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April 16, 2010

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington D.C. 20426

Re: New York Independent System Operator, Inc., Compliance Implementation Plan, Docket No. ER07-521-___

Dear Ms. Bose:

In compliance with Paragraph 82 and Ordering Paragraph D of the Commission's April 12, 2008 order ("April 2008 Order")[1] in the above-captioned proceeding, the New York Independent System Operator, Inc. ("NYISO") respectfully submits this implementation plan. As is discussed in detail below, the NYISO's plan provides for the development of new tariff provisions and software systems under which Load Serving Entities ("LSEs")[2] would be able to obtain "Fixed Price TCCs" between any Point of Injection ("POI") and their Load Zones. The plan would thereby permit LSEs to obtain new Long-Term Transmission Rights ("LTTRs") for "non-historic" POI and Point of Withdrawal ("POW") combinations. Once the plan goes into effect, the NYISO would be in full compliance with the Commission's LTTR policies as set forth in Order Nos. 681 and 681-A ("LTTR Orders").[3]

[1] *New York Independent System Operator, Inc*., 123 FERC ¶ 61,044 (2008).

[2] Capitalized terms that are not otherwise defined herein shall have the meaning specified in Article 2 of the Services Tariff.

[3] *Long-Term Firm Transmission Rights in Organized Electricity Markets,* Order No. 681, FERC Stats. & Regs. ¶ 31,226 (July 20, 2006), *reh'g denied,* Order No. 681-A, 117 FERC ¶ 61,201 (November 16, 2006).

I. Communications

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II. Background

A. The April 2008 Order's Final Directive

In 2007, the New York Independent System Operator, Inc. ("NYISO") filed revisions to its Open Access Transmission Tariff ("OATT") and Market Administration and Control Area Services Tariff ("Services Tariff") to institute LTTRs ("Original Compliance Filing"). After a technical conference which gave rise to several possible modifications to the Original Compliance Filing, the Commission issued the April 2008 Order. It held that the NYISO's Original Compliance Filing met the requirements of the LTTR Orders, subject to the NYISO making certain limited modifications and future compliance filings. All but one of those modifications has subsequently been approved by the Commission and put into place.

The sole remaining issue concerns the availability of LTTRs between "non-historic" POI and POW combinations. The Original Compliance Proposal allowed LSEs to convert expiring, or previously expired, "Grandfathered Transmission Rights" into "Fixed Price Transmission Congestion Contracts" ("Fixed Price TCCs"). The Commission accepted the Fixed Price TCC mechanism and found that limiting its availability to historic uses of the transmission system was a reasonable start. At the same time, it directed the NYISO to "expand the availability of LTTRs to LSEs that sought to use non-historic [POIs and

POWs]."[4] The Commission further stated that the rights "may take the form of Fixed Price TCCs" or alternative instruments that satisfied the LTTR requirements. It specified that the NYISO could "establish reasonable priorities for the allocation of these rights, such as a preference for LSEs with long-term power supply arrangements, and may propose reasonable limits on the amount of existing transmission capacity used to support the rights." The NYISO was also authorized to implement this requirement as part of its "End-State Auction." Finally, the NYISO was directed to make a filing to implement the non-historic LTTRs within two years.[5]

The NYISO is submitting this implementation plan in compliance with the April 2008 Order's final directive. Under the plan, which is closely tied to the introduction of an End-State Auction, LSEs would be able to obtain Fixed Price TCCs with a duration of five years between non-historic POI and POW combinations. This option would become available as an adjunct to the "Multi-Duration" auctions of Transmission Congestion Contracts ("TCCs") and after the NYISO has adopted a credit policy to govern bidding on and holding of five-year TCCs. The NYISO anticipates that the tariff amendments for both these efforts will be filed far enough in advance for LSEs to obtain non-historic, five-year, Fixed Price TCCs as part of the Autumn 2012 Centralized TCC Auction should the amendments be accepted by the Commission.

B. Overview of Fixed Price TCCs

The NYISO is proposing to build its non-historic LTTR product on the foundation of its existing Fixed Price TCC rules, which are themselves based on the NYISO's rules governing TCCs generally.

TCCs have been available to market participants that wish to hedge their exposure to congestion in the NYISO's Day-Ahead Market ("DAM") since the market's inception in 1999. A TCC holder collects the congestion rent associated with transmitting one MWh of energy between a specific POI and a specific POW. TCCs do not provide a physical transmission priority but, as the Commission has recognized, allow customers to obtain the functional equivalent of "physically firm" transmission service.[6] TCCs may also be obtained

[4] April 2008 Order at P 82.

