Rate Schedule 1 – Allocation of NYISO Budget

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Background

- The purpose of this presentation is to conduct a vote in compliance with the language included in Rate Schedule 1 requiring a vote by the Management Committee in Q3 2019 to determine whether a new Cost of Service Study should be conducted to evaluate the Rate Schedule 1 allocation between withdrawals and injections.

- For purposes of this presentation, references to allocations of Rate Schedule 1 relate solely to the ISO Annual Budget (as discussed in section 6.1.2 of the OATT).

History of NYISO RS1 Allocations

- Nov. 1999 – May 2002: 100% Withdrawals/0% Injections
- June 2002 – Dec.2004: 85% Withdrawals/15% Injections
- Jan. 2005 – Dec. 2011: 80% Withdrawals/20% Injections*
  - Non-Physical transactions included with rebates provided to Withdrawals and Injections, resulting in an approximate allocation of 75% Withdrawals/ 19% Injections/6% Non-Physical
- Jan. 2012 – Present : 72% Withdrawals/28% Injections*
  - With Non-physical transactions and rebates included, the approximate allocation is 68% Withdrawals/26% Injections/6% Non-Physical

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Current RS1 Allocation

- **72% Withdrawals/28% Injections (with rebates provided for recoveries from non-physical transactions)**
  - Followed consultant study in 2010-2011 and ~67% affirmative support of the Management Committee in July 2011
  - Scheduled to be effective for a minimum of five years, from January 2012 – December 2016

Tariff requirements

- Tariff language required a vote of the Management Committee in the third calendar quarter of 2015 on whether a new study should be conducted during late 2015 and 2016 to allow for modification of the current cost allocation.

- This vote was held at the August 26, 2015 Management Committee meeting and did not result in a recommendation for conducting a study of RS1 in 2015-2016. Going forward from the 2015 vote, the tariff outlines the required process for extending the current structure in future years.

Tariff requirements (cont.)

- **OATT Section 6.1.2.3 (ii) required that a vote of the Management Committee be taken in Q3 2016 to determine if a study should be conducted in 2016-2017.**

  - The 2016 vote required a 58% of the MC to decline conducting a study, or else the study would be required to go forward in 2016-2017.

  - If the MC voted to decline conducting a study in 2016-2017, a vote would be required in Q3 of each year to decline conducting a study of the RS1 allocation methodology.

Tariff Requirements (cont.)

- Operative language from RS1 Section 6.1.2.3

(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 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

Tariff Requirements (cont.)

- Operative language from RS1 Section 6.1.2.3

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

Tariff Requirements (cont.)

- Operative Language from RS1 Section 6.1.2.3

(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.

Tariff Requirements (cont.)

- **2017 and 2018 Vote Results**
  - The 2017 vote was taken at the July 26, 2017 Management Committee, where the motion to **not** conduct a study in 2017-2018 was unanimously approved by a show of hands.
  - The 2018 vote was taken at the July 25, 2018 Management Committee, where the motion to **not** conduct a study in 2018-2019 was unanimously approved by a show of hands.

Most recent RS 1 Study Information

- **Most recent RS1 Allocation study was performed by Black and Veatch in 2011.**
  - Cost = ~ $ 215K
  - Study time= ~ 6 months
  - MP Meetings= 5 Individual Sector meetings, 6 working group meetings, and 1 MC
  - Scope= Evaluate NYISO cost for potential changes in cost recovery structure using NYISO data, staff interviews, and comparison of other ISO practices, etc.

Recommendation for a new RS 1 Study

- **NYISO staff recommends that a new Cost of Service Study be conducted in 2019-2020 in order to consider the RS1 impact of the most significant market design changes to be implemented since 2005:**

  - Integration of Renewable Resources
  - Distributed Energy Resource Roadmap
  - Energy Storage Integration and Optimization

Recommendation for a new RS 1 Study (cont.)

- It is anticipated that these market design changes will result in a significant increase in Market Participants and resource types that do not exist in NYISO markets today.

- Conducting a new Cost of Service Study in 2019-2020 would be appropriate to provide rate certainty for new entrants as well as a more solidified basis for NYISO cost recovery and budget planning.

RS1 Study Vote Process Steps

- May 29 Budget & Priorities Working Group (BPWG)
- July 31 Management Committee Vote

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