}{TotalWithdrawalUnits_d}$$

Where:

$c$  = Transmission Customer.

$d$  = A given day in the relevant Billing Period.

$NYCA\ Reliability\ SCR\ BPCG\ Charge_{c,d}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for day  $d$ .

$BPCGCosts_d$  = The Bid Production Cost guarantee payments, in \$, made to Suppliers for Special Case Resources called to meet the reliability needs of the NYCA for day  $d$ .

$WithdrawalUnits_{c,d}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in day  $d$ , except for the Withdrawal Billing Units for Wheels Through, Exports or to supply Station Power as a third-party provider.

$TotalWithdrawalUnits_d$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day  $d$ , except for the Withdrawal Billing Units for Wheels-Through, Exports or to supply Station Power as third-party providers.

**6.1.12.56 Costs of All Remaining BPCGs**

Pursuant to this Section 6.1.12.56, the ISO shall recover the costs of all Bid Production Cost guarantee payments not recovered through Sections 6.1.12.1, 6.1.12.2, 6.1.12.3, and 6.1.12.4, and 6.1.12.5 of this Rate Schedule 1, including the residual costs of Bid Production

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Cost guarantee payments for additional Resources not recovered through the methodology in Attachment T of this ISO OATT, from all Transmission Customers.

**6.1.12.56.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Section 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$\text{Remaining BPCG Charge}_{c,d} = \text{RemainingBPCGCosts}_d * \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_d}$$

Where:

$c$  = Transmission Customer.

$d$  = A given day in the relevant Billing Period.

$\text{Remaining BPCG Charge}_{c,d}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for day  $d$ .

$\text{RemainingBPCGCosts}_d$  = The BPCG costs, in \$, for day  $d$  not recovered by the ISO through Sections 6.1.12.1, 6.1.12.2, 6.1.12.3, and 6.1.12.4, and ~~6.1.12.5~~ of this Rate Schedule 1.

$\text{WithdrawalUnits}_{c,d}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in day  $d$ , except for the Withdrawal Billing Units to supply Station Power as a third-party provider and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

$\text{TotalWithdrawalUnits}_d$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in day  $d$ , except for the Withdrawal Billing Units to supply Station Power as third-party providers and except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

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**6.1.12.56.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Section 5 of this ISO OATT**

The ISO shall charge, and each Transmission Customer shall pay based on its Withdrawal Billing Units used to supply Station Power as a third-party provider, a daily charge in accordance with the following formula.

$$\text{Remaining BPCG Charge}_{c,d} = \frac{\text{RemainingBPCGCosts}_d}{\text{TotalWithdrawalUnits}_d} * \text{StationPower}_{c,d}$$

Where:

$\text{StationPower}_{c,d}$  = The Withdrawal Billing Units, in MWh, of Transmission Customer  $c$  used to supply Station Power as a third-party provider for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.56.1 of this Rate Schedule 1 above.

**6.1.12.56.3 Remaining BPCG Credit**

The ISO shall calculate, and each Transmission Customer shall receive based on its Withdrawal Billing Units that are not used to supply Station Power as a third-party provider, an amount of the revenue collected through the charge under Section 6.1.12.56.2 of this Rate Schedule 1. This credit shall be calculated according to the following formula for each day in the relevant Billing Period.

$$\text{Remaining BPCG Credit}_{c,d} = \text{RemainingBPCGCharge}_d * \frac{\text{WithdrawalUnits}_{c,d}}{\text{TotalWithdrawalUnits}_{c,d}}$$

Where:

$\text{Remaining BPCG Credit}_{c,d}$  = The amount, in \$, that Transmission Customer  $c$  will receive for day  $d$ .

$\text{RemainingBPCGCharge}_d$  = The sum of charges, in \$, for all Transmission Customers as calculated in Section 6.1.12.56.2 of this Rate Schedule 1 for day  $d$ .

The definitions of the remaining variables are identical to the definitions for such variables set forth in Section 6.1.12.56.1 of this Rate Schedule 1 above.

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**6.1.13 Dispute Resolution Payment/Charge**

The ISO shall calculate, and each Transmission Customer shall receive or pay, a dispute resolution payment or charge in accordance with Section 6.1.13.1 of this Rate Schedule 1 for the distribution of funds received by the ISO or the recovery of funds incurred by the ISO in the settlement of a dispute.

**6.1.13.1 Calculation of the Dispute Resolution Payment/Charge**

The ISO shall calculate, and each Transmission Customer shall receive or pay, a dispute resolution payment or a dispute resolution charge for each Billing Period as calculated according to the following formula.

$$Dispute\ Resolution\ Payment/Charge_{c,P} = DisputeResolutionCosts_P * \frac{WithdrawalUnits_{c,P}}{TotalWithdrawalUnits_P}$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$Dispute\ Resolution\ Payment/Charge_{c,P}$  = The amount, in \$, for Billing Period  $P$  that (i) Transmission Customer  $c$  will receive if the ISO is distributing funds that it has collected in the settlement of a dispute, or (ii) Transmission Customer  $c$  will be responsible for if the ISO is recovering funds that it has incurred in the settlement of a dispute.

$DisputeResolutionCosts_P$  = The amount, in \$, for Billing Period  $P$  that (i) the ISO has collected in the settlement of a dispute or (ii) the ISO has incurred in the settlement of a dispute.

$WithdrawalUnits_{c,P}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ , except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

$TotalWithdrawalUnits_P$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in Billing Period  $P$ , except for Scheduled Energy Withdrawals

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at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

**6.1.14 Credit for Financial Penalties**

The ISO shall distribute to each Transmission Customer each Billing Period in accordance with the following formula any payments that it has collected from Transmission Customers to satisfy: (i) Financial Impact Charges issued pursuant to Sections 4.5.3.2 and 4.5.4.2 of the ISO Services Tariff; (ii) ICAP sanctions issued pursuant to Section 5.12.12 of the ISO Services Tariff; (iii) ICAP deficiency charges pursuant to Section 5.14.3.1 of the ISO Services Tariff, except as provided in Section 5.14.3.2 of the ISO Services Tariff; (iv) market power mitigation financial penalties pursuant to Section 23.4.3.6 of Attachment H of the ISO Services Tariff, except as provided in Section 23.4.4.3.2 of Attachment H of the ISO Services Tariff; and (v) any other financial penalties set forth in the ISO Services Tariff or this ISO OATT. The ISO will perform this calculation separately for the allocation of the revenue from each financial penalty.

$$\text{Financial Penalties Credit}_{c,P} = \text{PenaltyRevenue}_P * \frac{\text{WithdrawalUnits}_{c,P}}{\text{TotalWithdrawalUnits}_P}$$

Where:

$c$  = Transmission Customer.

$P$  = A given day in the relevant Billing Period.

$\text{Financial Penalties Credit}_{c,P}$  = The amount, in \$, that Transmission Customer  $c$  will receive for Billing Period  $P$ .

$\text{PenaltyRevenue}_P$  = The sum, in \$, of revenue that the ISO has collected for Billing Period  $P$  from a Transmission Customer for one of the financial penalties indicated in Section 6.1.14 of this Rate Schedule 1.

$\text{WithdrawalUnits}_{c,P}$  = The Withdrawal Billing Units, in MWh, for Transmission Customer  $c$  for Billing Period  $P$ , except for Scheduled Energy Withdrawals at a CTS

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Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

$TotalWithdrawalUnits_P$  = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers for Billing Period  $P$ , except for Scheduled Energy Withdrawals at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

**6.1.15 Calculation of FERC Fee Charges**

As a public utility the transmission provider under this Tariff is subject to annual charges assessed by the Commission in accordance with Part 382 of the Commission's regulations (annual FERC fee). The ISO shall charge, and each Transmission Customer taking service under the ISO Tariffs shall pay, a charge for the recovery of the annual FERC fee, on the basis of its participation in physical market activity, and on the basis of its participation in non-physical market activity in accordance with Sections 6.1.15.1 and 6.1.15.2 respectively. The annual FERC fee shall be allocated ninety-four (94%) to physical market activity and six (6%) to non-physical market activity respectively. Pursuant to ISO Procedures, the six (6%) of the annual FERC fee allocated to non-physical market activity shall be further allocated approximately four percent (4%) to Transmission Congestion Contracts and approximately two percent (2%) to Virtual Transactions. The total charge to each Transmission Customer for recovery of the annual FERC fee shall be the sum of the Transmission Customer's Physical FERC Fee Charge and the Transmission Customer's Non-Physical FERC Fee Charge.

An estimated annual FERC fee shall be recovered over the twelve months of each federal fiscal year. The ISO will publish the estimated annual FERC fee for each federal fiscal year no less than one month in advance of the start of that federal fiscal year. Upon receiving the invoice for the annual FERC fee, the ISO will implement a true-up, a credit or charge, equal to the difference between the estimated annual FERC fee for the fiscal year and the invoiced amount, in

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the first Billing Period following receipt of the invoiced annual FERC fee, as is practicable. The ISO shall recover or refund the true-up amount over a six month period.

All funds collected by the ISO for the annual FERC fee shall be deposited in the annual FERC fee account. The annual FERC fee account shall be an interest-bearing account separate from all other accounts maintained by the ISO. The ISO shall disburse funds from the annual FERC fee account in order to pay the FERC any and all annual FERC fee charges assessed against the ISO.

**6.1.15.1 Calculation of Physical FERC Fee Charge for Transmission Customers Participating in Physical Market Activity**

The ISO shall charge, and each Transmission Customer that participates in physical market activity shall pay, a charge for the recovery of the annual FERC fee as calculated according to the following formula:

$$\begin{aligned} & \text{Physical FERC Fee Charge}_{c,P} \\ &= \left( \text{Injection Units}_{c,P} * \left( 0.28 * P\text{Ratio} * \frac{(\text{Est FERC Fee}_P + \text{True-Up Costs}_P)}{\text{TotalInjectionUnits}_P} \right) \right) \\ &+ \left( \text{Withdrawal Units}_{c,P} * \left( 0.72 * P\text{Ratio} * \frac{(\text{Est FERC Fee}_P + \text{True-Up Costs}_P)}{\text{TotalWithdrawalUnits}_P} \right) \right) \end{aligned}$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$\text{Physical FERC Fee Charge}_{c,P}$  = The amount, in \$, of the annual FERC fee for which Transmission Customer  $c$  is responsible for Billing Period  $P$ .

$\text{Injection Units}_{c,P}$  = The Injection Billing Units, in MWh, for Transmission Customer  $c$  in Billing Period  $P$ .

$P\text{Ratio}$  = Ninety-four percent (94%).



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*Est FERC Fee<sub>P</sub>* = Billing Period *P*'s proportional allocation of the estimated annual FERC fee for the current FERC fiscal year.

*True-up Costs<sub>P</sub>* = Billing Period *P*'s proportional allocation of the difference between the invoiced annual FERC fee and the estimated annual FERC fee.

*TotalInjectionUnits<sub>P</sub>* = The sum, in MWh, of Injection Billing Units for all Transmission Customers in Billing Period *P*.

*Withdrawal Units<sub>c,P</sub>* = The Withdrawal Billing Units, in MWh, for Transmission Customer *c* in the Billing Period *P*.

*TotalWithdrawalUnits<sub>P</sub>* = The sum, in MWh, of Withdrawal Billing Units for all Transmission Customers in the Billing Period *P*.

**6.1.15.2 Calculation of the FERC Fee Charge for Transmission Customers Participating in Non-Physical Market Activity**

The ISO shall charge, and each Transmission Customer that has its virtual bids accepted and thereby engages in Virtual Transactions or that purchases Transmission Congestion Contracts shall pay, a charge for the recovery of the annual FERC fee as calculated according to

the following formula: *Non-Physical FERC Fee Charge<sub>c,P</sub>* = 
$$\left( VTCleared_{c,P} * \left( \frac{VTRatio * Est\ FERC\ Fee_P}{Total\ VT\ Cleared_P} \right) + \left( \frac{VTRatio * True-Up\ Costs_P}{Total\ VT\ Cleared_P} \right) \right) + \left( TCC\ Settled_{c,P} * \left( \frac{TCCRatio * Est\ FERC\ Fee_P}{Total\ TCC\ Settled_P} \right) + \left( \frac{TCCRatio * True-Up\ Costs_P}{Total\ TCC\ Settled_P} \right) \right)$$

Where:

*c* = Transmission Customer.

*P* = The relevant Billing Period.

*Non – Physical FERC Fee Charge<sub>c,P</sub>* = The amount, in \$, of the annual FERC fee for which Transmission Customer *c* is responsible for Billing Period *P*.

*VT Cleared<sub>c,P</sub>* = The total cleared Virtual Transactions, in MWh, for Transmission Customer *c* in Billing Period *P*.

*Est FERC Fee<sub>P</sub>* = Billing Period *P*'s proportional allocation of the estimated annual FERC fee for the current FERC fiscal year.

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*True – up Costs<sub>P</sub>* = Billing Period *P*'s proportional allocation of the difference between the invoiced annual FERC fee and the estimated annual FERC fee.

*VTRatio* = Approximately two percent (2%).

*Total VT Cleared<sub>P</sub>* = The sum, in MWh, of cleared Virtual Transactions for all Transmission Customers in Billing Period *P*.

*TCCSettled<sub>c,P</sub>* = The total settled Transmission Congestion Contracts, in MWh, for Transmission Customer *c* in Billing Period *P*.

*TCCRatio* = Approximately four percent (4%).

*Total TCC Settled<sub>P</sub>* = The sum of settled Transmission Congestion Contracts, in MWh, for all Transmission Customers in Billing Period *P*.

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**6.2 Schedule 2 - Charges for Voltage Support Service**

In order to maintain transmission voltages on the NYS Transmission System within acceptable limits, generation facilities under the control of the ISO, synchronous condensers, and Qualified Non-Generator Voltage Support Resources, are operated to produce (or absorb) reactive power. Thus, Voltage Support Service must be provided for each Transaction on the NYS Transmission System. The amount of Voltage Support Service that must be supplied will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the ISO.

Voltage Support Service is to be provided directly by the ISO. The methodologies that the ISO will use to obtain Voltage Support Service and the associated charges for such service are set forth below.

**6.2.1 Responsibilities**

The ISO shall coordinate the Voltage Support Service provided by generation facilities, synchronous condensers, and Qualified Non-Generator Voltage Support Resources that qualify to provide such services as described in Section 15.2.1.1 of Rate Schedule 2 of the ISO Services Tariff.

**6.2.1.1 Wheels Through, Exports and Purchases from the LBMP Market**

Transmission Customers engaging in Wheels Through, and Transmission Customers or Customers engaged in Export Transactions, except for Export Transactions at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England, shall purchase Voltage Support Service from the ISO at the rates described in the formula contained in Section 6.2.2.1 of this Rate Schedule.

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**6.2.1.2 Load-Serving Entities**

LSEs serving Load in the NYCA shall purchase Voltage Support Service from the ISO at the rates described in the formula contained in Section 6.2.2.1 of this Rate Schedule.

**6.2.2 Payments**

**6.2.2.1 Payments made by Transmission Customers and LSEs**

Transmission Customers, Customers, and LSEs shall pay the ISO for Voltage Support Service. The ISO shall compute the Voltage Support Service Rate based on forecast data using the following equation

$$Rate_{VSS} = \frac{\sum NYISO_{VSSPmts} + PYA_{VSS}}{Energy_{NYISO}}$$

Where:

$Rate_{VSS}$  = Voltage Support Service Rate (\$/MWh)

$Energy_{ISO}$  = The annual forecasted transmission usage for the year as projected by the ISO including Load within the NYCA, Exports and Wheels Through (MWh).

$\sum NYISO_{VSSPmts}$  = The sum of the projected ISO payments to generation facilities, synchronous condensers, and Qualified Non-Generator Voltage Support Resources providing Voltage Support Service based on Sections 15.2.2.1, 15.2.2.2 and 15.2.2.3 of Rate Schedule 2 of the ISO Services Tariff (\$).

$PYA_{VSS}$  = “Prior year adjustment” for Voltage Support Service which is the total of prior year payments to generation facilities, synchronous condensers, and Qualified Non-Generator Voltage Support Resources

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supplying Voltage Support Service as defined in the ISO Services Tariff less the total of payments received by the ISO from Transmission Customers, Customers and LSEs in the prior year for Voltage Support Service (including all payments for penalties) (\$).

Transmission Customers engaging in Wheels Through and Transmission Customers or Customers engaged in Export Transactions, except for Export Transactions at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England, shall pay to the ISO a charge for this service equal to the rate as determined in Section 6.2.1 of this Rate Schedule multiplied by their Energy scheduled in the hour. LSEs shall pay to the ISO a charge for this service equal to the rate as determined in Section 6.2.1 of this Rate Schedule multiplied by the Energy consumed by the LSE's Load located in the NYCA in the hour provided, however, LSEs taking service under Section 5 of the OATT to supply Station Power as a third-party provider shall pay to the ISO a charge for this service equal to the rate as determined in Section 6.2.1 of this Rate Schedule multiplied by the LSE's Station Power provided under Section 5 of the OATT. For LSEs and all Wheels Through and Exports, the ISO shall calculate the payment hourly. The ISO shall bill each Transmission Customer or LSE each Billing Period.

**6.2.3 Self-Supply**

All Voltage Support Service shall be purchased from the ISO.

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**6.3 Schedule 3 - Charges for Regulation Service**

Regulation Service is necessary to provide for the continuous balance of resources (generation and interchange) with Load. The obligation to maintain this balance between Resources and Load lies with the ISO. The ISO must offer this service when the Transmission Service is used to serve Load within the NYCA and when LSEs use Energy from the LBMP Market to service Load within the NYCA. The charges for Regulation Service are set forth below.

**6.3.1 Customer Obligations and Responsibilities**

LSEs shall purchase this service from the ISO.

**6.3.2 Charges to LSEs**

6.3.2.1 For all Actual Energy Withdrawals for Load located in the NYCA, LSE taking service under the OATT or buying Energy from the LBMP Market shall pay a charge for this service on all withdrawals to serve Load in the NYCA in accordance with this Rate Schedule.

6.3.2.2 The ISO shall charge LSEs serving Load in the NYCA for Regulation Service for each hour. The ISO shall charge LSEs taking service under Section 5 of the ISO OATT to supply Station Power as third-party providers for Service for each day. The charge shall be calculated as the Regulation Service Rate, determined as an hourly or a daily rate as appropriate, multiplied by the LSE's Load for the hour or by the LSE's withdrawals to provide Station Power as a third party provider for the day. The ISO shall calculate the Regulation Service Rate, for an hour or for a day as appropriate, as follows:

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$$Rate_{Reg} = \frac{(Supplier\ Payment - Supplier\ Charge - Generator\ Charge)}{Load_{NYCA}}$$

where:  $Rate_{Reg}$  is the hourly or daily rate for Regulation Service (\$/MWh);

$Supplier\ Payment$  is the aggregate of all Day-Ahead Market and Real-Time Market payments (including Regulation Revenue Adjustment Payments) made by the ISO to all Suppliers of this Regulation Service as described in Rate Schedule 3 of the ISO Services Tariff for the hour or for the day;

$Supplier\ Charge$  is the aggregate of: (i) charges paid by all Suppliers for poor Regulation Service performance, as described in Section 15.3.5.4; (ii) all real-time imbalance charges paid by Suppliers under Section 15.3.5.2(a) of that Rate Schedule; and (iii) all Regulation Revenue Adjustment Charges assessed pursuant to Section 15.3.6 of that Rate Schedule for the hour or for the day;

$Generator\ Charge$  is the aggregate of charges paid by all Generators and Aggregations that do not provide Regulation Service and do not follow their RTD Base Points sufficiently accurately, as described in Rate Schedule 3A of the ISO Services Tariff for the hour or for the day; and

$Load_{NYCA}$  is the total Load in the NYCA for the hour or for the day, as appropriate.

6.3.2.3 In any hour where the charges paid by Generators and Suppliers, as described in the ISO Services Tariff, exceed the payments made to Suppliers of this service (i) the ISO shall not assess a charge against any LSE, and (ii) the surplus will be applied to the following hour as an offset to subsequent payments.

6.3.2.4 Charges to be paid by LSEs for this service shall be aggregated to render a monthly charge. The ISO shall credit charges paid for Regulation Service by

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LSEs taking service under Section 5 of the ISO OATT to supply Station Power as third-party providers for the day on a Load ratio share basis to LSEs serving Load in the NYCA for the day.