[5] *Id.*

[6] *See Central Hudson Gas & Electric Co., et al.*, 86 FERC ¶ 61,062 at 61,228-33, *Order on Reh'g and Compliance Filing*, 88 FERC ¶ 61,138 at 61,399-61,402 (1999) (describing and generally approving TCC program and auction structure).

through NYISO-administered auctions, through "Direct Sales" by the New York Transmission Owners ("NYTOs"), via secondary market transactions, by funding the creation of transmission enhancements (which can result in the award of "Incremental TCCs"), or in recent years, through the creation of Fixed Price TCCs.

All TCCs are "fully funded" since the NYTOs are required by the tariff to cover any Congestion Rent Shortfalls.[7] The NYISO's tariffs provide for the allocation of Congestion Rent Shortfalls among the NYTOs and for the ultimate recovery of those costs from their Transmission Customers. Similarly, if congestion charges exceed TCC payments, the resulting congestion rent surplus will be distributed among the NYTOs (and on to their customers). In general, the tariffs require that shortfalls and surpluses be debited and credited monthly to each NYTO's Transmission Service Charge ("TSC").[8]

The TSC is the principal vehicle through which the NYTOs recover the embedded costs of the transmission system. NYISO Transmission Customers pay a license plate TSC collected on a per MWh basis. Auction revenues are not simply divided across all customer load but are assigned to individual NYTOs based on the market price in the auction of each NYTO's segment of the New York Control Area's transmission system and the flows on those segments. These auction revenues are credited back to the transmission customers of each individual Transmission Owner pursuant to a tariff formula.[9]

Fixed Price TCCs have most of the attributes of TCCs. Like TCCs, they provide congestion hedges in the DAM between a particular POI and POW and are fully funded by the NYTOs via the existing TSC arrangements. Notable distinctions include the fact that Fixed Price TCCs are currently only available to LSEs that hold expiring Grandfathered Transmission Rights and can certify that they will be legally obligated to serve the load they historically served and that they need the transmission capacity of the Fixed Price TCC to

[7] *See* NYISO OATT § 1.5e.

[8] In the case of the New York Power Authority, surpluses and shortfalls are passed through to the New York Power Authority Transmission Adjustment Charge ("NTAC"). For convenience, all references to the TSC in this filing letter should be understood as also referring to the NTAC. *See* NYISO OATT, Attachment H at Section 2.1.

[9] All Transmission Customers that are not utilizing Grandfathered Transmission Rights (see below) therefore pay the same, TO-specific, embedded cost charges and receive the same TO-specific credit for auction revenues in the calculation of the embedded cost charge. In effect, a Transmission Customer serving 1/n of a Transmission Owner's load pays 1/n of the Transmission Owner's embedded cost of service and receives a credit for 1/n of that Transmission Owner's auction revenues.

serve that Load. At the time that they acquire a Fixed Price TCC, LSEs may choose to have them last for five or ten years (with one exception).[10]

C. A Number of the Regional Characteristics that Shaped the NYISO's Existing LTTR Rules Have Driven the Design of the Implementation Plan

The Commission's policy is to allow individual "transmission organizations"[11] the flexibility to develop LTTR rules that are compatible with their market designs and with regional needs.[12] The NYISO previously explained how several features of New York's electricity markets, established transmission arrangements, and software systems shaped its LTTR compliance proposal. Many of the same factors have also influenced the development of the implementation plan for non-historic LTTRs.

1. Most Stakeholders Prefer to Continue the NYISO's Traditional Practice of Relying Principally on Auctions to Allocate TCCs Associated with Non-Grandfathered Transmission Capacity

Unlike a number of other ISOs/RTOs, the NYISO has traditionally relied primarily on auctions to allocate TCCs,[13] a practice that enjoys widespread stakeholder support. Commission policy, however, specifies that LTTRs may not be sold through auctions, although they may be priced based on auction prices for comparable instruments. The NYISO had to balance these considerations in its Original Compliance Proposal and seeks to do so again in the present implementation plan.

Under its currently effective tariffs, the NYISO conducts two "Centralized TCC Auctions" each year, one in the Spring and one in the Fall, prior to the beginning of the

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[10] LSEs purchasing Energy from the New York Power Authority under agreements that expire in 2025, may obtain a twelve-year Fixed Price TCC for related transmission service.

