

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

6.12.1 Applicability.

This rate mechanism 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 NYISO OATT that are allocated to Load Serving Entities (“LSEs”). The rate mechanism shall not apply to: (i) the extent that a Highway SDU is undertaken and funded pursuant to Attachment Y of the NYISO 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; or (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 NYISO OATT. The HFC shall be comprised of the revenue requirements related to each Highway SDU filed with FERC by a Transmission Owner pursuant to the provisions of this Schedule. The HFC will provide for full recovery of all reasonably incurred costs 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. Subject to regulatory acceptance, the HFC shall include a reasonable return on investment. The HFC established under this Schedule shall be separate from the Transmission Service Charge (“TSC”) and the NYPA Transmission Adjustment Charge (“NTAC”) determined in accordance with Attachment H of the NYISO OATT and the Reliability Facilities Charge (“RFC”) established in accordance with Attachment Y and Rate Schedule 10 of the NYISO OATT.

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

Each Transmission Owner shall file with FERC 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 NYISO 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 NYISO that the threshold for construction of a Highway SDU has been crossed in accordance with Section 25.7.12.3.1 of Attachment S of the NYISO OATT, 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 FERC 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 Upon completion of the project, the Transmission Owner(s) will make an informational filing with FERC to provide the final project cost and resulting revenue requirement to be recovered pursuant to this Schedule. The recovery of project costs pursuant to this Schedule will commence on the effective date proposed in the informational filing and accepted by FERC, and shall not require and shall not be dependent upon a re-opening or review of the Transmission Owner's revenue requirements for the TSCs and NTAC set forth in

Attachment H of the NYISO OATT. Following the informational filing, the NYISO will bill the HFC, as applicable.

6.12.3 HFC Revenue Requirement Recovery.

The HFC is to be invoiced by the NYISO and paid by the LSEs allocated in accordance with Section 25.7.12.3.2 of Attachment S of the NYISO OATT. All LSEs to which costs have been allocated, including Transmission Owners, non-Transmission Owner LSEs and municipal systems, will be invoiced by the NYISO.

6.12.3.1 The revenue requirement filed pursuant to Section 6.12.2.3 will be the basis for the monthly HFC, and shall be allocated by the NYISO to each LSE based on its proportionate share of the ICAP requirement in the statewide capacity market, adjusted to subtract locational capacity requirements as set forth in Attachment S.

6.12.3.2 The monthly HFC 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.

6.12.3.4 To the extent that Incremental TCCs are created as a result of a Highway SDU implemented in accordance with Attachment S of the NYISO OATT, that portion of those Incremental TCCs attributed to LSEs pursuant to Attachment S that can be sold will be auctioned or otherwise sold by the NYISO. The NYISO will disburse or credit the associated revenues to the LSEs. These Incremental TCCs will continue to be sold for so long as LSEs are responsible for funding the Highway SDU through an HFC, and the disbursements or credits discussed

above will commence upon the first payment of revenues related to a sale of Incremental TCCs on or after the HFC is first invoiced for a specific Highway SDU. These incremental revenues shall not require and shall not be dependent upon any reopening or any review of the Transmission Owner(s) TSCs or NTAC under Attachment H of the NYISO OATT.

6.12.3.5 The NYISO will collect the appropriate HFC revenues on a monthly basis and remit those revenues to the appropriate Transmission Owner(s) in accordance with the NYISO's billing and settlement procedures pursuant to the NYISO OATT.

6.12.3.6 The monthly HFC 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 NYISO OATT.

6.12.3.6.1 For Year 1, the LSEs' ICAP requirements for the most recent NYISO Capability Year prior to the in-service date of the Highway SDU shall be used for cost allocation.

6.12.3.6.2 For subsequent years, the billing cycle shall be adjusted, if necessary, to start following the establishment of the LSEs' ICAP requirements for the current Capability Year.

6.12.3.6.3 Each LSE's share of the monthly HFC shall be allocated as follows:
$$\text{LSE HFC Allocation} = \frac{\text{Monthly HFC} \times (\text{LSE ICAP Requirement} - \text{Locational ICAP Requirement (if applicable)})}{\text{Statewide ICAP Requirement} - \text{Sum of Locational ICAP Requirements}}$$

6.12.3.6.4 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.

6.12.3.6.5 Revenue shortfalls, if any, will be allocated to the remaining LSEs in proportion to their ICAP requirements for the Capability Year. Billing adjustments for revenue shortfalls will occur on a monthly basis.

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.

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 subsequent Developer or Interconnection Customer are determined in accordance with Attachment S.

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 to account for the payment received from the subsequent Developer or Interconnection Customer to lower the HFC charged to LSEs going forward.

6.12.4.2 The NYISO will credit the subsequent Developer or Interconnection Customer with any revenues derived from the monetization of Incremental TCCs created by the Highway SDU in proportion to the use of Headroom by the Developer's or Interconnection Customer's project. Credits to the LSEs from sales of Incremental TCCs will be reduced proportionately.