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**6.4 Schedule 4 - Energy Imbalance Service**

Energy Imbalance Service is provided Day-Ahead when a difference occurs between: (1) scheduled Transmission Service and scheduled delivery of Energy to a Load located within the NYCA from a POI located within the NYCA over a single hour, (2) scheduled Transmission Service and scheduled delivery of Energy to a Load located within the NYCA from a POI located external to the NYCA over the scheduling interval, and (3) scheduled Transmission Service and scheduled delivery of Energy from a POI within the NYCA to a neighboring control area over the scheduling interval.

Energy Imbalance Service is provided in real-time when a difference occurs between: (1) scheduled Transmission Service and scheduled delivery of Energy to a Load located within the NYCA from a POI located within the NYCA over the scheduling interval, (2) scheduled Transmission Service and scheduled delivery of Energy to a Load located within the NYCA from a POI located external to the NYCA over the scheduling interval, and (3) scheduled Transmission Service and scheduled delivery of Energy from a POI within the NYCA to a neighboring control area in the scheduling interval.

Differences between scheduled Transmission Service in the Day-Ahead Market and scheduled Transmission Service in the Real-Time Market for the same transaction are governed by Attachment J of the OATT, not by this Rate Schedule 4. Differences between the scheduled delivery of Energy in the Day-Ahead Market and the scheduled delivery of Energy in the Real-Time Market for the same transaction are governed by Section 4.5 of the Services Tariff, not by this Rate Schedule 4.

The ISO must offer this service when the Transmission Service is used to serve Load within the NYCA, or for an Export Transaction when the generation source is a Generator or

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Aggregation located in the NYCA. The Transmission Customer, or Generator or Aggregations as appropriate, must purchase this service from the ISO. The charges for Energy Imbalance Service are set forth below.

**6.4.1 Energy Imbalance Service Charges**

Each Transmission Customer that has executed a Service Agreement under the ISO Services Tariff, whose scheduled Energy delivery in the Day-Ahead Market is less than its scheduled Transmission Service in the Day-Ahead Market, will be charged an amount equal to the product of the Day-Ahead LBMP determined pursuant to Attachment B of the Services Tariff, at the Point of Delivery (Point of Injection) and the difference between the scheduled Energy delivery in the Day-Ahead Market and the scheduled Transmission Service in the Day-Ahead Market, provided however, when the Energy delivery scheduled in the Day-Ahead Market is from a POI within the NYCA, Energy Imbalance Service is charged to the Generator or Aggregation associated with the POI.

Each Transmission Customer that has not executed a Service Agreement under the ISO Services Tariff, whose scheduled Energy delivery in the Day-Ahead Market is less than its scheduled Transmission Service in the Day-Ahead Market, will be charged an amount equal to the product of: (i) the higher of: (a) 150 percent of the Day-Ahead LBMP determined pursuant to Attachment B of the Services Tariff, at the Point of Delivery (Point of Injection); and (b) \$100 per MWh, and (ii) the difference between the scheduled Energy delivery in the Day-Ahead Market and the scheduled Transmission Service in the Day-Ahead Market, provided however, when the scheduled delivery of Energy is from a POI within the NYCA, Energy Imbalance Service is charged to the Generator or Aggregation associated with the POI.

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Each Transmission Customer that has executed a Service Agreement under the ISO Services Tariff whose scheduled Energy delivery in the Real-Time Market is less than its scheduled Transmission Service in the Real-Time Market, will be charged an amount equal to the product of the Real-Time LBMP price determined pursuant to Attachment B of the Services Tariff, at the Point of Delivery (Point of Injection) and the difference between the scheduled Energy delivery in the Real-Time Market and the scheduled Transmission Service in the Real-Time Market, provided however, when the scheduled delivery of Energy is from a POI within the NYCA, Energy Imbalance Service is charged to the Generator or Aggregation associated with the POI.

Each Transmission Customer that has not executed a Service Agreement under the ISO Services Tariff, whose scheduled Energy delivery in the Real-Time Market is less than its Transmission Service scheduled in the Real-Time Market, will be charged an amount equal to the product of (i) the higher of (a) 150 percent of the real-time LBMP determined pursuant to Attachment J, at the Point of Delivery (Point of Injection), and (b)\$100 per MWh, and (ii) the difference between the scheduled Energy delivery in the Real-Time Market and the scheduled transmission service in the Real-Time Market, provided however, when the scheduled delivery of Energy is from a POI within the NYCA, Energy Imbalance Service is charged to the Generator or Aggregation associated with the POI.

Settlements when Actual Energy delivery exceeds Actual Energy Withdrawals are governed by Services Tariff Section 4.5.

Energy imbalances resulting from inadvertent interchange between Control Areas will continue to be addressed by ISO procedures and in accordance with NERC and NPCC policies. Any increase or decrease in costs resulting from pay back of accumulated inadvertent

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interchange will be included in the residual costs payment or the residual costs charge as calculated in Section 6.1.8 of Rate Schedule 1 of this ISO OATT.

**6.4.2 Inadvertent Energy Management Requirements**

**6.4.2.1 Facilities on Boundaries with Neighboring Control Areas**

The correction required for external Inadvertent Energy Accounting facilities on Interfaces between the NYCA and other Control Areas will be done using Inadvertent Energy Accounting techniques established by the ISO in accordance with NERC and other established reliability criteria.

**6.4.3 Self-Supply**

All Energy Imbalance Services shall be purchased from the ISO.

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**6.5 Schedule 5 - Charges for Operating Reserve Service**

The ISO must offer this service when Transmission Service is used to serve Load within the NYCA. Transmission Customers and LSEs must either purchase this service from the ISO. The charges for Operating Reserve Service are set forth below.

The NYSRC shall be responsible for evaluating the adequacy of the criteria for determining the required level of Operating Reserves and shall modify such criteria from time to time as required. The ISO shall establish additional categories of Operating Reserves if necessary to ensure reliability.

The ISO will ensure that Suppliers that are compensated for using Capacity to provide one Operating Reserve product are not simultaneously compensated for providing another Operating Reserve product, or Regulation Service, using the same Capacity (consistent with the additive nature of the market clearing price calculation formulae in Sections 15.4.5.1 and 15.4.6.1 of Rate Schedule 4 of the ISO Services Tariff).

**6.5.1 Operating Reserves Charges**

Transmission Customers and Customers engaging in Export Transactions, except for Export Transactions at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England, and LSEs shall pay an hourly charge equal to the product of (A) the cost to the ISO of providing all Operating Reserves for a given hour; and (B) the ratio of (i) the LSE's hourly Load or the Transmission Customer's hourly scheduled Export Transactions, except for Export Transactions at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England, to (ii) the sum of all Load in the NYCA and all scheduled Export Transactions, except

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for Export Transactions at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England, for a given hour. The cost to the ISO of providing Operating Reserves in each hour will equal the total amount that the ISO pays to procure Operating Reserves on behalf of the market in the Day-Ahead Market and the Real-Time Market, less payments collected from entities that are scheduled to provide less Operating Reserves in the Real-Time Market than in the Day-Ahead Market during that hour, under Rate Schedule 4 of the ISO Services Tariff. The ISO shall aggregate the hourly charges to produce a total charge for a given Dispatch Day.

LSEs taking service under Section 5 of the OATT to supply Station Power as third-party providers shall pay to the ISO a daily charge for this service equal to the product of (A) the cost to the ISO of providing all Operating Reserves for the day and (B) the ratio of (i) the LSE's Station Power supplied under Section 5 of the OATT for the day to (ii) the sum of all Load in the NYCA and all scheduled Exports, except for Export Transactions at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England, for the day. The ISO shall credit the daily charges paid for Operating Reserves by LSEs taking service under Section 5 of the OATT to supply Station Power as third-party providers on a Load ratio share basis to the Load in the NYCA for that day and all scheduled Exports for the day except for Export Transactions at a CTS Enabled Interface with ISO New England resulting from Exports that are not associated with wheels through New England.

**6.5.2 Self-Supply**

Transmission Customers, including LSEs, may provide for Self-Supply of Operating Reserve by placing Resources supplying any one of the Operating Reserves under ISO Operational Control. The Resources must meet ISO rules for acceptability, pursuant to Rate

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Schedule 4 of the Services Tariff. The specified Resources will receive the market value of the Operating Reserves services provided by the specified Resource as determined in the ISO Services Tariff. In addition, Transmission Customers, including LSEs, may enter into Day-Ahead bilateral financial transactions, *e.g.*, contracts-for-differences, in order to hedge against price volatility in the Operating Reserves markets.

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**6.6            Schedule 6 - Black Start and System Restoration Services**

The terms of Rate Schedule 5 of the ISO Services Tariff are hereby incorporated by reference into this Tariff. In applying the terms of Rate Schedule 5 of the ISO Services Tariff in connection with this Tariff, all terms in Rate Schedule 5 that are applicable to “Customers” shall be similarly applicable to “Transmission Customers,” and the ISO shall interpret all other defined terms and cross-references in Rate Schedule 5 that are specific to the ISO Services Tariff consistent with similar terms and provisions of this Tariff, unless otherwise specified.



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**6.7 Schedule 7 - Firm Point-To-Point Transmission Service**

The charges for Firm Point-To-Point Transmission Service are described below. Section 2.7 of this Tariff contains the billing and settlement terms and identifies which customers are responsible for paying each of the charges. Charges are based on actual transmission use with billing units measured in MWh.

**6.7.1 Transmission Usage Charge (“TUC”)**

The TUC (in \$) for each Billing Period shall be the sum of the hourly values for each hour in that Billing Period of (i) the hourly Day-Ahead TUCs for Firm Point-To-Point Transmission Service scheduled in the Day-Ahead Market, and (ii) the hourly Real-Time TUCs for Firm Point-To-Point Transmission Service scheduled before the close of the Real-Time Scheduling Window.

**6.7.1.1 The hourly Day-Ahead TUC shall be calculated as follows:**

$$\text{Hourly Day-Ahead TUC} = \text{Scheduled Amount} \times (\text{DALBMP}_{\text{DP}} - \text{DALBMP}_{\text{RP}})$$

Where:

**Scheduled Amount** is the quantity of MWh scheduled for Firm Point-To-Point Transmission Service in the Day-Ahead Market by the Transmission Customer for that hour.

**DALBMP<sub>DP</sub>** is the Day-Ahead LBMP price of Energy (in \$/MWh) in that hour measured at the Point of Delivery (or withdrawal) as specified in the Transmission Service schedule. The method used to calculate Day-Ahead LBMP is described in Attachment B of the Services Tariff.

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**DALBMP<sub>RP</sub>** is the Day-Ahead LBMP price of Energy (in \$/MWh) in that hour measured at the Point of Receipt (or injection) as specified in the Transmission Service schedule.

The method used to calculate Day-Ahead LBMP is described in Attachment B of the Services Tariff.

**6.7.1.2 The hourly Real-Time TUC shall be calculated as follows:**

$$TUC \text{ for hour } k \text{ for transaction } j = \frac{1}{3600} \sum_{i=1}^n MW_{ij} * t_i * (LBMP_{ij}^r - LBMP_{ij}^s)$$

where:

$MW_{ij}$  = MW of the Transmission Service for RTD execution interval i, for transaction j

n = Number of RTD intervals in an hour

$t_i$  = Number of seconds in interval i which are part of hour k

$LBMP_{ij}^r$  = LBMP at withdrawal location r for RTD execution interval i, for transaction j

$LBMP_{ij}^s$  = LBMP at injection locations for RTD execution interval i, for transaction j

3600 = number of seconds in each hour

6.7.1.2.1 A Transmission Customer that submits a real-time Transmission Service schedule prior to the close of the Real-Time Scheduling Window, for an amount that is less than the Scheduled Amount, shall be credited for the difference at the Real-Time TUC.

6.7.1.2.2 A Transmission Customer that submits a Transmission Service schedule prior to the close of the Real-Time Scheduling Window, for an amount that is

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greater than the Scheduled Amount, shall be charged for the difference at the Real-Time TUC.

**6.7.1.3 Exceptions**

6.7.1.3.1 A Transmission Customer's Transmission Service schedule associated with an Export Bilateral Transaction shall be set equal to the physical schedule of the Export Bilateral Transaction for any hour in which the ISO physically curtails the customer's scheduled Transmission Service.

6.7.1.3.2 Transmission Customers with Grandfathered Rights that take Transmission Service in the Day-Ahead Market that corresponds to that customer's Grandfathered Rights shall pay for Marginal Losses associated with the hourly Day-Ahead LBMP in lieu of the TUC in accordance with Attachment K.

**6.7.2 Marginal Losses**

Payments for Marginal Losses (the "Marginal Losses Cost") shall equal the sum of the Hourly Day-Ahead Marginal Losses Cost and any adjustment to that cost as a result of subsequent schedule changes in the Real-Time Market (the "Hourly Real-Time Marginal Losses Cost")

**6.7.2.1 Hourly Day-Ahead Marginal Losses Cost is calculated as follows:**

**Hourly Day-Ahead Marginal Losses Cost = Scheduled Amount x (DAMLC<sub>DP</sub> - DAMLC<sub>RP</sub>)**

Where:

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**DAMLC<sub>DP</sub>** is the Marginal Losses Component of the Day-Ahead LBMP measured at the Delivery Point identified in the Transmission Customer's schedule. The Day-Ahead LBMP is calculated in accordance with Attachment B of the Services Tariff.

**DAMLC<sub>RP</sub>** is the Marginal Losses Component of the Day-Ahead LBMP measured at the Receipt Point identified in the Transmission Customer's schedule. The Day-Ahead LBMP is calculated in accordance with Attachment B of the Services Tariff.

**6.7.2.2 Hourly Real-Time Marginal Losses Cost is calculated as follows:**

**Hourly Real-Time Marginal Losses Cost = Scheduled Amount x (RTMLC<sub>DP</sub> - RTMLC<sub>RP</sub>)**

Where:

**RTMLC<sub>DP</sub>** is the Marginal Losses Component of the Real-Time LBMP measured at the Delivery Point identified in the Transmission Service schedule. The Real-Time LBMP is calculated in accordance with Attachment B of the Services Tariff.

**RTMLC<sub>RP</sub>** is the Marginal Losses Component of the Real-Time LBMP measured at the Receipt Point identified in the Transmission Service schedule. The Real-Time LBMP is calculated in accordance with Attachment B of the Services Tariff.

**6.7.2.2.1** If the Transmission Customer submits a Transmission Service schedule prior to the close of the Real-Time Scheduling Window, for an amount that is less than the Scheduled Amount in the Day-Ahead Market, the ISO shall credit that Transmission Customer for the difference in Marginal Losses Cost using the Real-Time LBMP Marginal Losses Component.

**6.7.2.2.2** If the Transmission Customer submits a Transmission Service schedule prior to the close of the Real-Time Scheduling Window, for an amount that is

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greater than the Scheduled Amount in the Day-Ahead Market, the ISO shall charge that Transmission Customer for the difference in Marginal Losses Cost using the Real-Time LBMP Marginal Losses Component.

**6.7.3 Wholesale Transmission Service Charge (“WTSC”)**

The Wholesale Transmission Service Charge (in \$) is calculated as follows:

**6.7.3.1 For Exports and Wheels Through**

$$\text{WTSC} = \text{Schedule Amount} \times \text{WTSC Rate}$$

Where:

Scheduled Amount is the quantity of MWh scheduled in each hour for that month for Firm Point-To-Point Transmission Service by the Transmission Customer.

**WTSC Rate** is the Wholesale Transmission Service Charge Rate or combination of rates that applies to the Transmission Customer’s Transmission Service as determined in Attachment H.

**6.7.3.2 For Imports and Internal Wheels**

$$\text{WTSC} = \text{Actual Energy Withdrawals} \times \text{WTSC Rate}$$

**6.7.4 Retail Transmission Service Charge (“RTSC”)**

The rates and charges for retail transmission service are described in Part 5 of this Tariff.

**6.7.5 NYPA Transmission Adjustment Charge (“NTAC”)**

LSEs serving retail access Load will be charged an NTAC consistent with each Transmission Owner's retail access program pursuant to Section 2.7 of this Tariff. The

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Transmission Customer shall pay to the ISO each Billing Period the NTAC. NTAC (in \$) is calculated as follows:

**6.7.5.1 For Exports and Wheels Through**

$$\text{NTAC} = \text{Scheduled Amount} \times \text{NTAC Rate}$$

Where:

**NTAC Rate** is the rate listed and described in Attachment H.

**Scheduled Amount** is the amount of MWh scheduled in each hour for that Billing Period for Firm Point-To-Point Transmission Service by the Transmission Customer.

**6.7.5.2 For Imports and Internal Wheels**

$$\text{NTAC} = \text{Actual MWh Withdrawals} \times \text{NTAC Rate}$$

Where:

**NTAC Rate** is the rate listed and described in Attachment H.

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NYISO Tariffs --> Open Access Transmission Tariff (OATT) --> 6 OATT Rate Schedules --> 6.8 OATT Schedule 8 - Non Firm Point To Point Transmission S

**6.8 Schedule 8 - Non-Firm Point-To-Point Transmission Service**

Non-Firm Point-To-Point Transmission Service is not available in the markets that the  
NYISO administers.

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**6.9 Schedule 9 - Network Integration Transmission Service**

The charges for Network Integration Transmission Service are described below. Article 2.7 of this Tariff contains the billing and settlement terms and identifies which customers are responsible for paying each of the charges. Charges are based on actual transmission use with billing units measured in MWh.

**6.9.1 Transmission Usage Charge (“TUC”)**

The TUC (in \$) for each Billing Period shall be the sum of the hourly values for each hour in that Billing Period of (i) the hourly Day-Ahead TUCs for Network Integration Transmission Service scheduled in the Day-Ahead Market, and (ii) the hourly Real-Time TUCs for Network Integration Transmission Service scheduled no later than ninety (90) minutes prior to such hour in the Dispatch Day.

**6.9.1.1 The hourly Day-Ahead TUC shall be calculated as follows:**

$$\text{Hourly Day-Ahead TUC} = \text{Scheduled Amount} \times (\text{DALBMP}_{\text{DP}} - \text{DALBMP}_{\text{RP}})$$

Where:

**Scheduled Amount** is the quantity of MWh scheduled for Network Integration Transmission Service in the Day-Ahead Market by the Transmission Customer for that hour.

**DALBMP<sub>DP</sub>** is the Day-Ahead LBMP price of energy (in \$/MWh) in that hour measured at the Point of Delivery (or withdrawal) as specified in the Transmission Service schedule. The method used to calculate Day-Ahead LBMP is described in Attachment B of the Services Tariff.



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**DALBMP<sub>RP</sub>** is the Day-Ahead LBMP price of energy (in \$/MWh) in that hour measured at the Point of Receipt (or injection) as specified in the Transmission Service schedule. The method used to calculate Day-Ahead LBMP is described in Attachment B of the Services Tariff.

**6.9.1.2 The hourly Real-Time TUC shall be calculated as follows:**

$$TUC \text{ for hour } k \text{ For transaction } j = \frac{1}{3600} \sum_{i=1}^n MW_{ij} * t_i * (LBMP_{ij}^r - LBMP_{ij}^s)$$

Where:

$MW_{ij}$  = MW of the transaction for SCD execution interval i, for transaction j

n = Number of SCD intervals in an hour

$t_i$  = Number of seconds in interval i which are part of hour k

$LBMP_{ij}^r$  = LBMP at withdrawal location r for SCD execution interval i, for transaction j

$LBMP_{ij}^s$  = LBMP at injection locations for SCD execution interval i, for transaction j

3600 = number of seconds in each hour

6.9.1.2.1 If the Transmission Customer submits a Transmission Service schedule, after the close of the Day-Ahead Market schedule but no later than ninety (90) minutes prior to such hour in the Dispatch Day, for an amount that is less than the Scheduled Amount, the ISO shall credit that Transmission Customer for the difference at the Real-Time TUC.

6.9.1.2.2 If the Transmission Customer submits a Transmission Service schedule, after the close of the Day-Ahead Market schedule but no later than ninety (90)

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minutes prior to such hour in the Dispatch Day, for an amount that is greater than the Scheduled Amount, the ISO shall charge that Transmission Customer for the difference at the Real-Time TUC.

**6.9.1.3 Exceptions to the requirement to pay the hourly TUC.**

6.9.1.3.1 The hourly TUC shall not apply in any hour in which the ISO physically and financially Curtails the customer's scheduled Transmission Service during the Dispatch Day.