[11] Consistent with the LTTR Orders and the Commission's regulations, this filing letter uses the term "transmission organization" to refer to the Commission-jurisdictional Independent System Operators and Regional Transmission Organizations, including the NYISO, that are subject to the LTTR Orders.

[12] *See, e.g.*, Order No. 681-A at 2.

[13] By contrast, other ISOs/RTOs assign financial transmission rights through "either direct allocation or through a two-step process in which the load serving entity is first allocated auction revenue rights (ARRs) and then either uses those rights to purchase FTRs, or has the ability under the transmission organization tariff to convert them to FTRs." Order No. 681 at P 5.

Summer and Winter "Capability Periods."[14] The NYISO also conducts monthly "Reconfiguration Auctions" in which TCCs with a duration of one month are sold. Before each auction, the NYISO accounts for all outstanding valid TCCs and Grandfathered Transmission Rights and conducts a security-constrained power flow analysis to avoid creating infeasible TCCs.

The NYISO's tariffs authorize it to auction TCCs with a duration of one month, six months, one year, two years, three years, four years, or five years. Only TCCs with durations of six months and one year are sold at this time.[15] In years past, the NYISO experimented with offering two year and five year TCCs. Some were sold but the NYISO stopped offering them because of limited stakeholder interest. In addition, the New York State Public Service Commission ("NYPSC") was concerned that limited participation in the auctions for longer-duration TCCs had resulted in "fire sale" prices and significant wealth transfers from the NYTOs (and ratepayers) to TCC purchasers.

At the time of the Original Compliance Filing the NYISO reported that it had surveyed its stakeholders and found that few had any interest in obtaining LTTRs but instead preferred the shorter-terms TCCs offered through the auctions. On the whole, stakeholders clearly preferred that the NYISO comply with the LTTR Orders in a way that preserved the viability of the TCC Auctions and the continued availability of TCCs with a duration of six months and one year. More New York market participants expressed concern that setting capacity aside for longer-term rights would harm the liquidity of the auctions for, or reduce the availability of, six month or one year TCCs, than argued for longer-term transmission rights. This was not surprising because New York State has a retail access program under which LSEs compete to serve load. Retail market conditions are fluid and LSEs' loads are potentially subject to frequent and significant changes.

More recently, customers have shown renewed interest in auctions for longer-term TCCs and the NYISO intends to resume sales of TCCs with two-year durations this year.[16]

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[14] The Summer Capability Period runs from May 1 to October 31 of each year. The Winter Capability Period begins on November 1 and continues until April 30 of the following year.

[15] The only exception is for the Long Island Load Zone where TCCs with a duration longer than one month are currently not sold in order to avoid jeopardizing the Long Island Power Authority's ("LIPA's") tax-exempt financing. This practice is consistent with the Commission's precedent and the NYISO's tariffs, both of which accommodate LIPA's need to comply with the federal tax law.

[16] The Commission recently accepted updated credit requirements for bidding on and holding TCCs with a duration of two years that will allow the NYISO to once again offer such instruments for sale. *See New York Independent System Operator, Inc*, Letter Order, Docket No. ER10-721-000 (March 23, 2010).

At the same time, based on the stakeholder discussions of the non-historic LTTR issue to date, most stakeholders still appear to strongly prefer the auction model and to not want non-historic LTTRs to be offered in a manner that might undermine the auctions. The NYISO has therefore sought to develop a non-historic LTTR product that will fully satisfy the Commission's requirements while also disrupting the TCC auctions as little as possible. The NYISO has also been mindful of the need to ensure that non-historic LTTRs are accurately priced to avoid both the "fire sale" problem previously identified by the NYPSC and other potential inefficiencies.

2. A Substantial Portion of New York's Total Transmission System Capacity Is Already Dedicated to Grandfathered Transmission Rights

At the time that the NYISO was established, Transmission Customers taking service under pre-NYISO transmission contracts were allowed to retain "Grandfathered Rights" and take physically firm transmission service without any exposure to congestion charges. Alternatively, they were permitted to convert their contracts into "Grandfathered TCCs." For ease of reference, the term "Grandfathered Transmission Rights" is used to refer to both Grandfathered Rights and Grandfathered TCCs. Customers with Grandfathered Transmission Rights continue to pay their original contract rate, which may be higher or lower than the TSC that would otherwise apply, until their contracts end.

