

## **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 Article 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 as set forth in Articles 6.1.3 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 Article 6.1.4;
- (ii) Working Capital Fund charges as set forth in Article 6.1.5;
- (iii) non-ISO facilities payment charges as set forth in Article 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 Article 6.1.7;
- (v) charges to recover and payments to allocate residual costs as set forth in Article 6.1.8;
- (vi) charges for Special Case Resources and Curtailment Service Providers called to meet reliability needs as set forth in Article 6.1.9;
- (vii) charges to recover DAMAP costs as set forth in Article 6.1.10;
- (viii) charges to recover Import Curtailment Guarantee Payment costs as set forth in Article 6.1.11;

- (ix) charges to recover Bid Production Cost guarantee payment costs as set forth in Article 6.1.12;
- (x) charges to recover and payments to allocate settlements of disputes as set forth in Article 6.1.13; and
- (xi) payments to allocate financial penalties collected by the ISO as set forth in Article 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 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 Article 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;
- 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.

$$\begin{aligned}
 & \text{ISO Annual Budget Charge}_{c,P} \\
 &= \left( \text{InjectionUnits}_{c,P} * \left( 0.28 * \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right) \right) \\
 &+ \left( \text{WithdrawalUnits}_{c,P} * \left( 0.72 * \frac{\text{ISOCosts}_{\text{Annual}}}{\text{TotalEstWithdrawalUnits}_{\text{Annual}}} \right) \right)
 \end{aligned}$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

$\text{ISO Annual Budget Charge}_{c,P}$  = The amount, in \$, of the ISO annual budgeted costs for which Transmission Customer  $c$  is responsible for Billing Period  $P$ .

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

*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 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 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.

$P$  = 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.

$VT_{Cleared_{c,P}}$  = 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.

$$TCC_{Charge_{c,P}} = TCC_{Rate} * TCC_{Settled_{c,P}}$$

Where:

$c$  = Transmission Customer.

$P$  = The relevant Billing Period.

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

$TCC_{Rate}$  = 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.

$TCC_{Settled_{c,P}}$  = 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  $P$ .

#### **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 or 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 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.

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 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 any of its annual budgeted costs for the immediately preceding calendar year that 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 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 activity, the Special Cases Resource program, and the Emergency Demand Response program 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 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  $\text{NonPhysicalActivityRevenue}$  previously used for this purpose in the current calendar year provided, however,  $\text{NonPhysicalActivityRevenue}_P$  shall not be less than zero

*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.

*TotalInjectionUnits<sub>P</sub>* = 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<sub>P</sub>* = 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:

- (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  $Q$ .

$NERC\&NPCC\ Costs_Q$  = 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.

$TU_{TotalWithdrawalUnits_M}$  = 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.

#### **6.1.6 Non-ISO Facilities Payment Charge**

The ISO shall charge, and each Transmission Customer shall pay, a charge in accordance with Section 6.1.6.1 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 Branchburg-Ramapo Interconnection between the ISO and PJM Interconnection, LLC, 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.

In addition to the facilities listed above that are needed for the economic and reliable operation of the NYS Transmission System, the NYISO is required by the Commission to pass through charges assessed by the Midwest Independent Transmission System Operator, Inc. (“MISO”) for the cost of International Transmission Company’s (“ITC’s”) Bunce Creek PARs. The NYISO shall include, on a temporary basis, the charges that the NYISO receives for these PARs as NonISOFacilitiesCosts in the formula set forth in Sections 6.1.6.1.1 and 6.1.6.1.2 below. If and to the extent the NYISO receives a refund of Bunce Creek PARs charges the NYISO shall refund to each Transmission Customer the NonISOFacilitiesCosts it paid pursuant to this paragraph for charges assessed by the MISO for the cost of ITC’s Bunce Creek PARs. To the extent the refund is for less than the full amount of NonISOFacilitiesCosts charges paid pursuant to this paragraph, the refund to each Transmission Customer shall reflect the percent reduction of the refund amount paid to the NYISO.

Bunce Creek PAR charges paid by Transmission Customers that are no longer Market Participants at the time refunds are issued shall be allocated to each Transmission Customer in the market at the time refunds are issued using the same load ratio share basis used to allocate Bunce Creek PAR charges to that Transmission Customer. Interest which may be payable to Transmission Customers receiving refunds shall be allocated to each Transmission Customer in the market at the time of the refund in the same manner as refunds are allocated.

If the Commission issues a final determination that NYISO customers must pay a portion of the cost of ITC's PARs, the NYISO will commence a stakeholder process to develop a permanent cost recovery mechanism.

#### **6.1.6.1 Calculation of Non-ISO Facilities Payment Charge**

##### **6.1.6.1.1 Transmission Customer Charge Based on Withdrawal Billing Units Not Used to Supply Station Power Under Part 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 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.

$$Non-ISO\ Facilities\ Payment\ Charge_{c,h} = \frac{NonISOFacilitiesCost_M}{N} * \frac{WithdrawalUnits_{c,h}}{TotalWithdrawalUnits_h}$$

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  $M$ .

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

$NonISOFacilitiesCosts_M$  = 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 one-half of such bill paid by PJM Interconnection, LLC) and (ii) Rochester Gas and Electric Corporation.

$WithdrawalUnits_{c,h}$  = 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<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.

#### **6.1.6.1.2 Transmission Customer Charge Based on Withdrawal Billing Units to Supply Station Power Under Part 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 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*.

*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 6.1.6.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.6.1.2 shall be determined for day *d*.

#### **6.1.6.1.3 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 6.1.6.1.2 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.

$$Non\text{-}ISO\text{ Facilities Payment Credit}_{c,d} = NonISOFacPayCharge_d * \frac{WithdrawalUnits_{c,d}}{TotalWithdrawalUnits_d}$$

Where:

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

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

$NonISOFacPayCharge_d$  = The sum of non-ISO facilities payment charges, in \$, for all Transmission Customers as calculated in Section 6.1.6.1.2 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 6.1.6.1.1 of this Rate Schedule 1 above, except that the variables in this Section 6.1.6.1.3 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.

$$Local\text{ Reliability Rules Payment Recovery Charge}_{c,d} = LRRPayment_d * \frac{TDWithdrawal_{c,d}}{TDTotalWithdrawalUnits_d}$$

Where:

$c$  = Transmission Customer.

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

*Local Reliability Rules Payment Recovery Charge* $_{c,d}$  = The amount, in \$, for which Transmission Customer  $c$  is responsible for day  $d$ .

*LRRPayment* $_d$  - 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.

*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 Part 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 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;
- (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.

$ISO Payments_h$  = 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 provided to the ISO in the Real-Time Dispatch for hour  $h$  that those 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 Part 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:

$d$  = 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<sub>c,d</sub>* = 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<sub>d</sub>* = (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 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  $d$ .