6.9.1.3.2 Transmission Customers with Grandfathered Rights that take Transmission Service in the Day-Ahead Market that corresponds to that customer's Grandfathered Rights shall, subject to a Section 205 filing under the Federal Power Act, pay for Marginal Losses associated with the hourly Day-Ahead LBMP in lieu of the TUC.

**6.9.2 Marginal Losses**

Payments for Marginal Losses (the "Marginal Losses Cost") shall equal the sum of the Hourly Day-Ahead Marginal Losses Cost and any adjustment to that cost as a result of subsequent schedule changes in the Real-Time Market (the "Hourly Real-Time Marginal Losses Cost")

**6.9.2.1 Hourly Day-Ahead Marginal Losses Cost is calculated as follows:**

**Hourly Day-Ahead Marginal Losses Cost = Scheduled Amount x (DAMLC<sub>DP</sub> - DAMLC<sub>RP</sub>)**

Where:

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**DAMLC<sub>DP</sub>** is the Marginal Losses Component of the Day-Ahead LBMP measured at the Delivery Point identified in the Transmission Customer's schedule. The Day-Ahead LBMP is calculated in accordance with Attachment B of the Services Tariff.

**DAMLC<sub>RP</sub>** is the Marginal Losses Component of the Day-Ahead LBMP measured at the Receipt Point identified in the Transmission Customer's schedule. The Day-Ahead LBMP is calculated in accordance with Attachment B of the Services Tariff.

**6.9.2.2 Hourly Real-Time Marginal Losses Cost is calculated as follows:**

**Hourly Real-Time Marginal Losses Cost = Scheduled Amount x (RTMLC<sub>DP</sub> - RTMLC<sub>RP</sub>)**

Where:

**RTMLC<sub>DP</sub>** is the Marginal Losses Component of the Real-Time LBMP measured at the Delivery Point identified in the Transmission Service schedule. The Real-Time LBMP is calculated in accordance with Attachment B of the Services Tariff.

**RTMLC<sub>RP</sub>** is the Marginal Losses Component of the Real-Time LBMP measured at the Receipt Point identified in the Transmission Service schedule. The Real-Time LBMP is calculated in accordance with Attachment B of the Services Tariff.

**6.9.2.2.1** If the Transmission Customer submits a Transmission Service schedule, after the close of the Day-Ahead Market schedule but no later than ninety (90) minutes prior to such hour in the Dispatch Day, for an

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amount that is less than the Scheduled Amount in the Day-Ahead Market, the ISO shall credit that Transmission Customer for the difference in Marginal Losses Cost using the Real-Time LBMP Marginal Losses Component.

6.9.2.2.2 If the Transmission Customer submits a Transmission Service schedule, after the close of the Day-Ahead Market schedule but no later than ninety (90) minutes prior to such hour in the Dispatch Day, for an amount that is greater than the Scheduled Amount in the Day-Ahead Market, the ISO shall charge that Transmission Customer for the difference in Marginal Losses Cost using the Real-Time LBMP Marginal Losses Component.

**6.9.3 Wholesale Transmission Service Charge (“WTSC”)**

The Wholesale Transmission Service Charge (in \$) is calculated as follows:

**6.9.3.1. For Exports and Wheels Through**

**WTSC = Schedule Amount x WTSC Rate**

Where:

**Scheduled Amount** is the quantity of MWh scheduled in each hour for that month for Network Integration Transmission Service by the Transmission Customer.

**WTSC Rate** is the Wholesale Transmission Service Charge Rate or combination of rates that applies to the Transmission Customer’s Transmission Service as determined in Attachment H.

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**6.9.3.2. For Imports and Internal Wheels**

$$\text{WTSC} = \text{Actual Energy Withdrawals} \times \text{WTSC Rate}$$

Where:

**Actual MWh Withdrawal** is the quantity of MWh withdrawn at the Point of Delivery identified in the Transmission Customer's Transmission Service schedule, in an hour. The amount shall be determined by: (1) measurement with a revenue-quality meter; (2) assessment in accordance with a Transmission Owner's PSC-approved retail access program or LIPA's lawfully established retail access program where the customer's demand is not measured by a revenue-quality meter; or (3) using a method agreed to by the customer and the applicable Transmission Owner until such time as a revenue-quality meter is available.

**6.9.4 Retail Transmission Service Charge ("RTSC")**

The rates and charges for retail transmission service are described in Section 5 of this Tariff.

**6.9.5 NYPA Transmission Adjustment Charge ("NTAC")**

LSEs serving retail access Load will be charged an NTAC consistent with each Transmission Owner's retail access program pursuant to Section 2.7 of this Tariff. The Transmission Customer shall pay to the ISO each Billing Period the NTAC. NTAC (in \$) is calculated as follows:

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**6.9.5.1 For Exports and Wheels Through**

$$\text{NTAC} = \text{Scheduled Amount} \times \text{NTAC Rate}$$

Where:

**NTAC Rate** is the rate listed and described in Attachment H.

**Scheduled Amount** is the amount of MWh scheduled in each hour for that Billing Period for Network Integration Transmission Service by the Transmission Customer.

**6.9.5.2 For Imports and Internals Wheels**

$$\text{NTAC} = \text{Actual MWh Withdrawals} \times \text{NTAC Rate}$$

Where:

**NTAC Rate** is the rate listed and described in Attachment H.

**Actual MWh Withdrawal** is the quantity of MWh withdrawn at the Point of Delivery identified in the Transmission Customer's Transmission Service schedule, in an hour. The amount shall be determined by: (1) measurement with a revenue-quality meter; (2) assessment in accordance with a Transmission Owner's PSC-approved retail access program or LIPA's lawfully established retail access program where the customer's demand is not measured by a revenue-quality meter; or (3) using a method agreed to by the customer and the applicable Transmission Owner until such time as a revenue-quality meter is available.

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**6.10 Schedule 10 - Rate Mechanism for the Recovery of the Regulated Transmission Facilities Charge (“RTFC”)**

**6.10.1 Applicability**

**6.10.1.1 Eligible Projects**

This Schedule establishes the Regulated Transmission Facilities Charge (“RTFC”) for the recovery of the costs of a regulated transmission project that is eligible for cost recovery in accordance with the Comprehensive System Planning Process requirements set forth in Attachment Y of the ISO OATT.<sup>1</sup> A Transmission Owner, Unregulated Transmitting Utility,<sup>2</sup> or Other Developer may recover through the RTFC the costs that it is eligible to recover pursuant to Attachment Y of the ISO OATT related to: (i) a regulated backstop transmission solution proposed by a Responsible Transmission Owner pursuant to Section 31.2.4.3.1 of Attachment Y of the ISO OATT and the ISO/TO Reliability Agreement; (ii) an alternative regulated transmission solution that the ISO has selected pursuant to Section 31.2.6.5.2 of Attachment Y of the ISO OATT as the more efficient or cost-effective solution to a Reliability Need; or (iii) a regulated transmission Gap Solution proposed by a Responsible Transmission Owner pursuant to Section 31.2.11.4 of Attachment Y of the ISO OATT; (iv) an alternative regulated Transmission Gap Solution that has been determined by the appropriate state regulatory agency(ies) as the preferred solution to a Reliability Need pursuant to Section 31.2.11.5 of Attachment Y of the ISO OATT; (v) a regulated economic transmission project that has been approved pursuant to Section 31.5.4.6 of Attachment Y of the ISO OATT; (vi) a Public Policy Transmission Project that the ISO has selected pursuant to Section 31.4.8.2 of Attachment Y of the ISO OATT as the more efficient or cost-effective solution to a Public Policy Transmission Need; (vii) a Public Policy Transmission Project proposed by a Developer in response to a request by the NYPSC or

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Long Island Power Authority in accordance with Section 31.4.3.2 of Attachment Y of the ISO OATT; or (viii) the portion of an Interregional Transmission Project selected by the ISO in the CSPP that is allocated to the NYISO region pursuant to Section 31.5.7 of Attachment Y of the ISO OATT. For purposes of this Schedule, such a transmission project is referred to as an “Eligible Project.” The costs incurred for an Eligible Project by LIPA or NYPA will be billed and collected under a separate LIPA RTFC or NYPA RTFC, as applicable, as described in Section 6.10.5.

<sup>1</sup>Capitalized terms used in this Schedule that are not defined in this Schedule shall have the meaning set forth in Section 31.1.1 of Attachment Y of the ISO OATT and, if not therein, in Section 1 of the OATT.

<sup>2</sup>An “Unregulated Transmitting Utility” is a Transmission Owner, such as LIPA and NYPA, that, pursuant to Section 201(f) of the Federal Power Act, is not subject to the Commission’s jurisdiction under Sections 205 and 206(a) of the Federal Power Act.

**6.10.1.2 Projects Not Eligible for Cost Recovery Through the RTFC**

This Schedule does not apply to projects that are not eligible pursuant to Attachment Y of the ISO OATT for cost allocation and recovery under the ISO OATT, including, but not limited to: (i) projects undertaken by Transmission Owners through the Local Transmission Owner Planning Processes pursuant to Section 31.1.3 and Section 31.2.1 of Attachment Y of the ISO OATT; (ii) market-based solutions to transmission needs identified in the CSPP; (iii) any non-transmission components of an Eligible Project (*e.g.*, generation, energy efficiency, or demand response resources); (iv) transmission Generator Deactivation Solutions selected in the Generator Deactivation Process pursuant to Attachment FF of the ISO OATT and eligible for cost recovery through Schedule 16 (Section 6.16) of the ISO OATT; (v) transmission facilities eligible for cost recovery through another rate schedule of the ISO OATT; and (vi) facilities for which costs are recovered through the Transmission Service Charge (“TSC”) or the NYPA



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Transmission Adjustment Charge (“NTAC”) determined in accordance with Attachment H of the ISO OATT.

**6.10.2 Revenue Requirement for RTFC**

The RTFC (including a LIPA RTFC or NYPA RTFC, as applicable) shall be calculated in accordance with the formula set forth in Section 6.10.3 using the revenue requirement of the Transmission Owner, Unregulated Transmitting Utility, or Other Developer, as applicable, necessary to recover the costs of an Eligible Project. The revenue requirement to be used in the calculation and recovery of the RTFC for a Transmission Owner or Other Developer, other than an Unregulated Transmitting Utility, is described in Section 6.10.4. The development of a revenue requirement and recovery of costs for an Eligible Project by an Unregulated Transmitting Utility through a NYPA RTFC or a LIPA RTFC, as applicable, is described in Section 6.10.5.

If an Eligible Project involves the construction of a facility identified as a Highway System Deliverability Upgrade in a completed Class Year Interconnection Facilities Study, the Project Cost Allocation for which has been accepted and Security posted by at least one Class Year Developer, the project cost and resulting revenue requirement will be reduced to the extent permitted by Section 25.7.12.3.3 of Attachment S of the ISO OATT.

**6.10.3 Calculation and Recovery of RTFC and Payment of Recovered Revenue**

6.10.3.1 The ISO will calculate and bill an RTFC (or a LIPA RTFC or NYPA RTFC, as applicable) separately for each Eligible Project in accordance with this Section 6.10.3. The ISO shall collect the RTFC from LSEs. The LSEs, including Transmission Owners, competitive LSEs, municipal systems, and any other

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LSEs, serving Load in the Load Zones and/or Subzones to which the costs of the Eligible Project have been allocated (each a “Responsible LSE”) shall pay the RTFC. The cost of each Eligible Project shall be allocated as follows: (i) the costs of an Eligible Project that is eligible for cost allocation and recovery through the reliability planning process shall be allocated in accordance with Section 31.5.3 of Attachment Y of the ISO OATT; (ii) the costs of an Eligible Project that is eligible for cost allocation and recovery through the CARIS process shall be allocated in accordance with Section 31.5.4 of Attachment Y of the ISO OATT; (iii) the costs of an Eligible Project that is eligible for cost allocation and recovery through the Public Policy Transmission Planning Process shall be allocated in accordance with Section 31.5.5 of Attachment Y of the ISO OATT; and (iv) the costs of an Eligible Project that is eligible for cost allocation and recovery as an Interregional Transmission Project shall be allocated in accordance with Section 31.5.7 of Attachment Y of the ISO OATT.

6.10.3.2 The revenue requirement established by the Transmission Owner or Other Developer pursuant to Section 6.10.4 and an Unregulated Transmitting Utility pursuant to Section 6.10.5 will be the basis for the applicable RTFC Rate (\$/MWh) that shall be charged by the ISO to each Responsible LSE based on its Actual Energy Withdrawals as set forth in Section 6.10.3.5.

6.10.3.3 The Developer shall request Incremental TCCs with respect to the Eligible Project in accordance with the requirements of Section 19.2.4 of Attachment M of the ISO OATT and receive any Incremental TCCs to the extent awarded by the ISO pursuant to such request. As it relates solely to the Eligible Project, the

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Developer shall not be a “Transmission Owner” for purposes of Section 20.2.5 or Section 20.3.7 of Attachment N of the ISO OATT and accordingly shall not receive an allocation of Net Congestion Rents under Section 20.2.5 of Attachment N of the ISO OATT or Net Auction Revenues under Section 20.3.7 of Attachment N of the ISO OATT.

The Developer shall in relation to any Eligible Project exercise its right to obtain and maintain in effect all Incremental TCCs, including temporary Incremental TCCs, to which it has rights under Section 19.2.4 of Attachment M of the ISO OATT and shall take the actions required to do so in accordance with the procedures specified therein. Notwithstanding Sections 19.2.4.7 and 19.2.4.8 of Attachment M of the ISO OATT, Incremental TCCs created and awarded to the Developer as a result of implementation of an Eligible Project shall not be eligible for sale in Secondary Markets. Incremental TCCs that may be created and awarded to the Developer as a result of the implementation of an Eligible Project, shall be offered by the Developer in all rounds of the six month Sub-Auction of each Centralized TCC Auction conducted by the ISO. The ISO shall disburse the associated auction revenues to the Developer. The total amount of the auction revenues disbursed to the Developer pursuant to this Section 6.10.3.3 shall be used in the calculation of the RTFC Rate, as set forth in Section 6.10.3.5. Incremental TCCs associated with an Eligible Project shall continue to be offered for the duration of the Incremental TCCs, established pursuant to the terms of Attachment M of the ISO OATT.

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The revenue offset discussed in this Section 6.10.3.3 shall commence upon the first payment of revenues related to Incremental TCCs associated with the implementation of an Eligible Project on or after the date the RTFC is implemented. The RTFC and the revenue offset related to Incremental TCCs associated with the implementation of an Eligible Project shall not require and shall not be dependent upon a reopening or review of: (i) the Developer's revenue requirements for the RTFC of another Eligible Project pursuant to this Section 6.10 of the ISO OATT, (ii) the Developer's revenue requirement for charges set forth in another rate schedule of the ISO OATT, or (iii) the Transmission Owners' revenue requirements for the TSCs or NTAC set forth in Attachment H of the ISO OATT.

6.10.3.3.1 With respect to the Eligible Project only, the Developer shall receive the outage charges described herein and shall not be charged O/R-t-S Congestion Rent Shortfall Charges, U/D Congestion Rent Shortfall Charges, O/R-t-S Auction Revenue Shortfall Charges or U/D Auction Revenue Shortfall Charges or be paid O/R-t-S Congestion Rent Surplus Payments, U/D Congestion Rent Surplus Payments, O/R-t-S Auction Revenue Surplus Payments or U/D Auction Revenue Surplus Payments under Section 20.2.4 and Section 20.3.6 of Attachment N of the ISO OATT. Outage charges related to any Incremental TCCs awarded by the ISO for an Eligible Project shall be assessed to the Developer, and payable by the Developer to the ISO, pursuant to Section 19.2.4 of Attachment M of the ISO OATT for an Expander not subject to Section 20.2.5 of Attachment N of the ISO OATT for any hour in the Day-Ahead Market during which an Expansion,

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associated with an Eligible Project, is modeled to be wholly or partially out of service.

6.10.3.4 The billing units for the RTFC Rate for the Billing Period shall be based on the Actual Energy Withdrawals available for the current Billing Period for those Load Zones and/or Subzones allocated the costs of the project in the manner described in Section 6.10.3.1.

**6.10.3.5 Cost Recovery Methodology**

The ISO shall calculate the RTFC for each Eligible Project for each Responsible LSE as follows:

**Step 1: Calculate the \$ assigned to each Load Zone or Subzone (as applicable)**

$$RTFC_{p,z,B} = (\text{AnnualRR}_{p,B} - \text{IncrementalTransmissionRightsRevenue}_{p,B} + \text{OutageCostAdjustment}_{p,B}) \times (\text{ZonalCostAllocation}_{z,p})$$

**Step 2: Calculate a per-MWh Rate for each Load Zone or Subzone (as applicable)**

$$RTFCRate_{p,z,B} = RTFC_{p,z,B} / MWh_{z,B}$$

**Step 3: Calculate charge for each Billing Period for each Responsible LSE in each Load Zone or Subzone (as applicable)**

$$\text{Charge}_{B,l,z,p} = RTFCRate_{p,z,B} * MWh_{l,z,B}$$

**Step 4: Calculate charge for each Billing Period for each Responsible LSE across all Load Zones or Subzones (as applicable)**

$$\text{Charge}_{B,l,p} = \sum_{z \in Z} (\text{Charge}_{B,l,z,p})$$

Where,

l = the relevant Responsible LSE;

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$p$  = an individual Eligible Project;

$z$  = an individual Load Zone or Subzone, as applicable;

$Z$  = set of ISO Load Zones or Subzones as applicable;

$B$  = the relevant Billing Period;

$MWh_{z,B}$  = Actual Energy Withdrawals in Load Zone or Subzone, as applicable,  $z$  aggregated across all hours in Billing Period  $B$ ;

$MWh_{l,z,B}$  = Actual Energy Withdrawals for Responsible LSE  $l$  in Load Zone or Subzone, as applicable,  $z$  aggregated across all hours in Billing Period  $B$ ;

$AnnualRR_{p,B}$  = the pro rata share of the annual revenue requirement for each Eligible Project  $p$  as discussed in Section 6.10.2 above, allocated for Billing Period  $B$ ;

$IncrementalTransmissionRightsRevenue_{p,B}$  = the auction revenue derived from the sale of Incremental TCCs plus Incremental TCC payments received by the Developer pursuant to Section 20.2.3 of Attachment N of the ISO OATT for each Eligible Project  $p$ , as discussed in Section 6.10.3.3 above, allocated for Billing Period  $B$ . The revenues from the sale of Incremental TCCs in the ISO's six month Sub-Auctions of each Centralized TCC Auction shall be allocated uniformly across all hours of the Billing Period;

$OutageCostAdjustment_{p,B}$  = the Outage charges determined pursuant to Section 6.10.3.3.1 above for any hour in the Day-Ahead Market during which the Eligible Project  $p$  is modeled to be wholly or partially out of service aggregated across all hours in Billing Period  $B$ ; and

$ZonalCostAllocation_{z,p}$  = the proportion of the cost of Eligible Project  $p$  allocated to Load Zone or Subzone, as applicable,  $z$ , in the manner described in Section 6.10.3.1 above;

6.10.3.6        The NYISO will collect the appropriate RTFC revenues each Billing Period and remit those revenues to the appropriate Transmission Owner, Unregulated Transmitting Utility, or Other Developer in accordance with the NYISO's billing and settlement procedures; *provided, however*, that LIPA will be responsible for billing and collecting the costs of an Eligible Project undertaken by LIPA that are allocated to customers within the Long Island Transmission District in accordance with Section 6.10.5.2.1.

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**6.10.4 Recovery of Costs Incurred by Transmission Owner or Other Developer**

6.10.4.1 The RTFC shall be used as the cost recovery mechanism for the recovery of the costs of an Eligible Project undertaken by a Transmission Owner or Other Developer, other than an Unregulated Transmitting Utility, which project is authorized by the Commission to recover costs under this rate mechanism; *provided, however*, nothing in this cost recovery mechanism shall be deemed to create any additional rights for a Transmission Owner or Other Developer to proceed with a regulated transmission project that it does not otherwise have at law. The costs that may be included in the revenue requirement for calculating the RTFC pursuant to Section 6.10.3 include all reasonably incurred costs, as determined by the Commission, related to the preparation of proposals for, and the development, financing, construction, operation, and maintenance of, an Eligible Project, including those costs explicitly permitted for recovery pursuant to Attachment Y of the ISO OATT. These costs include, but are not limited to, a reasonable return on investment and any incentives for the construction of transmission projects approved under Section 205 or Section 219 of the Federal Power Act and the Commission's regulations implementing those sections.