The LTTR Orders stated that if Grandfathered Transmission Rights satisfy all of the Commission's requirements then they "may substitute for such rights in the transmission organization's allocation process." [17] The April 2008 Order affirmed that Grandfathered Transmission Rights in the NYISO system counted as LTTRs.

A substantial portion of New York State's total transmission capacity, and as much as one hundred percent of the capacity at certain key interfaces (such as the one between the Consolidated Edison Company of New York and the Long Island Power Authority), is currently devoted to Grandfathered Transmission Rights. The NYISO understands that it has set aside a larger portion of its system than other transmission organizations.

The fact that so much transmission capacity is already dedicated to LTTRs in the form of Grandfathered Transmission Rights was a significant factor in the design of the Original Compliance Proposal. It has also shaped the NYISO's assessment of how much additional transmission capacity it should make available to support Non-Historic Fixed Price TCCs.

[17] Order No. 681-A at P 87.

3. The NYISO's Ability to Auction Longer-Term TCCs and thus to Accurately Value Fixed Price TCCs Will Significantly Improve as its Software and Procedures Continue to Evolve

At the time of the Original Compliance Filing, the NYISO needed approximately three months to completely process a Centralized TCC Auction due to the limitations of its manually executed auction processes. Specifically, each Centralized Auction consists of a series of sub-auctions in which TCCs of a single duration are sold. Each sub-auction is divided into two stages with the first stage consisting of multiple rounds and a stage 2 reconfiguration round following each set of stage 1 rounds. The tariffs require the NYISO to hold at least four rounds in the first stage, unless the NYTOs unanimously consent to a reduction. Under the manual auction processes, each round took one week, with bids/offers submitted on Monday, results posted on Friday, and auction participants using the weekend to evaluate their market position prior to bidding on the following Monday. Thus, it took the NYISO a minimum of five weeks to auction TCCs with durations of six months, and another five to auction TCCs with a duration of one year. This overall timeline was further extended by the monthly Reconfiguration Auctions, each of which consists of a single round that requires a week to complete. Auctioning an additional product, *e.g.*, TCCs with a duration of five or ten years, would require several more weeks, plus an extra week to cover an additional Reconfiguration Auction.

The manually executed auction procedures, sufficient to support the tariff-described auctions, were put in place at NYISO's inception. The tariff also directed the NYISO to institute an "End-State Auction." Towards that goal, the NYISO has recently automated its auction processes and filed the first of several auction-process enhancement and re-design proposals.[18] The final "End-State" auction redesign will consist of a Multi-Duration Auction under which the NYISO would no longer conduct sequential multi-round auctions for TCCs of a single duration. In a Multi-Duration Auction the NYISO would instead specify multiple durations of TCCs to be auctioned and the bids submitted by market participants would determine the duration of the TCCs sold.

In a Multi-Duration Auction system, bidders would be able to more efficiently and precisely meet their hedging needs. The limited participation that the NYISO previously experienced in its auctions for longer-term rights is not expected to recur in a Multi-Duration

[18] *See*: New York Independent System Operator, Inc., *Proposed Tariff Modifications Regarding Auctions for Transmission Congestion Contracts,* Docket No. ER10-1005-000 *(*April 2, 2010).

Auction that includes five-year TCCs because TCCs of one-, two-, three-, and four- year durations would be available in the same round. The price of the five-year TCC would be the sum of the market clearing prices of the shorter duration-TCCs (over the same path) plus the clearing price of the fifth year of the five-year TCC. Because the prices for longer-term rights would be based on the bids of a broader base of participants, the NYISO expects that the prices calculated for longer-term TCCs in a Multi-Duration Auction are more likely to be an accurate reflection of the market value of longer-term TCCs and would thus provide a better foundation for valuing Non-Historic Fixed Price TCCs. The final pricing methodology for Non-Historic Fixed Price TCCs, however, is still being negotiated with the NYISO's stakeholders.

The Original Compliance Filing anticipated that the transition to the End-State model would take at least several years but noted that it would ultimately enable the NYISO "to offer LSEs additional long-term transmission right options that it cannot practically provide today."[19] Among other things, the NYISO stated that it was not in a position to allow LSEs to request LTTRs between any POI and POW without reference to historic uses because it would not be practicable to incorporate the necessary "allocation rounds" into the then-existing auction procedures without jeopardizing the viability of the auctions.