6.10.4.2 The period for cost recovery will be determined by the Commission and will begin if and when the Eligible Project enters into service, is halted, or as otherwise determined by the Commission, including for the recovery of CWIP or other permissible cost recovery. The Transmission Owner/Other Developer, or, at its request, the ISO, shall either make a Section 205 filing with the Commission or make an informational filing under a formula rate to provide for the

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Commission's review and approval or acceptance of the project cost and resulting revenue requirement to be recovered through the RTFC. The filing may include all reasonably incurred costs specified in Section 6.10.4.1 of this Schedule that are related to the Transmission Owner's or the Other Developer's undertaking an Eligible Project. The filing must be consistent with the Transmission Owner's or the Other Developer's project proposal made to and evaluated by the ISO pursuant to Attachment Y. The Transmission Owner or Other Developer shall bear the burden of resolving all concerns about the contents of the filing that might be raised in such proceeding. The ISO will begin to calculate and bill the RTFC in accordance with the period for cost recovery determined by the Commission after the Commission has accepted or approved the filing or otherwise allowed the filing to go into effect pursuant to a formula rate.

**6.10.5 Recovery of Costs by an Unregulated Transmitting Utility**

6.10.5.1 The costs that may be included in the revenue requirement for an Eligible Project undertaken by an Unregulated Transmitting Utility include all reasonably incurred costs related to the preparation of proposals for, and the development, financing, construction, operation, and maintenance of, an Eligible Project, including those costs explicitly permitted for recovery pursuant to Attachment Y of the ISO OATT, as well as a reasonable return on investment. Except as otherwise provided in Section 6.10.5.2.1, for any recovery of a revenue requirement by an Unregulated Transmitting Utility under the RTFC, the period of cost recovery will be determined by the Commission and will begin if and when the Eligible Project enters into service, is halted, or as otherwise determined



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by the Commission, including for the recovery of CWIP or other permissible cost recovery. Except as otherwise provided in Section 6.10.5.2.1, the ISO will begin to calculate and bill the RTFC for an Unregulated Transmitting Utility pursuant to Section 6.10.3 in accordance with the period for cost recovery determined by the Commission after the Commission has accepted or approved the filing of its revenue requirement or otherwise allowed the filing to go into effect pursuant to a formula rate.

**6.10.5.2 Cost Recovery for LIPA**

Any costs incurred for an Eligible Project undertaken by LIPA, as an Unregulated Transmitting Utility, that are eligible for recovery under Section 6.10.5.1 under a LIPA RTFC shall be recovered over the period established by Long Island Power Authority's Board of Trustees as follows:

6.10.5.2.1 For costs to LIPA customers: Cost will be recovered pursuant to a rate recovery mechanism approved by the Long Island Power Authority's Board of Trustees pursuant to Article 5, Title 1-A of the New York Public Authorities Law, Sections 1020-f(u) and 1020-s. Upon approval of the rate recovery mechanism, LIPA shall provide to the ISO, for purposes of inclusion within the ISO OATT and filing with the Commission on an informational basis only, a description of the rate recovery mechanism, the costs of the Eligible Project, and the rate that LIPA will charge and collect from responsible entities within the Long Island Transmission District in accordance with the ISO cost allocation methodology pursuant to Section 31.5 of Attachment Y of the ISO OATT.

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6.10.5.2.2 For Costs to Other Transmission Districts, As Applicable: Where the ISO determines that there are Responsible LSEs serving Load outside of the Long Island Transmission District that should be allocated a portion of the costs of the Eligible Project undertaken by LIPA, LIPA shall coordinate with and inform the ISO of the amount of such costs. Such costs will be an allocable amount of the cost base recovered through the recovery mechanism described in Section 6.10.5.2.1 in accordance with the formula set forth in Section 6.10.3.5. Such costs of the Eligible Project allocable to Responsible LSEs serving Load outside of the Long Island Transmission District shall constitute the “revenue requirement.” The ISO shall file the revenue requirement with the Commission if requested to do so by LIPA, for Commission review under the same “comparability” standard as is applied to review of changes in LIPA’s TSC under Attachment H of the ISO OATT. The filing must be consistent with LIPA’s project proposal made to and evaluated by the ISO pursuant to Attachment Y. LIPA shall intervene in support of such filing at the Commission and shall bear the burden of resolving all concerns about the contents of the filing that might be raised in such proceeding. Upon the Commission’s acceptance for filing of LIPA’s revenue requirement and using the procedures described in Sections 6.10.3.1 through 6.10.3.5 of this Schedule, the ISO shall calculate a separate LIPA RTFC based on the revenue requirement and shall bill for LIPA the LIPA RTFC as a separate line item to the Responsible LSEs serving Load in Transmission Districts located outside of the Long Island Transmission District.

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The ISO shall remit the revenues collected to LIPA in accordance with the ISO's billing and settlement procedures.

**6.10.5.3 Cost Recovery for NYPA**

Any costs incurred for an Eligible Project undertaken by NYPA, as an Unregulated Transmitting Utility, that are eligible for recovery under Section 6.10.5.1 shall be recovered under a NYPA RTFC as described herein. A reasonable return on investment for an Eligible Project undertaken by NYPA may include any incentives for construction of transmission projects available under Section 205 or Section 219 of the Federal Power Act and the Commission's regulations implementing those sections, as determined by the Commission.

6.10.5.3.1 NYPA shall coordinate with and inform the ISO of the amount of the costs it incurred in undertaking an Eligible Project. Such costs shall constitute the revenue requirement. Either the ISO shall make a Section 205 filing with the Commission on behalf of NYPA or NYPA shall make an informational filing under a formula rate with the Commission, of the revenue requirement. The filing must be consistent with NYPA's project proposal made to and evaluated by the ISO pursuant to Attachment Y. NYPA shall intervene in support of such filing at the Commission and shall bear the burden of resolving all concerns about the contents of the filing that might be raised in such proceeding, including being solely responsible for making any arguments or reservations regarding its status as a non-Commission-jurisdictional utility and the appropriate standard for Commission review of its revenue requirement. After the Commission has accepted or approved the filing or otherwise allowed the filing to go into effect pursuant to a formula rate, the ISO shall calculate in accordance with Sections

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6.10.3.1 through 6.10.3.5 of this Schedule a separate NYPA RTFC based on the revenue requirement and bill for NYPA the NYPA RTFC to the Responsible LSEs. The ISO shall remit the revenues collected to NYPA in accordance with the ISO's billing and settlement procedures.

6.10.5.4 Savings Clause. The inclusion in the ISO OATT or in a filing with the Commission pursuant to Section 6.10.5 of the revenue requirement for recovery of costs incurred by an Unregulated Transmitting Utility, including LIPA or NYPA, related to an Eligible Project undertaken pursuant to Attachment Y of the ISO OATT, as provided for in this Section 6.10.5, or the inclusion of such revenue requirement in the LIPA RTFC or NYPA RTFC, shall not be deemed to modify the treatment of such rates as non-jurisdictional pursuant to Section 201(f) of the FPA.

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**6.11 Schedule 11 - Penalty Cost Recovery**

**6.11.1 Direct Allocation of Costs Associated With NERC Penalty Assessments**

**6.11.1.1 Purpose and Objectives**

Under the NERC Functional Model and the NERC Rules of Procedure, Registered Entities within a specific function may be assessed penalties by FERC, NERC, and/or NPCC for violations of NERC Reliability Standards. Pursuant to the terms and conditions of the Tariff and the ISO Procedures, certain tasks associated with Reliability Standards compliance may be performed either by the ISO and/or the Customers even when they are not the Registered Entity. This Schedule furnishes a mechanism by which either the ISO or a Customer may directly allocate, with FERC approval, monetary penalties imposed by FERC, NERC and/or NPCC on the Registered Entity to entity or entities whose conduct is determined by NERC or the Regional Entity to have led to a Reliability Standard violation. For purposes of this rate schedule, the terms “Customer” and “Market Participant” shall include Transmission Owners. The purpose of this schedule is to allow for cost allocation; nothing in this schedule is intended to affect the obligations of Registered Entities for compliance with NERC Reliability Standards. Penalties that are assessed against the ISO on or after the effective date of this Section shall be recoverable as provided in this Section regardless of the date of the violation(s) for which the penalty is assessed. Notwithstanding any provisions of the ISO’s Tariffs or ISO Related Agreements, including those provisions requiring stakeholder approval for Section 205 filings in certain instances, the ISO has the independent authority to make Section 205 filings in accordance with the provisions of this Schedule 11 after consultation with the Management Committee as provided in Section 5.1.1(c) of the Services Tariff or Section 2.11.6(c) of the ISO OATT.

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**6.11.1.2 Definitions**

All defined terms in this Schedule shall have the meaning given to them in the Tariff and the ISO Procedures unless otherwise stated below.

**Compliance Monitoring and Enforcement Program (CMEP)** - The program to be used by the NERC and the Regional Entities to monitor, assess and enforce compliance with the NERC Reliability Standards. As part of a Compliance Monitoring and Enforcement Program, NERC and the Regional Entities may, among other things, conduct investigations, determine fault and assess monetary penalties.

**NERC Functional Model** - Defines the set of functions that must be performed to ensure the reliability of the bulk power system. The NERC Reliability Standards establish the requirements of the responsible entities that perform the functions defined in the Functional Model.

**NERC Reliability Standards** - Those standards that have been developed by NERC and approved by FERC to ensure the reliability of the bulk power system.

**NERC Rules of Procedure** - The rules and procedures developed by NERC and approved by the FERC. These rules include the process by which a responsible entity, which is to perform a set of functions to ensure the reliability of the bulk power system, must register as the Registered Entity.

**Registered Entity** - The entity registered under the NERC Functional Model and NERC Rules of Procedures for the purpose of compliance with NERC Reliability Standards and responsible for carrying out the tasks within a NERC function without regard to whether a task or tasks are performed by another entity pursuant to the terms of the ISO's Tariffs and ISO Related Agreements.

**Regional Entity** - An entity to whom NERC has delegated Electric Reliability Organization (ERO) functions in a particular geographic region. For the ISO region, the applicable Regional Entity is the Northeast Power Coordinating Council (NPCC).

**6.11.1.3 Allocation of Costs When the ISO is the Registered Entity**

6.11.1.3.1 If FERC, NERC and/or NPCC assesses a monetary penalty against the ISO as the Registered Entity for a violation of a NERC Reliability Standard(s), and the conduct of a Customer or Customers contributed to the Reliability Standard violation(s) at issue, then the ISO may directly allocate such penalty costs or a portion thereof to the Customer or Customers whose conduct contributed to the Reliability Standards violation(s), provided that all of the following conditions have been satisfied:

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- (1) Pursuant to the CMEP, the Customer or Customers received notice and an opportunity to fully participate in the underlying CMEP proceeding;
- (2) This CMEP proceeding produced a root cause finding, subsequently filed with FERC, that the Customer contributed, either in whole or in part, to the NERC Reliability Standards violation(s); and
- (3) A NERC filing of the root cause finding identifying the Customer's or Customers' conduct as causing or contributing to the Reliability Standards violation charged against the ISO as the Registered Entity is made at FERC.

6.11.1.3.2 The ISO will notify the Customer or Customers found to have contributed to a violation, either in whole or in part, in the CMEP proceedings. Such notification shall set forth in writing the ISO's intent to invoke this Section 6.11.1.3 and directly assign the costs associated with a monetary penalty to the Customer or Customers. Such notification shall (i) state that the ISO believes the criteria for direct assignment and allocation of costs under this Schedule have been satisfied; and (ii) describe the underlying factual basis supporting a penalty cost assignment, including a description of the conduct contributing to the violation and the nature of the violation of the ISO Tariffs or ISO Related Agreement requirements.

6.11.1.3.3 A failure by a Customer or Customers to participate in the CMEP proceedings will not prevent the ISO from directly assigning the costs associated with a monetary penalty to the responsible Customer or Customers provided all other conditions set forth herein have been satisfied.

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- 6.11.1.3.4 Where the Regional Entity's and/or NERC's root cause analysis finds that more than one party's conduct contributed to the Reliability Standards violation(s), the ISO shall inform all involved Customers and shall make an initial apportionment for purposes of the cost allocation on a basis reasonably proportional to the parties' relative fault consistent with NERC's root cause analysis.
- 6.11.1.3.5 If the ISO and the involved Customer(s) agree on the proportion of penalty cost allocation, such agreement shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act for approval.
- 6.11.1.3.6 Should the Customer(s) disagree with the ISO's initial apportionment of the penalty based on each party's relative fault, then the parties shall meet in an attempt to informally resolve the penalty allocation. If the parties cannot agree informally, the matter shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act.
- 6.11.1.3.7 Once there is a final order by FERC regarding the ISO's ability to directly assign the penalty amounts, the ISO shall include such amounts in the appropriate Customer's or Customers' invoice for the next Billing Period. Such payment amount shall be due with interest calculated at the FERC authorized refund rate from the date of payment of the penalty by the ISO, provided however, nothing precludes the Customer or Customers from paying such penalty when it becomes due for the ISO to avoid paying interest costs. If the Customer pays such penalty under protest when it becomes due and prior to a final order by FERC and such Customer is thereafter found not liable, the Customer is entitled to a refund of the



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penalty amount from the ISO, with interest calculated at the FERC authorized refund rate from the date the Customer pays the penalty.

**6.11.1.4 Allocation of Costs When a Customer is the Registered Entity**

6.11.1.4.1 If FERC, NERC and/or NPCC assesses a monetary penalty against a Customer as the Registered Entity for a violation of a NERC Reliability Standard(s), and the conduct of the ISO contributed to the Reliability Standard violation(s) at issue, then such Customer may directly allocate such penalty costs or portion thereof to the ISO to the extent the ISO's conduct contributed to the Reliability Standards violation(s), provided that the following conditions have been satisfied:

6.11.1.4.1.1 Pursuant to the CMEP, the ISO received notice and an opportunity to fully participate in the underlying CMEP proceeding;

6.11.1.4.1.2 This CMEP proceeding produced a root cause finding, subsequently filed with FERC, that the ISO contributed, either in whole or in part, to the NERC Reliability Standards violation(s); and

6.11.1.4.1.3 A NERC filing of the root cause finding identifying the ISO's conduct as causing or contributing to the Reliability Standards violation charged against the Customer as the Registered Entity is made at FERC.

6.11.1.4.2 The Customer shall notify the ISO if the ISO is found to have contributed to a violation, either in whole or in part in the CMEP proceedings. Such notification shall set forth in writing the Customer's intent to invoke this Section 6.11.1.4 and directly assign the costs associated with a monetary penalty to the ISO. Such notification shall (i) state that the Customer believes the criteria

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for direct assignment and allocation of costs under this Schedule have been satisfied; and (ii) describe the underlying factual basis supporting a penalty cost assignment, including a description of the conduct contributing to the violation and, where applicable, the nature of the violation of the ISO Tariffs or ISO Related Agreement requirements.

6.11.1.4.3 A failure by the ISO to participate in the CMEP proceedings will not prevent the Customer from directly assigning the costs associated with a monetary penalty to the ISO provided all other conditions set forth herein have been satisfied.

6.11.1.4.4 Where the Regional Entity's and/or NERC's root cause analysis finds that the ISO's conduct contributed to the Reliability Standards violation(s), the Customer shall inform the ISO and shall make an initial apportionment for purposes of the cost allocation on a basis reasonably proportional to the parties' relative fault consistent with NERC's root cause analysis.

6.11.1.4.5 If the ISO and the involved Customer agree on a proportion of penalty cost allocation, such agreement shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act.

6.11.1.4.6 Should the ISO disagree with the Customer's initial apportionment of the penalty based on each party's relative fault, then the parties shall meet in an attempt to informally resolve the penalty allocation. If the parties cannot agree informally, the matter shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act.

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6.11.1.4.7 Once there is a final order by FERC regarding the Customer's direct assignment of costs to the ISO, the ISO shall pay such amount with interest calculated at the FERC authorized refund rate from the date of payment of the penalty by the Registered Entity. The ISO shall thereafter pursue the recovery of such costs in accordance with Section 6.11.3 of this Schedule 11. Nothing precludes the ISO from paying such penalty when it becomes due for the Registered Entity to avoid paying interest costs. If the ISO pays such penalty under protest when it becomes due and prior to a final order by FERC and the ISO thereafter is found not liable, the ISO is entitled to a refund of the penalty amount from the Customer with interest calculated at the FERC authorized refund rate from the date of payment of the penalty by the ISO. The ISO shall thereafter refund any amounts that were collected from all Customers pursuant to Section 6.11.3 of this Schedule 11.

**6.11.2 Allocation of Costs Associated With Other Reliability **Penalty Assessments****

**6.11.2.1 Purpose and Objectives**

The ISO is responsible for performing specific functions under other applicable state and federal regulatory requirements and may be assessed penalties by other regulatory bodies for violations of applicable regulatory requirements. Section 6.11.3 of this Schedule furnishes a mechanism by which the ISO may seek to recover monetary penalties imposed by such regulatory authorities. Penalties that are assessed against the ISO on or after the effective date of this Section shall be recoverable as provided in this Section regardless of the date of the violation(s) for which the penalty is assessed. Notwithstanding any provisions of the ISO's Tariffs or ISO Related Agreements, including those provisions requiring stakeholder approval

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for Section 205 filings in certain instances, the ISO has the independent authority to make Section 205 filings in accordance with the provisions of this Schedule 11 after consultation with the Management Committee as provided in Section 5.1.1(c) of the Services Tariff and in Section 2.11.6(c) of the ISO OATT.

**6.11.3 Allocation of Costs Associated With Penalty Assessments**

**6.11.3.1**

Where a particular Customer or Customers cannot be identified as the root cause of a penalty assessment against the ISO or if the ISO is assessed a penalty because of its own action or inaction that resulted in a reliability standard violation or a violation of applicable state or federal regulatory requirements, or if the ISO is allocated a penalty under Section 6.11.1.4 of this Schedule 11, the ISO may seek to recover such penalty costs in accordance with this Schedule 11. Any inclusion of penalty assessments in this Schedule 11 must first be approved by FERC on a case-by-case basis, as provided in *Reliability Standard Compliance and Enforcement in Regions with Regional Transmission Organizations or Independent System Operators*, Docket No. AD07-12-000, 122 FERC ¶ 61,247 (2008), or any successor policy. Notwithstanding any provisions of the ISO's Tariffs or ISO Related Agreements, including those provisions requiring stakeholder approval for Section 205 filings in certain instances, the ISO has the independent authority to make Section 205 filings in accordance with the provisions of this Schedule 11 after consultation with the Management Committee as provided in Section 5.1.1(c) of the Services Tariff or Section 2.11.6(c) of the ISO OATT.

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**6.11.3.2**

Any and all costs associated with the imposition of NERC Reliability Standards penalties or penalties assessed by other regulatory authorities that may be assessed against the ISO either directly by NERC, other regulatory authority or allocated by a Customer or Customers under this Schedule shall be (i) paid by the ISO notwithstanding the limitation of liability provisions in this Tariff or the Services Tariff; and (ii) recovered as set forth in this Schedule 11, after consultation with the Management Committee as provided in Section 5.1.1(c) of the Services Tariff or Section 2.11.6(c) of the ISO OATT, or as otherwise approved by the FERC.

**6.11.3.3**

Penalties that are assessed against the ISO on or after the effective date of this section shall be recoverable as provided in this section regardless of the date of the violation(s) for which the penalty is assessed.

**6.11.3.4 Allocation Basis and Invoicing**

6.11.3.4.1 Allocation Basis. Any penalties that are permitted recovery under Section 6.11.3.0 of this Schedule 11 shall be allocated 50% to all Injection Billing Units and 50% to all Withdrawal Billing Units in the following manner. The rate to be applied to Injection Billing Units shall be the quotient of (i) 50% of (ii) the penalty costs to be recovered in the Billing Period divided by the total Injection Billing Units for the Billing Period. The rate to be applied to the Withdrawal Billing Units shall be the quotient of (i) 50% of (ii) the penalty costs to be recovered in the Billing Period divided by the total Withdrawal Billing Units for that Billing Period. The Injection Billing Unit rate shall then be multiplied by

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each Transmission Customer's aggregate Injection Billing Units for the Billing Period, and the Withdrawal Billing Unit rate shall be multiplied by each Transmission Customer's aggregate Withdrawal Billing Units for the Billing Period.

6.11.3.4.2 Invoicing. Once there is a final order by FERC regarding the ISO's ability to recover penalty amounts, the ISO shall include such amounts in the invoice for the next Billing Period utilizing the billing units for the Billing Period of infraction. For purposes of this calculation, the "Billing Period of infraction" shall be the Billing Period in which the violation occurred. Should the penalty be assessed for a violation occurring over multiple Billing Periods, the penalty to be recovered for each Billing Period shall be the total penalty to be recovered through Section 6.11.3 of this Schedule divided by the number of Billing Periods over which the violation occurred. Whenever practicable, the ISO shall recover this Rate Schedule 11 charge in the invoice issued in the Billing Period following the Billing Period in which the NYISO incurs the penalty charge. The ISO may recover penalty charges over several Billing Periods if, in its discretion, the ISO determines such method of recovery to be a prudent course of action. In the event that one or more entities who otherwise would have been apportioned a share of the penalty are no longer Customers, the ISO shall adjust the remaining Customers' shares of the penalty costs, on a proportional basis, if necessary to fully recover the penalty charge.

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**6.12 Schedule 12 - Rate Mechanism for the Recovery of the Highway Facilities Charge (“HFC”)**

**6.12.1 Applicability**

6.12.1.1 This Schedule establishes the Highway Facilities Charge (“HFC”) for the recovery of that portion of the costs related to Highway System Deliverability Upgrades (“Highway SDUs”) required for deliverability under Section 25.7.12 of Attachment S of the ISO OATT that are allocated to Load Serving Entities (“LSEs”). This Schedule shall not apply to: (i) the extent that a Highway SDU is addressed and funded as part of a transmission project undertaken in accordance with the Comprehensive System Planning Process pursuant to Attachment Y of the ISO OATT; (ii) costs for System Upgrade Facilities or System Deliverability Upgrades that are allocated to Developers or Interconnection Customers in accordance with Attachments S, X or Z of the ISO OATT; (iii) costs of transmission expansion projects undertaken in connection with an individual request for Transmission Service under Sections 3.7 or 4.5 of the ISO OATT; (iv) transmission facilities eligible for cost recovery pursuant to another rate schedule of the ISO OATT; and (v) transmission facilities for which costs are recovered through the Transmission Service Charge (“TSC”) or the NYPA Transmission Adjustment Charge (“NTAC”) determined in accordance with Attachment H of the ISO OATT.

6.12.1.2 The HFC shall be calculated in accordance with the formula in Section 6.12.3 using the revenue requirement related to each Highway SDU filed with the Commission by a Transmission Owner pursuant to Section 6.12.2 and approved

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or accepted by the Commission. The costs that may be included in the revenue requirement for calculating the HFC include all reasonably incurred costs, as determined by the Commission, related to the development, construction, operation and maintenance of any Highway SDU undertaken pursuant to Attachment S of this tariff (including costs for a Highway SDU that is subsequently halted through no fault of the constructing Transmission Owner) that are allocated to LSEs. These costs include, but are not limited to, a reasonable return on investment and any incentives for the construction of transmission projects approved under Section 205 or Section 219 of the Federal Power Act and the Commission's regulations implementing those sections. The HFC established under this Schedule shall be separate from the TSC and the NTAC determined in accordance with Attachment H of the ISO OATT, and any charge for transmission facilities eligible for cost recovery through another rate schedule of the ISO OATT.

**6.12.2 Recovery of Transmission Owner's Costs Related to Highway SDUs**

Each Transmission Owner shall file with the Commission the rate treatment, prior to the implementation of any HFC, that will be used to derive and determine the revenue requirement to be included in the HFC for Highway SDUs undertaken pursuant to a Class Year Deliverability Study and allocated to LSEs in accordance with Section 25.7.12 of Attachment S of the ISO OATT. The rate treatment will provide for the recovery of the full revenue requirement for that portion of a Highway SDU that is allocated to LSEs consistent with the provisions of Attachment S and this Rate Schedule. Pursuant to a determination by the ISO that the threshold for construction of a Highway SDU has been crossed in accordance with Section 25.7.12.3.1 of



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Attachment S of the ISO OATT, the Transmission Owner(s) responsible for constructing the Highway SDU will proceed with the approval process for all necessary federal, state and local authorizations for the requested project to which this HFC applies.

6.12.2.1        Upon receipt of all necessary federal, state, and local authorizations, including Commission approval or acceptance of the rate treatment, the Transmission Owner(s) shall commence construction of the project.

6.12.2.2        The portion of the cost of the Highway SDU to be allocated to LSEs will be reduced by any Headroom payments made to the constructing Transmission Owner by a subsequent Developer or Interconnection Customer prior to the completion of the project.

6.12.2.3        The period for cost recovery will be determined by the Commission and will begin if and when the Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12 enters service, is halted, or as otherwise determined by the Commission. The Transmission Owner(s) will make a filing with the Commission to provide for its review and approval or acceptance of the final project cost and resulting revenue requirement to be recovered through the HFC pursuant to this Rate Schedule 12. The Transmission Owner(s) shall bear the burden of resolving all concerns about the content of the filing that might be raised in such proceeding. The ISO will begin to calculate and bill the HFC in accordance with the period for cost recovery determined by the Commission after the Commission has accepted or approved the filing.

**6.12.3        Calculation and Recovery of HFC and Payment of Recovered Revenue**

The HFC is to be invoiced by the ISO separately for each Highway SDU for which a

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portion of the costs thereof are recovered pursuant to this Rate Schedule 12 and paid by the LSEs allocated in accordance with Section 25.7.12.3.2 of Attachment S of the ISO OATT. The ISO shall collect the HFC from LSEs. The LSEs, including Transmission Owners, non-Transmission Owner LSEs, municipal systems, competitive LSEs and any other LSE, to which the costs of the Highway SDU have been allocated (each a “Responsible LSE”) will be invoiced by the ISO and shall pay the HFC.

6.12.3.1 The revenue requirement filed by the Transmission Owner pursuant to this Schedule and approved or accepted by the Commission, as may be subsequently adjusted in accordance with Section 6.12.4.1.3 below, will be the basis for the HFC that shall be charged by the ISO to each Responsible LSE for the Billing Period based on the Responsible LSE’s proportionate share of the ICAP requirement in the statewide capacity market, adjusted to subtract locational capacity requirements, as set forth in Section 25.7.12.3.2 of Attachment S of the ISO OATT.

6.12.3.2 The HFC for the Billing Period shall include operation and maintenance costs for the proportionate share of the Highway SDU funded by LSEs.

6.12.3.3 LSEs will not be responsible for actual costs in excess of their share of the final Class Year estimated cost of the Highway SDU if the excess results from causes within the control of a Transmission Owner(s) responsible for constructing the Highway SDU as described in Section 25.8.6.4 of Attachment S of the ISO OATT.

6.12.3.4 As described in Section 25.7.2.2 of Attachment S of the ISO OATT, the Transmission Owner(s) responsible for constructing a Highway SDU for which a

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portion of the costs thereof are recovered pursuant to this Rate Schedule 12 shall request Incremental TCCs with respect to the Highway SDU in accordance with the requirements of Section 19.2.4 of Attachment M. As it relates solely to a Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12, the Transmission Owner(s) responsible for constructing the Highway SDU shall not be a “Transmission Owner” for purposes of Section 20.2.5 or Section 20.3.7 of Attachment N of the ISO OATT. Accordingly, the Transmission Owner(s) responsible for constructing the Highway SDU shall not receive Net Congestion Rents pursuant to Section 20.2.5 of Attachment N of the ISO OATT or Net Auction Revenues pursuant to Section 20.3.7 of Attachment N of the ISO OATT as it relates to a Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12.

6.12.3.4.1 The Transmission Owner(s) responsible for constructing a Highway SDU shall exercise its right to obtain and maintain in effect all Incremental TCCs they are awarded with respect to the Highway SDU, as further described in Section 25.7.2.2 of Attachment S of the ISO OATT. The Incremental TCCs awarded with respect to a Highway SDU may not be sold or transferred through a Centralized TCC Auction, Reconfiguration Auction or the Secondary Market. The Transmission Owner(s) responsible for constructing a Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12 shall receive congestion payments pursuant to Section 20.2.3 of Attachment N of the ISO OATT for any Incremental TCCs related to the Highway SDU for which it is the Primary Holder. The congestion payments received by the Transmission

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Owner(s) responsible for constructing a Highway SDU from any Incremental TCCs it holds related to the Highway SDU will be used in the calculation of the HFC. The HFC and adjustments related to Incremental TCCs shall not require and shall not be dependent upon any reopening or any review of : (i) the Transmission Owner's revenue requirements for the HFC for another Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12; (ii) the Transmission Owner's revenue requirements for the TSCs and NTAC set forth in Attachment H of the ISO OATT; or (iii) the Transmission Owner's revenue requirements for the charge for a transmission facility eligible for cost recovery pursuant to another rate schedule of the ISO OATT.

6.12.3.4.2 As it relates solely to a Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12, the Transmission Owner(s) responsible for constructing the Highway SDU shall receive outage charges for any Incremental TCCs related to the Highway SDU it holds pursuant to Section 19.2.4.10 of Attachment M of the ISO OATT for any hour in the Day-Ahead Market during which the Highway SDU is modeled to be wholly or partially out of service as an entity not subject to Section 20.2.5 of Attachment N of the ISO OATT with respect to the Highway SDU. Accordingly, the Transmission Owner(s) responsible for constructing the Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12 shall not be charged or paid O/R-t-S Congestion Rent Shortfall Charges, U/D Congestion Rent Shortfall Charges, O/R-t-S Auction Revenue Shortfall Charges, U/D Auction Revenue Shortfall Charges, O/R-t-S Congestion Rent Surplus

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Payments, U/D Congestion Rent Surplus Payments, O/R-t-S Auction Revenue Surplus Payments or U/D Auction Revenue Surplus Payments pursuant to Attachment N of the ISO OATT.

**6.12.3.5 Cost Recovery Methodology**

The HFC for the Billing Period shall be based on the ICAP requirement in the statewide capacity market, adjusted to subtract locational capacity requirements for those LSEs determined to be allocated the costs of the project in accordance with Section 25.7.12 of Attachment S of the ISO OATT.

6.12.3.5.1 The ISO shall calculate each LSE's share of the HFC for each Billing Period (*i.e.*, LSE HFC Allocation<sub>p,l,B</sub>) as follows:

$$\text{LSE HFC Allocation}_{p,l,B} = (\text{Billing Period HFC}_{p,B} - \text{IncrementalTransmissionRightsRevenue}_{p,B} + \text{Outage Cost Adjustment}_{p,B}) \times (\text{LSE ICAP Allocation \%}_{l,B})$$

Where:

l = the relevant Responsible LSE;

p = an individual Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12;

B = the relevant Billing Period;

Billing Period HFC<sub>p,B</sub> = the pro-rata share of the annual HFC for Highway SDU p, as discussed in Section 6.12.2 above and as may be adjusted in accordance with Section 6.12.4.1.3 below, allocated for Billing Period B;

LSE ICAP Allocation %<sub>l,B</sub> = the LSE's proportionate share of the NYCA ICAP requirement for Billing Period B, adjusted to subtract Locational ICAP requirements for Billing Period B, which shall be calculated as:

$$\frac{(\text{LSE total ICAP Requirement} - \text{Sum of LSE Locational ICAP Requirements for any Locality not located within another Locality})}{(\text{NYCA Minimum Installed Capacity Requirement} - \text{Sum of Locational Minimum Installed Capacity Requirements for any Locality not located within another Locality})}$$

Such ICAP requirements shall be the ICAP equivalent of the LSE's UCAP requirements prior to

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any reduction for Locality Exchange MW;

$\text{IncrementalTransmissionRightsRevenue}_{p,B}$  = Congestion payments received by the applicable Transmission Owner for Billing Period B pursuant to Section 20.2.3 of Attachment N of the ISO OATT for any Incremental TCCs held by the Transmission Owner related to the Highway SDU p, as discussed in Section 6.12.3.4.1 above; and

$\text{Outage Cost Adjustment}_{p,B}$  = the Outage charges for any Incremental TCCs held by the Transmission Owner related to the Highway SDU p determined pursuant to Section 6.12.3.4.2 above for any hour in the Day-Ahead Market during which the Highway SDU p is modeled to be wholly or partially out of service aggregated across all hours of Billing Period B.

6.12.3.5.2 The ISO will collect the appropriate HFC revenues each Billing Period and remit those revenues to the appropriate Transmission Owner(s) in accordance with the ISO's billing and settlement procedures.

6.12.3.5.3 Billing true-ups to account for load shifting between LSEs will be based upon the existing ICAP methodology, as appropriate. These true-ups will occur on a monthly basis pursuant to ISO procedures.

#### **6.12.4 Headroom Accounting**

As new generators and merchant transmission facilities come on line and use the Headroom created by a prior Highway SDU, the Developers or Interconnection Customers of those new facilities will reimburse prior Developers or Interconnection Customers or will compensate the LSEs who funded the Highway SDU Headroom in accordance with Sections 25.8.7 and 25.8.8 of Attachment S of the ISO OATT.

6.12.4.1 The Developer or Interconnection Customer of the subsequent project shall make a lump sum payment to the constructing Transmission Owner(s) proportional to the electrical use of the Headroom in the account by the Developer's or Interconnection Customer's project.

6.12.4.1.1 Payment shall be made as soon as the cost responsibilities of the

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subsequent Developer or Interconnection Customer are determined in accordance with Attachment S of the ISO OATT.

6.12.4.1.2 Payment to the constructing Transmission Owner(s) will be based upon the depreciated amount of the Highway SDU in the constructing Transmission Owner's accounting records.

6.12.4.1.3 The constructing Transmission Owner(s) will adjust their revenue requirement under this Rate Schedule 12 to account for any payments received from subsequent Developers or Interconnection Customers to lower the HFC charged to LSEs going forward and notify the ISO of the adjusted revenue requirement.

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**6.13 Schedule 13 – Rate Mechanism for the Recovery of the Transco Facilities Charge (“TFC”)**

**6.13.1 Applicability**

This Schedule establishes the Transco Facilities Charge (“TFC”) for the recovery of costs related to the following New York Transco LLC (“NY Transco”) projects, each of which is hereinafter referred to as an “Approved NYTP” and each of which has been approved by the New York Public Service Commission (“NYPSC”) on November 4, 2013, in Case No. 12-E-0503 (the “Transmission Owner Transmission Solutions” or “TOTS” projects): (1) the Ramapo-to-Rock Tavern Project; (2) the Marcy South Series Compensation Fraser-to-Coopers Corner Reconductoring Project; and (3) the Staten Island Unbottling Project.<sup>1</sup> NY Transco may undertake an Approved NYTP and seek cost recovery through a TFC under this Schedule.<sup>2</sup>

The TFC shall be separate from the Transmission Service Charge (“TSC”) and the NYPA Transmission Adjustment Charge (“NTAC”) determined in accordance with Section 14 of Attachment H of the ISO OATT, and any Reliability Facilities Charge (“RFC”) determined pursuant to Section 6.10 of the ISO OATT.

In addition, NY Transco shall receive the outage charges described herein and shall not be charged O/R-t-S Congestion Rent Shortfall Charges, U/D Congestion Rent Shortfall Charges, O/R-t-S Auction Revenue Shortfall Charges or U/D Auction Revenue Shortfall Charges or be paid O/R-t-S Congestion Rent Surplus Payments, U/D Congestion Rent Surplus Payments, O/R-t-S Auction Revenue Surplus Payments or U/D Auction Revenue Surplus Payments under

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<sup>1</sup> Any costs incurred on the forced cooling portion of the Staten Island Unbottling Project after the date of the Commission’s order approving the offer of partial settlement in Docket No. ER15-572, issued on March 17, 2016, shall not be recovered through the TFC without further order of the Commission.

<sup>2</sup> Capitalized terms used in this Schedule that are not defined in this Schedule shall have the same meaning set forth in Section 31.1.1 of Attachment Y of the ISO OATT.



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Section 20.2.4 and Section 20.3.6 of the ISO OATT; and NY Transco shall receive Incremental TCCs as described in Section 19.2.4 of the ISO OATT, but NY Transco shall not be a “Transmission Owner” for purposes of Section 20.2.5 or Section 20.3.7 of the ISO OATT and accordingly shall not receive an allocation of Net Congestion Rents under Section 20.2.5 of the ISO OATT or Net Auction Revenues under Section 20.3.7 of the ISO OATT.

**6.13.2 Revenue Requirement for TFC**

The TFC shall be calculated in accordance with the formula set forth in Section 6.13.3 using the revenue requirement of NY Transco necessary to recover the costs of an Approved NYTP. The revenue requirement to be used in the calculation of the TFC is described in Section 6.13.4. The costs that may be included in the revenue requirement include all reasonably incurred costs related to the preparation of proposals for, and the development, financing, construction, operation, and maintenance of, an Approved NYTP, including, but not limited to, a reasonable return on investment and any incentives for the construction of transmission projects approved under Section 205 or Section 219 of the Federal Power Act and the Commission’s regulations implementing those sections, as determined by the Commission.

**6.13.3 Calculation and Recovery of TFC and Payment of Recovered Revenue**

The ISO will calculate and bill the TFC for each Approved NYTP in accordance with this Section 6.13.3. The ISO shall collect the TFC from the LSEs. The LSEs, including Transmission Owners, competitive LSEs, and municipal systems, serving Load located in Transmission Districts to which the costs of the Approved NYTP have been allocated (each a “Responsible LSE”) shall pay the TFC. The costs of each Approved NYTP shall be allocated as set forth in the appropriate allocation table in Section 36.2 of Attachment 1 to Attachment DD;

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*provided, however,* that the portion of the costs of the Approved NYTP allocated to Responsible LSEs located in the NYPA North Subzone shall be calculated as part of the allocation percentage for Niagara Mohawk Power Corporation d/b/a National Grid set forth in Section 36.2.

**6.13.3.1** The revenue requirement filed pursuant to this Schedule by NY Transco will be the basis for the TFC Rate (\$/MWh) for the Billing Period that shall be charged by the ISO to each Responsible LSE based on its Actual Energy Withdrawals as set forth in Section 6.13.3.4. The revenue requirement of the NY Transco will be calculated according to the formula rate set forth in Section 36.3.1. of Attachment DD of the ISO OATT.

**6.13.3.2** NY Transco shall in relation to any Approved NYTP reasonably exercise its right to obtain and maintain in effect all Incremental TCCs, including temporary Incremental TCCs, to which it has rights under Section 19.2.4 of the ISO OATT and shall take the actions required to do so in accordance with the procedures specified therein. Notwithstanding Section 19.2.4.7 and 19.2.4.8 of the ISO OATT, Incremental TCCs created and awarded to NY Transco as a result of implementation of an Approved NYTP shall not be eligible for sale in Secondary Markets. Incremental TCCs that may be created and awarded to NY Transco as a result of the implementation of an Approved NYTP, shall be offered by the ISO in all rounds of the six month Sub-Auction of each Centralized TCC Auction conducted by the ISO. The ISO shall disburse the associated auction revenues to NY Transco. The total amount of the auction revenues disbursed to the NY Transco pursuant to this Section 6.13.3.2 shall be used in the calculation of the TFC Rate, as set forth in Section 6.13.3.4. Incremental TCCs associated

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with an Approved NYTP shall continue to be offered for the duration of the Incremental TCCs, established pursuant to the terms of Attachment M.

The revenue offset discussed in this Section 6.13.3.2 shall commence upon the first payment of revenues related to Incremental TCCs associated with the implementation of an Approved NYTP on or after the date the TFC is implemented. The TFC and the revenue offset related to Incremental TCCs associated with the implementation of an Approved NYTP shall not require and shall not be dependent upon a reopening or review of NY Transco's revenue requirements for an RFC pursuant to Section 6.10 of the ISO OATT.

**6.13.3.2.1** Outage Charges related to Incremental TCCs. Outage charges developed pursuant to the provisions of OATT Section 19 applicable to Expanders (as that term is defined in OATT Section 19) not subject to OATT Section 20.2.5, shall be payable to the ISO for any hour in the Day-Ahead Market during which an Expansion, associated with an Approved NYTP, is modeled to be wholly or partially out of service.

**6.13.3.3** The billing units for the TFC Rate for the Billing Period shall be based on the Actual Energy Withdrawals available for the current Billing Period for those Transmission Districts allocated the costs of the Approved NYTP in accordance with Attachment DD of the ISO OATT.