Consequently, the NYISO remains of the opinion that the introduction of Non-Historic Fixed Price TCCs should be tied to the introduction of Multi-Duration Auctions. Although that will postpone the availability of Non-Historic Fixed Price TCCs until 2012, the delay should help to avoid both artificially low values for Non-Historic Fixed Price TCCs and harm to the non-LTTR TCC auctions.

4. The "Reasonable Needs" of Stakeholders that Are Interested in Non-Historic LTTRs Will Generally Be Fully Satisfied Until Well After Multi-Duration Auctions Are in Place

Finally, the design of the NYISO's approved LTTR rules, and of the current implementation plan, was informed by the circumstances of the stakeholders that have shown an interest in non-historic LTTRs.[20] The LTTR Orders require that LSEs have access to sufficient LTTRS to satisfy their "reasonable needs." Most NYISO stakeholders interested in non-historic LTTRs already have Grandfathered Transmission Rights. In many cases, these

[19] Original Compliance Filing at 2.

[20] These stakeholders are largely municipal electric utilities, particularly the members of the New York Association of Public Power who participated actively in the NYISO's original LTTR compliance proceeding.

rights may be extended via conversion to "historic" Fixed Price TCCs until 2025. Moreover, these rights are often sufficient to cover their entire peak loads, whereas under most other ISO/RTO regimes LSEs would only be eligible to obtain LTTRs sufficient to cover their base loads.[21] The extent of LSEs' existing transmission rights was one of the reasons why the April 2008 order found that the NYISO was making a sufficient quantity of LTTRs available to satisfy their reasonable needs. Accordingly, the NYISO believes that continuing to tie the introduction of Non-Historic Fixed Price TCCs to the completion of Multi-Duration Auctions in 2012, will not prevent New York LSEs from having sufficient LTTRs to satisfy their reasonable needs for purposes of the LTTR Orders until then.

III. Proposed Implementation Plan

A. Features of Non-Historic Fixed Price TCCs

The NYISO has held six stakeholder meetings, circulated multiple strawman proposals, and sought stakeholder feedback on an implementation plan for non-historic LTTRs. There is support for basing non-historic LTTRs on the existing rules for "historic" Fixed Price TCCs. Those rules have the advantage of already being in place as well as the blessing of both the NYISO's Independent Market Monitor and the Commission. The Fixed Price TCC mechanism was also the model for the analogous portion of ISO New England, Inc.'s ("ISO-NE") Commission approved LTTR compliance filing.[22] Consistent with the LTTR Orders, the NYISO has focused on designing rules that would award Non-Historic Fixed Price TCCs without requiring LSEs to bid into, and win, an auction and that would comply with all of the other LTTR requirements.

The NYISO's proposal would award Non-Historic Fixed Price TCCs with a duration of five years. LSEs that choose to purchase them would be required to pay the full five year price before the Fixed Price TCCs become effective and to secure required credit.

LSEs would nominate Non-Historic Fixed Prices TCCs in tandem with the Multi-Duration Auctions. The nomination round would occur immediately after the initial auction round in which TCCs spanning the next five years would be sold. Prices for TCCs with a

[21] *See* April 2008 Order, n. 119.

[22] *See ISO New England Inc. and New England Power Pool, et al.,* 122 FERC ¶ 61,173 at P 141 (2008) (directing ISO-NE to consider two alternative LTTR pricing rules, including one based on the NYISO's Fixed Price TCC mechanism); *ISO New England Inc. and New England Power Pool*, 125 FERC ¶ 61,069 at P 29 (2008) (accepting an ISO-NE proposal fundamentally similar to the NYISO's.)

duration of five years determined in that initial round would be used to value Non-Historic Fixed Price TCCs.

Consistent with Commission precedent, which allows transmission organizations to give LSEs priority access to LTTRs, the NYISO's proposal would limit the initial eligibility for nominations to LSEs that certify that they are legally obligated to serve the Load in place at the time of the auction and that they need the LTTR to serve their load. The specific certification requirements would be the same as the ones applied to LSEs seeking to convert Grandfathered Transmission Rights into historic Fixed Price TCCs, except to the extent necessary to allow LSEs to nominate rights between any POI and their Load Zone(s).