**6.13.3.4 Cost Recovery Methodology**

**6.13.3.4.1 Cost Recovery Methodology for All Responsible LSEs Except NYPA**

The ISO shall calculate the TFC for each Responsible LSE as follows:

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**Step 1: Calculate the \$ assigned to each Transmission District**

$$TFC_{t,B} = \sum_{p \in P} \left( (AnnualRR_{p,B} - Incremental\ TCC\ Revenue_{p,B} + Outage\ Cost\ Adjustment_{p,B}) \times (TransmissionDistrictCostAllocation_{t,p}) \right)$$

**Step 2: Calculate a per-MWh Rate for each Transmission District**

$$TFCRate_{t,B} = TFC_{t,B} / MWh_{t,B}$$

**Step 3: Calculate charge for each Billing Period for each Responsible LSE in each Transmission District**

$$Charge_{B,l,t} = TFCRate_{t,B} \times MWh_{l,t,B}$$

**Step 4: Calculate charge for each Billing Period for each Responsible LSE across all Transmission Districts**

$$Charge_{B,l} = \sum_{t \in T} (Charge_{B,l,t})$$

Where,

l = the relevant Responsible LSE;

P = set of projects;

T = set of ISO Transmission Districts;

t = an individual Transmission District

B = the relevant Billing Period;

$MWh_{t,B}$  = Actual Energy Withdrawals in Transmission District t aggregated across all hours in Billing Period B;

$MWh_{l,t,B}$  = Actual Energy Withdrawals for Responsible LSE l in Transmission District t aggregated across all hours in Billing Period B;

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Annual  $RR_{p,B}$  = the pro rata share of the annual revenue requirement for each project p as discussed in Section 6.13.2 above allocated for Billing Period B;

Incremental TCC Revenue $_{p,B}$  = the auction revenue derived from the sale of Incremental TCCs plus Incremental TCC payments received by NY Transco pursuant to Section 20.2.3 of the ISO OATT for each project p as discussed in Section 6.13.3.2 above allocated for Billing Period B. The revenues from the sale of Incremental TCCs in the ISO's six month Sub-Auctions of each Centralized TCC Auction shall be allocated uniformly across all hours of the Billing Period;

Outage Cost Adjustment $_{p,B}$  = the Outage Charges determined pursuant to OATT Section 6.13.3.2.1 for any hour in the Day-Ahead Market during which the project p is modeled to be wholly or partially out of service aggregated across all hours in Billing Period B;

Transmission District Cost Allocation $_{t,p}$  = the proportion of the cost of project p allocated to Transmission District t, as set forth in Section 36.2 of Attachment 1 to Attachment DD; *provided, however*, that the proportion of the cost of project p allocated to the NYPA North Subzone shall be included in the percentage for Niagara Mohawk Power Corporation d/b/a National Grid set forth in Section 36.2.

**6.13.3.5** For the initial Rate Year 2016, the ISO may begin billing and collecting NY Transco's projected TFC subsequent to January 1, 2016; however, once billing commences in 2016, the ISO shall bill and collect NY Transco's projected TFC in equal installments for each Billing Period over the balance of 2016.

**6.13.3.6** The ISO will collect the appropriate TFC revenues each Billing Period and remit those revenues to NY Transco in accordance with the ISO's billing and settlement procedures.

**6.13.4 Recovery of Costs Incurred by NY Transco**

**6.13.4.1** The TFC shall be used as the cost recovery mechanism for the recovery of the costs of an Approved NYTP that is proposed, developed, or constructed by NY Transco under applicable federal, state and local law and authorized by the Commission to recover costs under this rate mechanism; *provided, however*, nothing in this cost recovery mechanism shall be deemed to create any additional

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rights for NY Transco to proceed with a regulated transmission project that NY Transco does not otherwise have at law.

**6.13.4.2** The period for cost recovery will be determined by the Commission and will begin if and when the Approved NYTP is completed, or as otherwise determined by the Commission. NY Transco and/or the ISO, as applicable, will make a filing with the Commission to provide for its review and approval or acceptance, as appropriate, of the final project cost and resulting revenue requirement to be recovered through the TFC, which shall be reproduced in the form of Section 36.3 of Attachment 2 to Attachment DD of the ISO OATT. The filing may include all reasonably incurred costs related to NY Transco's undertaking an Approved NYTP as specified in Section 6.13.2 of this Schedule. NY Transco shall bear the burden of resolving all concerns about the contents of the filing that might be raised in such proceeding.

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**6.14      Schedule 14 – Rate Mechanism for Recovery of RMR Generator and Interim Service Provider Related Charges from and Payment of RMR Generator and Interim Service Provider Related Credits to RMR LSEs**

**6.14.1      Applicability**

The ISO will apply this Schedule separately for each RMR Generator operating under an RMR Agreement and to each Generator operating as an Interim Service Provider. For purposes of this Schedule, “RMR LSEs” are all the LSEs, including Transmission Owners, competitive LSEs and municipal systems, serving Load in the Load Zone or Subzone (as applicable) to which the charges and credits associated with an RMR Generator operating under an RMR Agreement or a Generator operating as an Interim Service Provider are allocated.

Section 6.14.2 establishes how credits and charges to RMR LSEs will be allocated and recovered. Section 6.14.3 establishes how the ISO will calculate and recover the RMR Charge applicable to each RMR Generator operating under an RMR Agreement or as an Interim Service Provider. The RMR Charge for a Billing Period may result in either a charge or a credit to the RMR LSEs. Sections 6.14.4 and 6.14.5 establish how the ISO will charge RMR LSEs any Performance Incentive payment or Availability Incentive payment owed to an RMR Generator with an RMR Agreement that contains an Availability and Performance Rate. Finally, Section 6.14.7 establishes how the ISO will allocate and credit to RMR LSEs any Monthly Repayment Obligation recovered from a former RMR Generator and/or former Interim Service Provider by the ISO pursuant to Sections 15.8.7, 15.8.7.1 and 15.8.7.2 of Rate Schedule 8 to the Services Tariff.

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**6.14.2 Allocation of RMR Charges**

Charges and credits to RMR LSEs under this Schedule will be allocated in accordance with Section 31.5.3 of Attachment Y to the ISO OATT. The ISO will charge or credit each RMR LSE based on its share of Actual Energy Withdrawals in the Load Zone or Subzone (as applicable) for the relevant Billing Period.

**6.14.3 Calculation and Recovery of RMR Charge**

**6.14.3.1 Applicability**

The ISO will calculate the RMR Charge in accordance with Section 6.14.3.3 for each RMR Generator operating under an RMR Agreement that includes an Availability and Performance Rate. The ISO will calculate the RMR Charge in accordance with Section 6.14.3.4 for each RMR Generator operating under a rate that is not an Availability and Performance Rate. The ISO will calculate the RMR Charge in accordance with Section 6.14.3.5 for each Interim Service Provider.

**6.14.3.2 Assessing or Crediting the RMR Charge**

If the RMR Charge calculated pursuant to Section 6.14.3.3, 6.14.3.4 or 6.14.3.5, as applicable, is positive for a Billing Period, then the ISO will assess the RMR Charge to the RMR LSEs. If the RMR Charge calculated pursuant to Section 6.14.3.3, 6.14.3.4 or 6.14.3.5, as applicable, is negative for a Billing Period, then the ISO will credit the absolute value of the RMR Charge to the RMR LSEs. Credits to the RMR LSEs are drawn from the revenue recovered from Transmission Customers as a result of the RMR Generator's participation in the ISO-Administered Markets during that Billing Period.



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**6.14.3.3 Calculation of RMR Charge for an RMR Generator Providing Service Under an Availability and Performance Rate**

$$RMRCharge_{l,g,P} = \sum_{d \in P} \left( (RMRAvoidCost_{g,d} + VarCost_{g,d} - MarketRev_{g,d}) \right. \\ \left. * \sum_{z \in Z} (ZonalCostAllocation_{g,z} * (MWh_{l,z,d} / MWh_{z,d})) \right)$$

*Where:*

$g$  = the relevant RMR Generator that is providing service under an Availability and Performance Rate;

$P$  = the relevant Billing Period;

$d$  = the relevant market day;

$l$  = the relevant RMR LSE;

$z$  = an individual NYCA Load Zone or Subzone (as applicable);

$Z$  = the set of all Load Zones (or Subzones as applicable) that have nonzero allocations for the relevant RMR Generator;

$RMRCharge_{l,g,P}$  = the RMR Charge associated with RMR Generator  $g$  for Billing Period  $P$  for RMR LSE  $l$ ;

$RMRAvoidCost_{g,d}$  = the RMR Avoidable Cost amount for RMR Generator  $g$  for day  $d$ , that has been accepted for filing by the Commission, or as calculated by the ISO in accordance with Sections 31.2.11.8 and 31.2.11.17 of the OATT pending Commission action, shaped on a Capability Period basis, and Additional Costs in accordance with Section 38.16 of the OATT;

$VarCost_{g,d}$  = the Variable Cost amount for RMR Generator  $g$  for day  $d$ , calculated pursuant to Section 15.8.1 of Rate Schedule 8 to the ISO Services Tariff;

$MarketRev_{g,d}$  = the revenue recovered from Transmission Customers under the ISO Tariffs for day  $d$  in connection with the participation of the RMR Generator  $g$  in the ISO Administered Markets, including LBMP revenues, Ancillary Services revenues, guarantee or supplemental payments, Day-Ahead to real-time balancing settlements as described in Section 4 of the ISO Services Tariff, and monthly Capacity revenues divided by the number of days in the month;

$ZonalCostAllocation_{g,z}$  = the proportion of the cost of RMR Generator  $g$  allocated to Load Zone or Subzone (as applicable)  $z$ ;

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$MWh_{z,d}$  = Actual Energy Withdrawals in Load Zone or Subzone (as applicable)  $z$  aggregated across all hours on day  $d$ ;

$MWh_{l,z,d}$  = Actual Energy Withdrawals for RMR LSE  $l$  in Load Zone or Subzone (as applicable)  $z$  aggregated across all hours on day  $d$ .

**6.14.3.4 Calculation of RMR Charge for an RMR Generator Providing Service Under a Rate Other Than an Availability and Performance Rate**

$$RMRCharge_{l,g,P} = \sum_{d \in P} \left( (RMRCost_{g,d} + VarCost_{g,d} - MarketRev_{g,d}) \right. \\ \left. * \sum_{z \in Z} (ZonalCostAllocation_{g,z} * (MWh_{l,z,d} / MWh_{z,d})) \right)$$

Where:

$g$  = the relevant RMR Generator that is providing service under a rate other than an ISO-developed Availability and Performance Rate;

$RMRCost_{g,d}$  = the costs RMR Generator  $g$  is authorized to recover for day  $d$  pursuant to a rate approved for RMR Generator  $g$  by the Commission, or is recovering subject to refund pending Commission action, shaped on a Capability Period basis, and Additional Costs in accordance with Section 38.16 of the OATT.

The definitions of the remaining variables in this equation are identical to the definitions for such variables set forth in Section 6.14.3.3 above.

**6.14.3.5 Calculation of RMR Charge for an Interim Service Provider**

$$RMRCharge_{l,g,P} = \sum_{d \in P} \left( (RMRAvoidCost_{g,d} + VarCost_{g,d} - MarketRev_{g,d}) \right. \\ \left. * \sum_{z \in Z} (ZonalCostAllocation_{g,z} * (MWh_{l,z,d} / MWh_{z,d})) \right)$$

Where:

$g$  = the relevant Interim Service Provider Generator;

$Z$  = the set of all Load Zones (or Subzones as applicable) that have nonzero allocations for the relevant Interim Service Provider Generator;

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$RMRCharge_{l,g,P}$  = the RMR Charge associated with Interim Service Provider Generator  $g$  for Billing Period  $P$  for RMR LSE  $l$ ;

$RMRAvoidCost_{g,d}$  = the Avoidable Cost amount for Interim Service Provider Generator  $g$  for day  $d$  calculated by the ISO in accordance with Sections 38.8, 38.16 and 38.17 of the OATT, shaped on a Capability Period basis;

$VarCost_{g,d}$  = the Variable Cost amount for Interim Service Provider Generator  $g$  for day  $d$ , calculated pursuant to Section 15.8.6 of Rate Schedule 8 to the ISO Services Tariff;

$MarketRev_{g,d}$  = the revenue recovered from Transmission Customers under the ISO Tariffs for day  $d$  in connection with the participation of the Interim Service Provider Generator  $g$  in the ISO Administered Markets, including LBMP revenues, Ancillary Services revenues, guarantee or supplemental payments, Day-Ahead to real-time balancing settlements as described in Section 4 of the ISO Services Tariff, and monthly Capacity revenues divided by the number of days in the month; and

$ZonalCostAllocation_{g,z}$  = the proportion of the cost of Interim Service Provider Generator  $g$  allocated to Load Zone or Subzone (as applicable)  $z$ .

The definitions of the remaining variables in this equation are identical to the definitions for such variables set forth in Section 6.14.3.3 above.

#### **6.14.4 Performance Incentive Payment**

The ISO will charge the RMR LSEs on a monthly basis for any Performance Incentive payment owed to an RMR Generator pursuant to Section 15.8.2 of the ISO Services Tariff for its performance in that month in accordance with the formula in Section 6.14.4.1.

##### **6.14.4.1 Calculation of RMR Performance Incentive Charge**

$$RMRPerformIncentCharge_{l,g,m} = RMRPerformIncentPayment_{g,m} * \sum_{z \in Z} (ZonalCostAllocation_{g,z} * (MWh_{l,z,m} / MWh_{z,m}))$$

Where:

$m$  = the billing month for which the performance was calculated;

$RMRPerformIncentCharge_{l,g,m}$  = the Performance Incentive Charge associated with RMR Generator  $g$  for billing month  $m$  for RMR LSE  $l$ ;

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$RMRPerformIncentPayment_{g,m}$  = the Performance Incentive amount for RMR Generator  $g$  for month  $m$ , calculated pursuant to Section 15.8.2 of Rate Schedule 8 to the ISO Services Tariff;

$MWh_{z,m}$  = Actual Energy Withdrawals in Load Zone or Subzone (as applicable)  $z$  aggregated across all hours in month  $m$ ;

$MWh_{l,z,m}$  = Actual Energy Withdrawals for RMR LSE  $l$  in Load Zone or Subzone (as applicable)  $z$  aggregated across all hours in month  $m$ .

The definitions of the remaining variables in this equation are identical to the definitions for such variables set forth in Section 6.14.3.3 above.

#### **6.14.5 Availability Incentive Payment**

The ISO will charge the RMR LSEs on a Capability Period basis for any Availability Incentive payment owed to an RMR Generator pursuant to Section 15.8.3 of the ISO Services Tariff. The ISO will recover the Availability Incentive payment from RMR LSEs in the Billing Period following the first month of the Capability Period for any payment earned for the previous Capability Period in accordance with the formula in Section 6.14.5.1.

##### **6.14.5.1 Calculation of RMR Availability Incentive Charge**

$$RMRAvailIncentCharge_{l,g,m} = RMRAvailIncentPayment_{g,m} * \sum_{z \in Z} (ZonalCostAllocation_{g,z} * (MWh_{l,z,m} / MWh_{z,m}))$$

Where:

$m$  = the first billing month after the Incentive from the previous Capability period was calculated;

$RMRAvailIncentCharge_{l,g,m}$  = the Availability Incentive Charge associated with RMR Generator  $g$  for billing month  $m$  for RMR LSE  $l$ ;

$RMRAvailIncentPayment_{g,m}$  = the Availability Incentive amount for RMR Generator  $g$  for month  $m$ , calculated pursuant to Section 15.8.3 of Rate Schedule 8 to the ISO Services Tariff;

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$MWh_{z,m}$  = Actual Energy Withdrawals in Load Zone or Subzone (as applicable)  $z$  aggregated across all hours in month  $m$ ;

$MWh_{l,z,m}$  = Actual Energy Withdrawals for RMR LSE  $l$  in Load Zone or Subzone (as applicable)  $z$  aggregated across all hours in month  $m$ .

The definitions of the remaining variables in this equation are identical to the definitions for such variables set forth in Section 6.14.3.3 above.

#### **6.14.6 Distribution of Monthly Repayment Credit to RMR Loads**

If, at any time, the ISO recovers from a former RMR Generator or from a former Interim Service Provider any Capital Expenditure or Above Market Revenues in accordance with Sections 15.8.7, 15.8.7.1 or 15.8.7.2 of Rate Schedule 8 to the ISO Services Tariff, then the ISO will credit the recovered costs to the RMR LSEs on the same monthly invoice as the recovery from the RMR Generator or Interim Service Provider, in accordance with the formula in Section 6.14.6.1 below.

##### **6.14.6.1 Calculation of Monthly Repayment Credit**

$$\begin{aligned} \text{MonthlyRepaymentCredit}_{l,g,m} &= \text{MonthlyRepaymentObligationRecovery}_{g,m} \\ &\quad * \sum_{z \in Z} \left( \text{ZonalCostAllocation}_{g,z} * (MWh_{l,z,m} / MWh_{z,m}) \right) \end{aligned}$$

Where:

$m$  = the billing month for which the Monthly Repayment Obligation is recovered;

$\text{MonthlyRepaymentCredit}_{l,g,m}$  = the Monthly Repayment Credit associated with former RMR Generator  $g$  or former Interim Service Provider Generator  $g$  for billing month  $m$  for RMR LSE  $l$ ;

$\text{MonthlyRepaymentObligationRecovery}_{g,m}$  = the Monthly Repayment Obligation recovery from former RMR Generator  $g$  or former Interim Service Provider Generator  $g$  for month  $m$ , calculated pursuant to Section 15.8.7 of Rate Schedule 8 to the ISO Services Tariff;

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$MWh_{z,m}$  = Actual Energy Withdrawals in Load Zone or Subzone (as applicable)  $z$  aggregated across all hours in month  $m$ ;

$MWh_{l,z,m}$  = Actual Energy Withdrawals for RMR LSE  $l$  in Load Zone or Subzone (as applicable)  $z$  aggregated across all hours in month  $m$ .

The definitions of the remaining variables in this equation are identical to the definitions for such variables set forth in Section 6.14.3.3 above, except for the Monthly Repayment Obligation which is defined in Section 15.8.7 of the Services Tariff.

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**6.15        Schedule 15 – Rate Mechanism for the Recovery of the Marcy South Series Compensation Facilities Charge (“MSSCFC”)**

**6.15.1     Applicability**

This Schedule establishes the Marcy South Series Compensation Facilities Charge (“MSSCFC”) for the recovery of costs related to NYPA’s Marcy South Series Compensation (“MSSC”) project.

The MSSCFC shall be separate from the Transmission Service Charge (“TSC”) and the NYPA Transmission Adjustment Charge (“NTAC”) determined in accordance with Section 14 of Attachment H of the ISO OATT, and any Reliability Facilities Charge (“RFC”) determined pursuant to Section 6.10 of the ISO OATT. In addition, with respect to the MSSC project only, NYPA shall receive the outage charges described herein for the MSSC project and shall not be charged O/R-t-S Congestion Rent Shortfall Charges, U/D Congestion Rent Shortfall Charges, O/R-t-S Auction Revenue Shortfall Charges or U/D Auction Revenue Shortfall Charges or be paid O/R-t-S Congestion Rent Surplus Payments, U/D Congestion Rent Surplus Payments, O/R-t-S Auction Revenue Surplus Payments or U/D Auction Revenue Surplus Payments for the MSSC project under Section 20.2.4 and Section 20.3.6 of the ISO OATT; and NYPA shall be entitled to receive Incremental TCCs, as described in Section 19.2.4 of the ISO OATT, for the MSSC project to the extent requested by NYPA and awarded by the ISO. As it relates solely to the MSSC project, NYPA shall not be a “Transmission Owner” for purposes of Section 20.2.5 or Section 20.3.7 of the ISO OATT and accordingly shall not receive an allocation of Net Congestion Rents under Section 20.2.5 of the ISO OATT or Net Auction Revenues under Section 20.3.7 of the ISO OATT relating to the MSSC project.

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**6.15.2 Revenue Requirement for MSSCFC**

The MSSCFC shall be calculated in accordance with the formula set forth in Section 6.15.3 using the revenue requirement of NYPA necessary to recover the costs of the MSSC project. The revenue requirement to be used in the calculation of the MSSCFC is determined using the Formula Rate Template included in Attachment H, Section 14.2.3.1 of the ISO OATT. The MSSC revenue requirement shall be stated separately on line 11a from NYPA's NTAC revenue requirement on line 11 of the NYPA Formula Rate Template's Transmission Revenue Requirement Summary, and there shall be no duplicative recovery of costs as between the NTAC revenue requirement, the MSSC revenue requirement or any other NYPA project-specific revenue requirement. The costs that may be included in the MSSC revenue requirement include all reasonably incurred costs related to the preparation of proposals for, and the development, financing, construction, operation, and maintenance of, the MSSC project, including, but not limited to, a reasonable return on investment and any incentives for the construction of transmission projects approved under Section 205 or Section 219 of the Federal Power Act and the Commission's regulations implementing those sections, as determined by the Commission.