The NYISO's preliminary view is that 2.5% of the transmission system capacity that is offered in the TCC auctions should be available to support Fixed Price TCCs for non-historic uses. This assessment is informed by stakeholder discussions, the general preference for shorter-term, auction-based rights in New York, and the fact that such a large portion of transmission capacity is already committed to LTTRs in the form of Grandfathered Transmission Rights and "historic" Fixed Price TCCs. The NYISO believes that this is a reasonable allocation given that the municipal electric utilities that have expressed the greatest interest in Non-Historic Fixed Price TCCs to date already hold a substantial quantity of Grandfathered Transmission Rights and/or historic Fixed Price TCCs. System Transmission Capacity allocated to support, but not awarded as Non-Historic Fixed Price TCCs, will be made available to support the sale of TCCs in subsequent rounds of the Multi-Duration Auction. This should ensure that the nomination of Non-Historic Fixed Price TCCs does not negatively impact auction liquidity.

B. Implementation Timetable

The NYISO believes that a 2012 final implementation date for Non-Historic Fixed Price TCCs is necessary given the need to complete work on the Multi-Duration Auction design and then manage software code production, implementation and testing. The NYISO expects to finalize the design of Multi-Duration Auctions this year. Implementation will require additional changes to the NYISO's Automated TCC Market System and tariff amendments that will have be approved by stakeholders through the normal workings of the NYISO's "shared governance" system. In addition, the NYISO will need to adopt a credit policy for TCCs with a duration of five years prior to offering Non-Historic Fixed Price TCCs. Reaching that point will also require the NYISO to develop new tariff rules and to secure stakeholder and Commission approval for them. The NYISO will also have to effectuate various changes to its Credit Management System. Finally, tariff changes will be

needed to establish the non-auction based nomination procedures for Non-Historic Fixed Price TCCs and, to the extent necessary, a pro-rationing mechanism (see below).

With diligent effort, the NYISO expects to be able to meet its 2012 target for final implementation of Non-Historic Fixed Price TCCs. This timeframe is comparable to that being followed by ISO-NE which must also complete tariff and software changes, including the development of new credit policies, before coming into full compliance with the LTTR Orders.[23]

C. Additional Design Issues

Stakeholders continue to have concerns that the Non-Historic Fixed Price TCCs might be priced too low if the instruments are valued solely on the auction prices of TCCs with a duration of five years. As was noted above, the NYISO believes that the best way to address this concern is to continue to tie the introduction of Non-Historic Fixed Price TCCs to the arrival of Multi-Duration Auctions in 2012. As earlier noted, the availability of multiple duration TCCs in a single auction round is expected to increase participation in the auction by enabling any TCC Auction participant to purchase individual and/or multi year TCCs with durations ranging from one to five years. The NYISO believes the resulting five-year auction prices will be sufficiently robust to support a five-year Non-Historic Fixed Price TCC pricing methodology. As also noted, the NYISO and its stakeholders continue to investigate possible pricing refinements in order to avoid artificially low Non-Historic Fixed Price TCC prices that would harm the interests of ratepayers.

In addition, in part because they fear that prices may be artificially low, stakeholders are also concerned that LSE requests for Non-Historic Fixed Price TCCs might exceed the NYISO allocation of System Transmission Capacity to them. Even LSEs that would normally prefer to obtain shorter-term TCCs through the auctions would have a strong incentive to nominate Non-Historic Fixed Price TCCs if they appeared to be under-valued. If requests for nominations were to surpass the transmission capacity allocated to support them, each LSE's ability to obtain Non-Historic Fixed Price TCCs would have to be limited.

The NYISO is exploring a number of options for addressing this potential problem. One alternative would be to restrict an LSE's purchases of System Transmission Capacity,

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[23] *See, e.g.,* ISO New England, Inc. and New England Power Pool, *Sixth Quarterly Status Report,* Docket Nos. ER07-476-000 and RM06-08-000 at 2-3 (April 15, 2010) (Estimating that ISO-NE's first LTTR auction "could be administered no earlier than the third quarter of 2012 for LFTRs that would be effective starting with the 2013 calendar year.")

made available to support Non-Historic Fixed Price TCCs, to the ratio of the LSE's load to the total load in New York State. Another would be to restrict each LSE to purchasing Non-Historic Fixed Price TCCs equal to a fraction of its peak load or its average load. The NYISO recognizes, however, that even with these kinds of limitations, it may be necessary to adopt some kind of pro-rating mechanism to resolve these situations.

The NYISO intends to include all implementation details within modified tariff sheets that would be filed in the last quarter of 2011 or early in the first quarter of 2012. Although this will be a compliance filing, as mentioned, the NYISO will be seeking consensus-derived design solutions.

IV. Service

The NYISO will electronically send an electronic link to this filing to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, and to the electric utility regulatory agency of New Jersey. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com.