**6.15.3 Calculation and Recovery of MSSCFC and Payment of Recovered Revenue**

The ISO will calculate and bill the MSSCFC for the MSSC project in accordance with this Section 6.15.3. The ISO shall collect the MSSCFC from the LSEs. The LSEs, including Transmission Owners, NYPA, competitive LSEs, municipal systems, and any other LSE, serving Load located in Transmission Districts to which the costs of the MSSC project have been allocated (each a "Responsible LSE") shall pay the MSSCFC. The costs of the MSSC project shall be allocated as set forth in the allocation table presented herein in Section 6.15.3.7.

**6.15.3.1** The MSSC revenue requirement developed pursuant to Attachment H,



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Section 14.2.3.1 of the ISO OATT by NYPA will be the basis for the MSSCFC Rate (\$/MWh) for the Billing Period that shall be charged by the ISO to each Responsible LSE based on its Actual Energy Withdrawals as set forth in Section 6.15.3.4. NYPA's revenue requirement for the MSSC project will be calculated according to the formula rate and protocols set forth in Section 14.2.3 of Attachment H to the ISO OATT.

**6.15.3.2** NYPA shall in relation to the MSSC project reasonably exercise its right to obtain and maintain in effect all Incremental TCCs, including temporary Incremental TCCs, to which it has rights under Section 19.2.4 of the ISO OATT and shall take the actions required to do so in accordance with the procedures specified therein. Notwithstanding Section 19.2.4.7 and 19.2.4.8 of the ISO OATT, Incremental TCCs created and awarded to NYPA as a result of the MSSC project shall not be eligible for sale in Secondary Markets. Incremental TCCs that may be created and awarded to NYPA as a result of the MSSC project shall be offered by the ISO in all rounds of the six month Sub-Auction of each Centralized TCC Auction conducted by the ISO. The ISO shall disburse the associated auction revenues to NYPA. The total amount of the auction revenues disbursed to NYPA pursuant to this Section 6.15.3.2 shall be used in the calculation of the MSSCFC Rate, as set forth in Section 6.15.3.4. Incremental TCCs associated with the MSSC project shall continue to be offered for the duration of the Incremental TCCs, established pursuant to the terms of Attachment M of the ISO OATT.

As described in Section 6.15.4.2, the revenue offset discussed in this

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Section 6.15.3.2 shall commence upon the first payment of revenues related to Incremental TCCs associated with the MSSC project, and shall be deferred to the extent necessary through the Formula Rate Template's true-up mechanism until the date the Formula Rate Template first produces a non-zero MSSC revenue requirement and the ISO begins to collect the MSSCFC from the LSEs. The MSSCFC and the revenue offset related to Incremental TCCs associated with the implementation of the MSSC project shall not require and shall not be dependent upon a reopening or review of NYPA's revenue requirement for an RFC pursuant to Section 6.10 of the ISO OATT.

**6.15.3.2.1** Outage Charges related to Incremental TCCs. Outage charges developed pursuant to the provisions of OATT Section 19 applicable to Expanders (as that term is defined in OATT Section 19) not subject to OATT Section 20.2.5, shall be payable to the ISO for any hour in the Day-Ahead Market during which the MSSC project is modeled to be wholly or partially out of service.

**6.15.3.3** The billing units for the MSSCFC Rate for the Billing Period shall be based on the Actual Energy Withdrawals available for the current Billing Period for those Transmission Districts allocated the costs of the MSSC project in accordance with Section 6.15.3.7.

**6.15.3.4 Cost Recovery Methodology**

**6.15.3.4.1 Cost Recovery Methodology for All Responsible LSEs**

The ISO shall calculate the MSSCFC for each Responsible LSE as follows:

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**Step 1: Calculate the \$ assigned to each Transmission District**

$$\text{MSSCFC}_{t,B} = (\text{AnnualRR}_B - \text{Incremental TCC Revenue}_B + \text{Outage Cost Adjustment}_B) \\ \times (\text{TransmissionDistrictCostAllocation}_t)$$

**Step 2: Calculate a per-MWh Rate for each Transmission District**

$$\text{MSSCFCRate}_{t,B} = \text{MSSCFC}_{t,B} / \text{MWh}_{t,B}$$

**Step 3: Calculate charge for each Billing Period for each Responsible LSE in each Transmission District**

$$\text{Charge}_{B,l,t} = \text{MSSCFCRate}_{t,B} \times \text{MWh}_{l,t,B}$$

**Step 4: Calculate charge for each Billing Period for each Responsible LSE across all Transmission Districts**

$$\text{Charge}_{B,l} = \sum_{t \in T} (\text{Charge}_{B,l,t})$$

Where,

$l$  = the relevant Responsible LSE;

$T$  = set of ISO Transmission Districts;

$t$  = an individual Transmission District

$B$  = the relevant Billing Period;

$\text{MWh}_{t,B}$  = Actual Energy Withdrawals in Transmission District  $t$  aggregated across all hours in Billing Period  $B$ ;

$\text{MWh}_{l,t,B}$  = Actual Energy Withdrawals for Responsible LSE  $l$  in Transmission District  $t$  aggregated across all hours in Billing Period  $B$ ;

$\text{Annual RR}_B$  = the *pro rata* share of the annual revenue requirement for the MSSC project allocated for Billing Period  $B$ ;

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Incremental TCC Revenue<sub>B</sub> = the auction revenue derived from the sale of Incremental TCCs related to the MSSC project plus Incremental TCC payments received by NYPA pursuant to Section 20.2.3 of the ISO OATT for the MSSC project allocated for Billing Period B. The revenues from the sale of Incremental TCCs related to the MSSC project in the ISO's six month Sub-Auctions of each Centralized TCC Auction shall be allocated uniformly across all hours of the Billing Period;

Outage Cost Adjustment<sub>B</sub> = the Outage Charges determined pursuant to OATT Section 6.15.3.2.1 for any hour in the Day-Ahead Market during which the MSSC project is modeled to be wholly or partially out of service aggregated across all hours in Billing Period B;

Transmission District Cost Allocation<sub>t</sub> = the proportion of the cost of the MSSC project allocated to Transmission District t, as set forth below in Section 6.15.3.7.

**6.15.3.5** NYPA anticipates that the MSSC project will achieve commercial operation during 2016. Because of the retrospective nature of NYPA's Formula Rate Template in Attachment H, Section 14.2.3.1 of the ISO OATT, the NYPA Formula Rate Template will not produce a revenue requirement for the MSSC project until the Annual Update scheduled for July 1, 2017. NYPA therefore anticipates that ISO will begin billing and collecting NYPA's MSSCFC for energy withdrawals occurring on and subsequent to July 1, 2017; but in any event the ISO shall not commence billing and collecting NYPA's MSSCFC until NYPA's Formula Rate Template produces a MSSC revenue requirement on Line 11a of the Transmission Revenue Requirement Summary.

**6.15.3.6** The ISO will collect the appropriate MSSCFC revenues each Billing Period and remit those revenues to NYPA in accordance with the ISO's billing and settlement procedures.

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**6.15.3.7 Cost Allocation Table for the MSSC Project**

Transmission District	Allocation of Project Costs (%)
Consolidated Edison Co. of NY, Inc. Orange and Rockland Utilities, Inc.	63.18
Long Island Power Authority	8.55
Niagara Mohawk Power Corp.	12.16*
New York Gas & Electric Corp. Rochester Gas and Electric Corp.	10.12
Central Hudson Gas & Electric Corp.	5.99

New York Power Authority

Load is treated the same as all other load serving entities (“LSEs”) and NYPA will pay the same rate as the LSEs in each transmission district.

\* NYPA customers that are geographically located in the NYSEG and National Grid transmission districts but are connected directly to NYPA transmission facilities (identified by NYISO for billing purposes as ‘NYPA North’ customers) shall be included in the Niagara Mohawk Transmission District for purposes of the MSSCFC cost allocation and billing.

**6.15.4 Recovery of Costs Incurred by NYPA**

**6.15.4.1** The MSSCFC shall be used as the cost recovery mechanism for the recovery of the costs of the MSSC project.

**6.15.4.2** The period for cost recovery will begin if and when the MSSC project is completed and a MSSC revenue requirement is produced by NYPA’s Formula Rate Template as discussed in Section 6.15.3.5, or as otherwise determined by the Commission. The ISO will not begin to assess the MSSCFC solely because NYPA receives incremental TCC revenue or is assessed Outage Charges related to the MSSC project prior to the date NYPA’s Formula Rate Template first

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produces a non-zero MSSC revenue requirement. Instead any incremental TCC revenue received, or Outage Charge incurred, prior to that time will be reflected in the Formula Rate Template's true-up of calendar year revenue to calendar year costs for the calendar year when such revenue or charge was incurred. In any event, the ISO will not collect the MSSCFC from LSEs under this Schedule 15 unless and until the Commission issues an order approving a settlement in Docket No. ER15-572-000 that includes the cost allocation described in Section 6.15.3.7.

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**6.16 Schedule 16 - Rate Mechanism for the Recovery of the Generator Deactivation Facilities Charge for a Regulated Transmission Solution in the Generator Deactivation Process (“GDFC”).**

**6.16.1 Applicability.**

This Schedule establishes the facilities charge for the recovery of the costs of a regulated transmission Generator Deactivation Solution in connection with a Generator Deactivation Reliability Need arising in the Generator Deactivation Process set forth in Attachment FF of the ISO OATT (“GDFC”).<sup>3</sup> A Transmission Owner, an Unregulated Transmitting Utility,<sup>4</sup> or another Developer, may recover through the GDFC the costs that it is eligible to recover pursuant to Attachment FF of the ISO OATT related to: (i) the transmission Generator Deactivation Solution proposed by a Responsible Transmission Owner to address the Generator Deactivation Reliability Need in accordance with Section 38.4.2.1, (ii) the conceptual permanent transmission Generator Deactivation Solution, if applicable, submitted by a Responsible Transmission Owner in accordance with Section 38.4.2.1, or (iii) a regulated transmission Generator Deactivation Solution proposed by a Developer that is selected by the ISO to address the Generator Deactivation Reliability Need in accordance with Section 38.10. Such a project is referred to in this Schedule as an “Eligible Project.” Any costs incurred for an Eligible Project by LIPA or NYPA will be collected under a separate LIPA GDFC or NYPA GDFC, as applicable, as described in Section 6.16.5.

This Schedule does not provide for cost recovery related to: (i) projects undertaken by Transmission Owners through their Local Transmission Owner Planning Processes pursuant to

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<sup>3</sup> Capitalized terms used in this Schedule that are not defined in this Schedule shall have the same meaning set forth in Section 38.1 of Attachment FF of the ISO OATT.

<sup>4</sup> An “Unregulated Transmitting Utility” is a Transmission Owner, such as LIPA and NYPA, that, pursuant to Section 201(f) of the Federal Power Act, is not subject to the Commission’s jurisdiction under Sections 205 and 206(a) of the Federal Power Act.

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Section 31.1.3 and 31.2.1 of Attachment Y of the ISO OATT, (ii) projects eligible for cost recovery through Schedule 10 of the ISO OATT in connection with the NYISO’s reliability planning process, (iii) a Generator operating under an RMR Agreement, or (iv) a market-based Generator Deactivation Solution identified in accordance with Section 38.6 of the ISO OATT.

The GDFC shall be separate from the Transmission Service Charge (“TSC”) and the NYPA Transmission Adjustment Charge (“NTAC”) determined in accordance with Attachment H of the ISO OATT.

In addition, with respect to the Eligible Project only, the Developer shall receive the outage charges described herein and shall not be charged O/R-t-S Congestion Rent Shortfall Charges, U/D Congestion Rent Shortfall Charges, O/R-t-S Auction Revenue Shortfall Charges or U/D Auction Revenue Shortfall Charges or be paid O/R-t-S Congestion Rent Surplus Payments, U/D Congestion Rent Surplus Payments, O/R-t-S Auction Revenue Surplus Payments or U/D Auction Revenue Surplus Payments under Section 20.2.4 and Section 20.3.6 of Attachment N of the ISO OATT. The Developer shall request Incremental TCCs with respect to the Eligible Project in accordance with the requirements of Section 19.2.4 of Attachment M of the ISO OATT and receive any Incremental TCCs to the extent awarded by the ISO pursuant to such request. As it relates solely to the Eligible Project, the Developer shall not be a “Transmission Owner” for purposes of Section 20.2.5 or Section 20.3.7 of Attachment N of the ISO OATT and accordingly shall not receive an allocation of Net Congestion Rents under Section 20.2.5 of Attachment N of the ISO OATT or Net Auction Revenues under Section 20.3.7 of Attachment N of the ISO OATT.

**6.16.2 Revenue Requirement for GDFC**

The GDFC shall be calculated in accordance with the formula set forth in Section 6.16.3 using the revenue requirement of the Transmission Owner, Unregulated Transmitting Utility, or



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other Developer, as applicable, necessary to recover the costs of an Eligible Project. The revenue requirement to be used in the calculation and recovery of the GDFC for a Transmission Owner or other Developer, other than an Unregulated Transmitting Utility, is described in Section 6.16.4. The development of a revenue requirement and recovery of costs for an Eligible Project by an Unregulated Transmitting Utility through the NYPA GDFC or the LIPA GDFC, as applicable, is described in Section 6.16.5.

If an Eligible Project involves construction of a facility identified as a Highway System Deliverability Upgrade in a completed Class Year Interconnection Facilities Study, the Project Cost Allocation for which has been accepted and Security posted by at least one Class Year Developer, the final project cost and resulting revenue requirement will be reduced to the extent permitted by Section 25.7.12.3.3 of Attachment S to the ISO OATT.

**6.16.3 Calculation and Recovery of GDFC and Payment of Recovered Revenue**

The ISO will calculate and bill the GDFC for each Eligible Project in accordance with this Section 6.16.3. The ISO shall collect the GDFC from LSEs. The LSEs, including Transmission Owners, competitive LSEs, municipal systems, and any other LSE, serving Load in the Load Zones and/or Subzones to which the costs of the Eligible Project have been allocated (each a “Responsible LSE”) shall pay the GDFC. The costs of each Eligible Project shall be allocated as set forth in Section 38.22 of Attachment FF of the ISO OATT.

6.16.3.1 The revenue requirement filed pursuant to this Schedule by the Transmission Owner, Unregulated Transmitting Utility, or another Developer, as applicable, and approved or accepted by the Commission will be the basis for the GDFC Rate (\$/MWh) that shall be charged by the ISO to each Responsible LSE based on its Actual Energy Withdrawals as set forth in Section 6.16.3.4.

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6.16.3.2 The Developer shall in relation to any Eligible Project reasonably exercise its right to obtain and maintain in effect all Incremental TCCs, including temporary Incremental TCCs, to which it has rights under Section 19.2.4 of Attachment M of the ISO OATT and shall take the actions required to do so in accordance with the procedures specified therein. Notwithstanding Sections 19.2.4.7 and 19.2.4.8 of Attachment M of the ISO OATT, Incremental TCCs created and awarded to the Developer as a result of implementation of an Eligible Project shall not be eligible for sale in Secondary Markets. Incremental TCCs that may be created and awarded to the Developer as a result of the implementation of an Eligible Project, shall be offered by the Developer in all rounds of the six month Sub-Auction of each Centralized TCC Auction conducted by the ISO. The ISO shall disburse the associated auction revenues to the Developer. The total amount of the auction revenues disbursed to the Developer pursuant to this Section 6.16.3.2 shall be used in the calculation of the GDFC Rate, as set forth in Section 6.16.3.4. Incremental TCCs associated with an Eligible Project shall continue to be offered for the duration of the Incremental TCCs, established pursuant to the terms of Attachment M of the ISO OATT. The revenue offset discussed in this Section 6.16.3.2 shall commence upon the first payment of revenues related to Incremental TCCs associated with the implementation of an Eligible Project on or after the date the GDFC is implemented. The GDFC and the revenue offset related to Incremental TCCs associated with the implementation of an Eligible Project shall not require and shall not be dependent upon a reopening or review of the Developer's revenue

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requirements for an RFC pursuant to Section 6.10 of the ISO OATT or the Transmission Owners' revenue requirements for the TSCs and NTAC set forth in Attachment H of the NYISO OATT.

6.16.3.2.1 Outage charges related to any Incremental TCCs awarded by the ISO for an Eligible Project shall be assessed to the Developer, and payable by the Developer to the ISO, pursuant to Section 19.2.4 of Attachment M of the ISO OATT for an Expander not subject to Section 20.2.5 of Attachment N of the ISO OATT for any hour in the Day-Ahead Market during which an Expansion, associated with an Eligible Project, is modeled to be wholly or partially out of service.

6.16.3.3 The billing units for the GDFC Rate for the Billing Period shall be based on the Actual Energy Withdrawals available for the current Billing Period for those Load Zones and/or Subzones allocated the costs of the project in accordance with Section 38.22 of Attachment FF of the ISO OATT.

**6.16.3.4 Cost Recovery Methodology**

The ISO shall calculate the GDFC for each Responsible LSE as follows:

**Step 1: Calculate the \$ assigned to each Load Zone or Subzone (as applicable)**

$$\text{GDFC}_{z,B} = \sum_{p \in P} \left( (\text{AnnualRR}_{p,B} - \text{IncrementalTransmissionRightsRevenue}_{p,B} + \text{OutageCostAdjustment}_{p,B}) \times (\text{ZonalCostAllocation}_{z,p}) \right)$$

**Step 2: Calculate a per-MWh Rate for each Load Zone or Subzone (as applicable)**

$$\text{GDFCRate}_{z,B} = \text{GDFC}_{z,B} / \text{MWh}_{z,B}$$

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**Step 3: Calculate charge for each Billing Period for each Responsible LSE in each Load Zone or Subzone (as applicable)**

$$\text{Charge}_{B,l,z} = \text{GDFCRate}_{z,B} * \text{MWh}_{l,z,B}$$

**Step 4: Calculate charge for each Billing Period for each Responsible LSE across all Load Zones or Subzones (as applicable)**

$$\text{Charge}_{B,l} = \sum_{z \in Z} (\text{Charge}_{B,l,z})$$

Where,

$l$  = the relevant Responsible LSE;

$p$  = an individual Eligible Project;

$P$  = set of Eligible Projects;

$z$  = an individual Load Zone or Subzone, as applicable;

$Z$  = set of ISO Load Zones or Subzones, as applicable;

$B$  = the relevant Billing Period;

$\text{MWh}_{z,B}$  = Actual Energy Withdrawals in Load Zone or Subzone, as applicable,  $z$  aggregated across all hours in Billing Period  $B$ ;

$\text{MWh}_{l,z,B}$  = Actual Energy Withdrawals for Responsible LSE  $l$  in Load Zone or Subzone, as applicable,  $z$  aggregated across all hours in Billing Period  $B$ ;

$\text{AnnualRR}_{p,B}$  = the pro rata share of the annual revenue requirement for each Eligible Project  $p$ , as discussed in Section 6.16.2 above, allocated for Billing Period  $B$ ;

$\text{IncrementalTransmissionRightsRevenue}_{p,B}$  = the auction revenue derived from the sale of Incremental TCCs plus Incremental TCC payments received by the Developer pursuant to Section 20.2.3 of Attachment N of the ISO OATT for each Eligible Project  $p$ , as discussed in Section 6.16.3.2 above, allocated for Billing Period  $B$ . The revenues from the sale of Incremental TCCs in the ISO's six month Sub-Auctions of each Centralized TCC Auction shall be allocated uniformly across all hours of the Billing Period;

$\text{OutageCostAdjustment}_{p,B}$  = the Outage charges determined pursuant to Section 6.16.3.2.1 above for any hour in the Day-Ahead Market during which the Eligible Project  $p$  is modeled to be wholly or partially out of service aggregated across all hours in Billing Period  $B$ ;

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$\text{ZonalCostAllocation}_{z,p}$  = the proportion of the cost of Eligible Project  $p$  allocated to Load Zone or Subzone, as applicable,  $z$ , as set forth in Section 38.22 of Attachment FF of the ISO OATT.