V. Conclusion

Wherefore, the New York Independent System Operator, Inc. respectfully requests that the Commission accept this compliance implementation plan as satisfying the April 2008 Order's directive that it make an implementation filing by April 16, 2010. The NYISO will make one or more future compliance filings that will include proposed tariff revisions necessary to effectuate the option to obtain Non-Historic Fixed Price TCCs starting in 2012.

Respectfully Submitted,

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Ted J. Murphy
Counsel to the
New York Independent System Operator, Inc.

Attachment I

1.42 Short-Term Firm Point-To-Point Transmission Service: Firm Point-to-Point Service, the price of which is fixed for a short term by a Transmission Customer acquiring sufficient TCCs with the same Points of Receipt and Delivery as its Transmission Service.

1.42.01 Sink Price Cap Bid: A Bid Price provided by an entity engaged in an Export to indicate the relevant Proxy Generator Bus LBMP below which that entity is willing to either purchase Energy in the LBMP Markets or, in the case of Bilateral Transactions, to accept Transmission Service.

1.42.01a Special Test Transactions: The revenues or costs from purchases and/or sales of Energy that may occur pursuant to virtual regional dispatch/intra-hour transaction pilot tests conducted by the ISO to analyze potential solutions for, or approaches to resolving inter-market "seams" issues with neighboring control area operators.

1.42.02 Start-Up Bid: A Bid parameter that may vary hourly and that identifies the payment a Supplier requires to bring a Generator up to its specified minimum operating level from an offline state or a Demand Side Resource from a level of no Demand Reduction to its specified minimum level of Demand Reduction.

1.42a Storm Watch: Actual or anticipated severe weather conditions under which region-specific portions of the NYS Transmission System are operated in a more conservative manner by reducing transmission transfer limits.

1.42b Strandable Costs: Prudent and verifiable expenditures and commitments made pursuant to a Transmission Owner's legal obligations that are currently recovered in the Transmission Owner's retail or wholesale rate that could become unrecoverable as a result of a restructuring of the electric utility industry and/or electricity market, or as a result of retail-turned-wholesale customers, or customers switching generation or transmission service suppliers.

1.42c Stranded Investment Recovery Charge ("SIRC"): A charge established by a Transmission Owner to recover Strandable Costs.

1.42c.1 Sub-Auctions: The set of rounds in a given Centralized TCC Auction in which TCCs of a given duration may be purchased.

equal to the product of (i) NCR_m, and (ii) the allocation factor for Transmission Owner *t* for month *m*, as calculated pursuant to Formula N-15.

Formula N-15

$$\text{AllocationFactor}_{t,m} = \frac{\left(\text{Original Residual}_{t,m} + \text{ETCNL}_{t,m} + \text{NARs}_{t,m} + \text{GFR\&GFTCC}_{t,m}\right)}{\sum_{q \in T}\left(\text{Original Residual}_{q,m} + \text{ETCNL}_{q,m} + \text{NARs}_{q,m} + \text{GFR\&GFTCC}_{q,m}\right)}$$

Where,

Allocation Factor$_{t,m}$	=	The allocation factor used by the ISO to allocate a share of the Net Congestion Rents to Transmission Owner *t* for month *m*
Original Residual$_{q,m}$	=	The one-month portion of the revenue imputed to the Direct Sale or the sale in any Centralized TCC Auction Sub-Auction of Original Residual TCCs that are valid in month *m*. The one-month portion of the revenue imputed to the Direct Sale of these Original Residual TCCs shall be the market clearing price of the TCCs in the Reconfiguration Auction held for month *m* (or one-sixth of the average market clearing price in the rounds of the 6-month Sub-Auction of the last Centralized TCC Auction if no Reconfiguration Auction was held for month *m*. For Centralized TCC Auctions conducted before May 1, 2010, the calculation of the average market clearing price in rounds of the 6-month Sub-Auction shall incorporate only Stage 1 six month rounds.). The one-month portion of the revenue imputed to the sale in any Centralized TCC Auction Sub-Auction of these Original Residual TCCs shall be calculated by dividing the revenue received from the sale of these Original Residual TCCs in the Centralized TCC Auction Sub-Auction by the duration in months of the TCCs sold in that Centralized TCC Auction Sub-Auction.