6.16.3.5 The ISO will collect the appropriate GDFC revenues each Billing Period and remit those revenues to the appropriate Transmission Owner, Unregulated Transmitting Utility, or other Developer in accordance with the ISO's billing and settlement procedures.

**6.16.4 Recovery of Costs Incurred by Transmission Owner or Developer**

6.16.4.1 The GDFC shall be used as the cost recovery mechanism for the recovery of the costs of an Eligible Project undertaken by a Transmission Owner or Developer, other than an Unregulated Transmitting Utility, which project is authorized by the Commission to recover costs under this rate mechanism; *provided, however*, nothing in this cost recovery mechanism shall be deemed to create any additional rights for a Transmission Owner or Developer to proceed with a regulated transmission project that it does not otherwise have at law. The cost that may be included in the revenue requirement for calculating the GDFC pursuant to Section 6.16.3 include all reasonably incurred costs, as determined by the Commission, related to the preparation of proposals for, and the development, financing, construction, operation, and maintenance of, an Eligible Project. This cost includes, but is not limited to, a reasonable return on investment and any incentives for the construction of transmission projects approved under Section 205 or Section 219 of the Federal Power Act and the Commission's regulations implementing those sections.

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6.16.4.2 The period for cost recovery will be determined by the Commission and will begin if and when the Eligible Project is completed or halted, or as otherwise determined by the Commission. The Transmission Owner/Developer and/or the ISO, as applicable, will make a filing with the Commission to provide for its review and approval or acceptance, as appropriate, of the final project cost and resulting revenue requirement to be recovered through the GDFC. The filing may include all reasonably incurred costs specified in Section 6.16.4.1 of this Schedule that are related to the Transmission Owner's or the Developer's undertaking an Eligible Project. The Transmission Owner or Developer shall bear the burden of resolving all concerns about the contents of the filing that might be raised in such proceeding. The ISO will begin to calculate and bill the GDFC after the Commission has accepted or approved the filing.

**6.16.5 Recovery of Costs Incurred By Unregulated Transmitting Utility**

6.16.5.1 The costs that may be included in the revenue requirement for an Eligible Project undertaken by an Unregulated Transmitting Utility include all reasonably incurred costs related to the preparation of proposals for, and the development, financing, construction, operation, and maintenance of, an Eligible Project as well as a reasonable return on investment. For any recovery of a revenue requirement by an Unregulated Transmitting Utility under the GDFC, the period of cost recovery will be determined by the Commission and will begin if and when the Eligible Project is completed or halted, or as otherwise determined by the Commission. The ISO will begin to calculate and bill the GDFC for an

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Unregulated Transmitting Utility pursuant to Section 6.16.3 after the Commission has accepted or approved the filing of its revenue requirement.

**6.16.5.2 Cost Recovery for LIPA**

Any costs incurred for an Eligible Project undertaken by LIPA, as an Unregulated Transmitting Utility, that are eligible for recovery under Section 6.16.5.1 under the LIPA GDFC shall be recovered over the period established by Long Island Power Authority's Board of Trustees as follows:

6.16.5.2.1 For Costs to LIPA Customers: Cost will be recovered pursuant to a rate recovery mechanism approved by the Long Island Power Authority's Board of Trustees pursuant to Article 5, Title 1-A of the New York Public Authorities Law, Sections 1020-f(u) and 1020-s. Upon approval of the rate recovery mechanism, LIPA shall provide to the ISO, for purposes of inclusion within the ISO OATT and filing with the Commission on an informational basis only, a description of the rate recovery mechanism, the costs of the Eligible Project, and the rate that LIPA will charge and collect from responsible entities within the Long Island Transmission District in accordance with the ISO cost allocation methodology pursuant to Section 38.22 of Attachment FF of the ISO OATT.

6.16.5.2.2 For Costs to Other Transmission Districts, As Applicable: Where the ISO determines that there are Responsible LSEs serving Load outside of the Long Island Transmission District that should be allocated a portion of the costs of the Eligible Project undertaken by LIPA, LIPA shall coordinate with and inform the ISO of the amount of such costs. Such costs will be an allocable amount of the cost base recovered through the recovery mechanism described in Section

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6.16.5.2.1 in accordance with the formula set forth in Section 6.16.3.4. Such costs of the Eligible Project allocable to Responsible LSEs serving Load outside of the Long Island Transmission District shall constitute the “revenue requirement.” The ISO shall file the revenue requirement with the Commission, to the extent requested to so by LIPA, for Commission review under the same “comparability” standard as is applied to review of changes in LIPA’s TSC under Attachment H of the ISO OATT. LIPA shall intervene in support of such filing at the Commission and shall bear the burden of resolving all concerns about the contents of the filing that might be raised in such proceeding. Using the procedures described in Sections 6.16.3 through 6.16.3.4 of this Schedule, the ISO shall calculate a separate LIPA GDFC based on the revenue requirement and shall bill for LIPA the LIPA GDFC as a separate line item to the Responsible LSEs serving Load in Transmission Districts located outside of the Long Island Transmission District. The ISO shall remit the revenues collected to LIPA in accordance with the ISO’s billing and settlement procedures.

6.16.5.2.3 Developers, other than LIPA, that undertake an Eligible Project on Long Island may recover any costs pursuant to Section 6.16.4 of this Schedule.

**6.16.5.3 Cost Recovery for NYPA**

Any costs incurred for an Eligible Project undertaken by NYPA, as an Unregulated Transmitting Utility, that are eligible for recovery under Section 6.16.5.1 shall be recovered under a NYPA GDFC as described herein. A reasonable return on investment for an Eligible Project undertaken by NYPA may include any incentives for construction of transmission



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projects available under Section 205 or Section 219 of the Federal Power Act and the Commission's regulations implementing those sections, as determined by the Commission.

6.16.5.3.1 NYPA shall coordinate with and inform the ISO of the amount of the costs it incurred in undertaking an Eligible Project. Such costs shall constitute the revenue requirement. The ISO shall file the revenue requirement with the Commission to the extent requested to do so by NYPA. NYPA shall intervene in support of such filing at the Commission and shall bear the burden of resolving all concerns about the contents of the filing that might be raised in such proceeding, including being solely responsible for making any arguments or reservations regarding its status as a non-Commission-jurisdictional utility and the appropriate standard for Commission review of its revenue requirement. In accordance with Sections 6.16.3 through 6.16.3.4 of this Schedule, the ISO shall calculate a separate NYPA GDFC based on the revenue requirement and bill for NYPA the NYPA GDFC to the Responsible LSEs. The ISO shall remit the revenues collected to NYPA in accordance with the ISO's billing and settlement procedures.

6.16.5.3.2 Developers, other than NYPA, that undertake an Eligible Project in the NYPA North Subzone may recover any costs pursuant to Section 6.16.4 of this Schedule.

**6.16.5.4 Savings Clause**

The inclusion in the ISO OATT or in a Commission filing of the revenue requirement for recovery of costs incurred by an Unregulated Transmitting Utility, including LIPA or NYPA, related to an Eligible Project undertaken pursuant to Attachment FF to the ISO OATT, as

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provided for in this Section 6.16.5, or the inclusion of such revenue requirement in the LIPA GDFC or the NYPA GDFC, shall not be deemed to modify the treatment of such rates as non-jurisdictional pursuant to Section 201(f) of the FPA.

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**6.17 Schedule 17 – Rate Mechanism for the Recovery of the Western New York Facilities Charge for Non-Bulk Transmission Facilities (“WNY-FC”)**

**6.17.1 Applicability**

**6.17.1.1 Eligible Projects**

This Schedule establishes the Western New York Facilities Charge (“WNY-FC”) for the recovery of the costs of certain upgrades to non-bulk transmission facilities related to any Public Policy Transmission Project that are eligible for cost recovery in accordance with the Comprehensive System Planning Process requirements set forth in Attachment Y of the ISO OATT.<sup>5</sup> Niagara Mohawk Power Corporation (“NMPC”) may recover through the WNY-FC the costs that it is eligible to recover pursuant to Attachment Y of the ISO OATT related to certain upgrades to NMPC non-bulk transmission facilities in connection with a Public Policy Transmission Project that the ISO has selected pursuant to Section 31.4.8.2 of Attachment Y of the ISO OATT as the more efficient or cost-effective solution to Western New York Public Policy Transmission Need. The “Western New York Public Policy Transmission Need” relates to congestion relief in Western New York identified by the NYPSC on July 20, 2015 and October 13, 2016, in NYPSC Case No. 14-E-0454.

The specific upgrades to NMPC non-bulk transmission facilities to address the Western New York Public Policy Transmission Need (the “WNY Ancillary Upgrades.”) shall be identified by the ISO in the Public Policy Transmission Planning Report for those needs.

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<sup>5</sup> Capitalized terms used in this Schedule that are not defined in this Schedule shall have the meaning set forth in Section 31.1.1 of Attachment Y of the ISO OATT and, if not therein, in Section 1 of the OATT.

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**6.17.1.2 Projects Not Eligible for Cost Recovery Through the WNY-FC**

This Schedule does not apply to projects that are not eligible pursuant to Attachment Y of the ISO OATT for cost allocation and recovery under the ISO OATT, including, but not limited to: (i) projects undertaken by Transmission Owners through the Local Transmission Owner Planning Processes pursuant to Section 31.1.3 and Section 31.2.1 of Attachment Y of the ISO OATT; (ii) market-based solutions to transmission needs identified in the CSPP; (iii) any non-transmission components of an Eligible Project (*e.g.*, generation, energy efficiency, or demand response resources); (iv) transmission Generator Deactivation Solutions selected in the Generator Deactivation Process pursuant to Attachment FF of the ISO OATT and eligible for cost recovery through Schedule 16 (Section 6.16) of the ISO OATT; (v) transmission facilities eligible for cost recovery through another rate schedule of the ISO OATT; and (vi) facilities for which costs are recovered through the Transmission Service Charge (“TSC”) or the NYPA Transmission Adjustment Charge (“NTAC”) determined in accordance with Attachment H of the ISO OATT.

**6.17.2 Revenue Requirement for WNY-FC**

The WNY-FC shall be calculated in accordance with the formula set forth in Section 6.17.3. The costs that may be included in the WNY-FC revenue requirement include all reasonably incurred costs related to the preparation of proposals for, and the development, financing, construction, operation, and maintenance of, the WNY Ancillary Upgrades, including, but not limited to, a reasonable return on investment and any incentives for the construction of transmission projects approved under Section 205 or Section 219 of the Federal Power Act and the Commission’s regulations implementing those sections, as determined by the Commission.

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**6.17.3 Calculation and Recovery of WNY-FC and Payment of Recovered Revenue**

**6.17.3.1** The ISO will calculate and bill the WNY-FC separately for the WNY Ancillary Upgrades in accordance with this Section 6.17.3. The ISO shall collect the WNY-FC from LSEs. The LSEs, including Transmission Owners, competitive LSEs, municipal systems, and any other LSEs, serving Load in the Load Zones and/or Subzones to which the costs of the WNY Ancillary Upgrades have been allocated (each a “Responsible LSE”) shall pay the WNY-FC. The costs of the WNY Ancillary Upgrades shall be allocated in accordance with the Commission-approved cost allocation methodology for the Public Policy Transmission Project selected to address Western New York Public Policy Transmission Need in accordance with Section 31.5.5 of Attachment Y of the ISO OATT.

**6.17.3.2** The WNY-FC revenue requirement shall be calculated as follows: The annual WNY-FC revenue requirement shall equal the annual Historical Transmission Revenue Requirement (“HTRR”) for NMPC’s TSC divided by NMPC’s gross transmission plant in service multiplied by the gross transmission plant in service for the WNY Ancillary Upgrades. For purposes of this calculation:

- (a) NMPC’s HTRR is equal to Attachment 1 to Attachment H, Schedule 1, line 17.
- (b) NMPC’s gross transmission plant is equal to Attachment 1 to Attachment H, Schedule 6, page 2 of 2, line 3.

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In addition, to the extent that the revenues received for the WNY Ancillary Upgrades in the prior year were greater (or less) than the annual WNY-FC revenue requirement for the year, the current year's WNY-FC revenue requirement will be decreased (or increased) by that difference. The annual WNY-FC revenue requirement will be the basis for the applicable WNY-FC Rate (\$/MWh) for the Billing Period that shall be charged by the ISO to each Responsible LSE based on its Actual Energy Withdrawals as set forth in Section 6.17.3.5.

**6.17.3.3** NMPC shall request Incremental TCCs with respect to the WNY Ancillary Upgrades in accordance with the requirements of Section 19.2.4 of Attachment M of the ISO OATT and receive any Incremental TCCs to the extent awarded by the ISO pursuant to such request. As it relates solely to the WNY Ancillary Upgrades, NMPC shall not be a "Transmission Owner" for purposes of Section 20.2.5 or Section 20.3.7 of Attachment N of the ISO OATT and accordingly shall not receive an allocation of Net Congestion Rents under Section 20.2.5 of Attachment N of the ISO OATT or Net Auction Revenues under Section 20.3.7 of Attachment N of the ISO OATT.

NMPC shall in relation to the WNY Ancillary Upgrades exercise its right to obtain and maintain in effect all Incremental TCCs, including temporary Incremental TCCs, to which it has rights under Section 19.2.4 of Attachment M of the ISO OATT and shall take the actions required to do so in accordance with the procedures specified therein. Notwithstanding Sections 19.2.4.7 and 19.2.4.8 of Attachment M of the ISO OATT, Incremental TCCs created and awarded to NMPC as a result of implementation of the WNY Ancillary Upgrades shall not be

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eligible for sale in Secondary Markets. Incremental TCCs that may be created and awarded to NMPC as a result of the implementation of the WNY Ancillary Upgrades, shall be offered by NMPC in all rounds of the six month Sub-Auction of each Centralized TCC Auction conducted by the ISO. The ISO shall disburse the associated auction revenues to NMPC. The total amount of the auction revenues disbursed to NMPC pursuant to this Section 6.17.3.3 shall be used in the calculation of the WNY-FC Rate, as set forth in Section 6.17.3.5. Incremental TCCs associated with the WNY Ancillary Upgrades shall continue to be offered for the duration of the Incremental TCCs, established pursuant to the terms of Attachment M of the ISO OATT.

The revenue offset discussed in this Section 6.17.3.3 shall commence upon the first payment of revenues related to Incremental TCCs associated with the implementation of the WNY Ancillary Upgrades on or after the date the WNY-FC is implemented. The WNY-FC and the revenue offset related to Incremental TCCs associated with the implementation of the WNY Ancillary Upgrades shall not require and shall not be dependent upon a reopening or review of: (i) NMPC's revenue requirements for charges set forth in another rate schedule of the ISO OATT, or (ii) NMPC's revenue requirements for its TSC set forth in Attachment H of the ISO OATT.

**6.17.3.3.1** With respect to the WNY Ancillary Upgrades only, NMPC shall receive the outage charges specific to Incremental TCCs as described herein and shall not be charged O/R-t-S Congestion Rent Shortfall Charges, U/D Congestion Rent Shortfall Charges, O/R-t-S Auction Revenue Shortfall Charges or U/D Auction

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Revenue Shortfall Charges or be paid O/R-t-S Congestion Rent Surplus Payments, U/D Congestion Rent Surplus Payments, O/R-t-S Auction Revenue Surplus Payments or U/D Auction Revenue Surplus Payments under Section 20.2.4 and Section 20.3.6 of Attachment N of the ISO OATT. Outage charges related to any Incremental TCCs awarded by the ISO for the WNY Ancillary Upgrades shall be separately assessed to NMPC as an Expander not subject to Section 20.2.5 of Attachment N of the ISO OATT, and payable by NMPC to the ISO, pursuant to Section 19.2.4 of Attachment M of the ISO OATT for any hour in the Day-Ahead Market during which the WNY Ancillary Upgrades are modeled to be wholly or partially out of service.

**6.17.3.4** The billing units for the WNY-FC Rate for the Billing Period shall be based on the Actual Energy Withdrawals available for the current Billing Period for those Load Zones and/or Subzones allocated the costs of the project in the manner described in Section 6.17.3.1.

**6.17.3.5 Cost Recovery Methodology**

The ISO shall calculate the WNY-FC for each Responsible LSE as follows:

**Step 1: Calculate the \$ assigned to each Load Zone or Subzone (as applicable)**

$$\text{WNYFC}_{p,z,B} = (\text{AnnualRR}_{p,B} - \text{IncrementalTransmissionRightsRevenue}_{p,B} + \text{OutageCostAdjustment}_{p,B}) \times (\text{ZonalCostAllocation}_{z,p})$$

**Step 2: Calculate a per-MWh Rate for each Load Zone or Subzone (as applicable)**

$$\text{WNYFCRate}_{p,z,B} = \text{WNYFC}_{p,z,B} / \text{MWh}_{z,B}$$

**Step 3: Calculate charge for each Billing Period for each Responsible LSE in each Load Zone or Subzone (as applicable)**

$$\text{Charge}_{B,l,z,p} = \text{WNYFCRate}_{p,z,B} * \text{MWh}_{l,z,B}$$



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**Step 4: Calculate charge for each Billing Period for each Responsible LSE across all Load Zones or Subzones (as applicable)**

$$\text{Charge}_{B,l,p} = \sum_{z \in Z} (\text{Charge}_{B,l,z,p})$$

Where,

$l$  = the relevant Responsible LSE;

$p$  = the WNY Ancillary Upgrades;

$z$  = an individual Load Zone or Subzone, as applicable;

$Z$  = set of ISO Load Zones or Subzones, as applicable;

$B$  = the relevant Billing Period;

$MWh_{z,B}$  = Actual Energy Withdrawals in Load Zone or Subzone, as applicable,  $z$  aggregated across all hours in Billing Period  $B$ ;

$MWh_{l,z,B}$  = Actual Energy Withdrawals for Responsible LSE  $l$  in Load Zone or Subzone, as applicable,  $z$  aggregated across all hours in Billing Period  $B$ ;

$\text{AnnualRR}_{p,B}$  = the pro rata share of the annual revenue requirement for the WNY Ancillary Upgrades as set forth in 6.17.3.2 above, allocated for Billing Period  $B$ ;

$\text{IncrementalTransmissionRightsRevenue}_{p,B}$  = the auction revenue derived from the sale of Incremental TCCs plus Incremental TCC payments received by NMPC pursuant to Section 20.2.3 of Attachment N of the ISO OATT for the WNY Ancillary Upgrades, as discussed in Section 6.17.3.3 above, allocated for Billing Period  $B$ . The revenues from the sale of Incremental TCCs in the ISO's six month Sub-Auctions of each Centralized TCC Auction shall be allocated uniformly across all hours of the Billing Period;

$\text{OutageCostAdjustment}_{p,B}$  = the Outage charges determined pursuant to Section 6.17.3.3.1 above for any hour in the Day-Ahead Market during which the WNY Ancillary Upgrades are modeled to be wholly or partially out of service aggregated across all hours in Billing Period  $B$ ; and

$\text{ZonalCostAllocation}_{z,p}$  = the proportion of the cost of the WNY Ancillary Upgrades allocated to Load Zone or Subzone, as applicable,  $z$ , in the manner described in Section 6.17.3.1 above.

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- 6.17.3.6** The ISO will collect the appropriate WNY-FC revenues each Billing Period and remit those revenues to NMPC in accordance with the ISO’s billing and settlement procedures.
- 6.17.3.7** Payments received by NMPC for the WNY-FC will be treated as a revenue credit in the revenue requirement for NMPC’s TSC. After considering the revenue credit from the WNY-FC, the net cost for the WNY Ancillary Upgrades recovered through the TSC will be deemed to be zero.
- 6.17.3.8** NMPC shall recalculate the WNY-FC revenue requirement each year as part of the Annual Update process set forth in Section 14.1.9.4 of Attachment H of the ISO OATT. The WNY-FC revenue requirement shall be separately stated in that Annual Update, and the Annual Update shall provide supporting documentation for the calculation of the WNY-FC revenue requirement for the Update Year. Each Responsible LSE paying the WNY-FC shall be an “Interested Party” with respect to any portion of the Annual Update related to the WNY-FC. The WNY-FC revenue requirement for the first year after the WNY Ancillary Upgrades are placed in service will be calculated retroactively to the in-service date. The ISO shall commence charging the WNY-FC beginning with the first billing period for the next effective Update Year, as such term is defined in Section 14.1.9.1.66 of Attachment H of the ISO OATT, after the WNY Ancillary Upgrades are placed into service.