$ETCNL_{q,m}$ = The sum of the one-month portion of the revenue the Transmission Owner has received as payment for the Direct Sale of ETCNL or for its ETCNL released in the Centralized TCC Auction Sub-Auction held for TCCs valid for month *m*. Each one-month portion of the revenue for ETCNL released in such Centralized TCC Auction shall be calculated by dividing the revenue received in a Centralized TCC Auction Sub-Auction from the sale of the ETCNL by the duration in months of the TCCs corresponding to the ETCNL sold in the Centralized TCC Auction Sub-Auction.[1] The one-month portion of the revenue imputed to the Direct Sale of ETCNL shall be the value of the TCCs corresponding to that ETCNL in the Reconfiguration Auction held for month *m* (or one-sixth of the average market clearing price of such TCCs in the rounds of the 6-month Sub-Auction of the last Centralized TCC Auction if no Reconfiguration Auction was held for month *m*). For Centralized TCC Auctions conducted before May 1, 2010, the calculation of the average market clearing price in rounds of the 6-month Sub-Auction shall incorporate only Stage 1 six month rounds.

2 A TCC corresponds to ETCNL if it has the same POI and POW as the ETCNL.

$NARs_{q,m}$ = The one-month portion of the Net Auction Revenues the Transmission Owner has received in Centralized TCC Auction Sub-Auctions and Reconfiguration Auctions held for TCCs valid for month *m* (which shall not include any revenue from the sale of Original Residual TCCs). The one-month portion of the revenues shall be calculated by summing (i) the revenue Transmission Owner *q* received in each Centralized TCC Auction Sub-Auction or Reconfiguration Auction from the allocation of Net Auction Revenue pursuant to Section 3.7, divided by the duration in months of the TCCs sold in the Centralized TCC Auction Sub-Auction or Reconfiguration Auction (or, to the extent TCC auction revenues were allocated pursuant to a different methodology, the amount of such revenues allocated to Transmission Owner *q*), minus (ii) the sum of $NetAuctionAllocations_{t,n}$ as calculated pursuant to Formula N-27 (as adjusted for any charges or payments that are zeroed out) for Transmission Owner *q* for all 6-month Sub-Auction rounds *n* of all Centralized TCC Auctions held for TCCs valid in month *m*, divided in each case by the duration in months of the TCCs sold in each Centralized TCC Auction Sub-Auction (or, to the extent that the revenue impact of transmission facility outages, returns-to-service, upratings, and deratings were settled pursuant to a different methodology, the net of such revenue impacts for Transmission Owner *q*), minus (iii) $NetAuctionAllocations_{t,n}$ as calculated pursuant to Formula N-27 and as adjusted for any charges or payments that are zeroed out for Transmission Owner *q* for the Reconfiguration Auction *n* held for month *m* (or, to the extent that the revenue impact of transmission facility outages, returns-to-service, upratings, and deratings were settled pursuant to a different methodology, the net of such revenue impacts for Transmission Owner *q*). For Centralized TCC Auctions conducted before May 1, 2010, the calculation of (ii) shall incorporate only Stage 1 six month rounds.

$GFR\&GFTCC_{q,m}$	=	The one-month portion of the imputed value of Grandfathered TCCs and Grandfathered Rights, valued at their market clearing prices in the Reconfiguration Auction for month *m* (or one-sixth of the average market clearing price for rounds in the 6-month Sub-Auction of the last Centralized TCC Auction if no Reconfiguration Auction was held for month *m*), provided that the Transmission Owner is the selling party and the Existing Transmission Agreement related to each Grandfathered TCC and Grandfathered Right remains valid in month *m*. For Centralized TCC Auctions conducted before May 1, 2010, the calculation of the average market clearing price in rounds of the 6-month Sub-Auction shall incorporate only Stage 1 six month rounds.
t	=	Transmission Owner *t*
T	=	The set of all Transmission Owners *q*.

Each Transmission Owner's share of Net Congestion Rents allocated pursuant to this Section 2.5 shall be incorporated into its TSC or NTAC, as the case may be.

Formula N-29

$$NNAR_{t,n} = \frac{\left(\text{Original Residual}_{t,n} + ETCNL_{t,n} + NARs_{t,n} + GFR\&GFTCC_{t,n}\right)}{\sum_{q \in T}\left(\text{Original Residual}_{q,n} + ETCNL_{q,n} + NARs_{q,n} + GFR\&GFTCC_{q,n}\right)}$$

Where,

$NNAR_{t,n}$ = The negative Net Auction Revenue coefficient for Transmission Owner *t* for Reconfiguration Auction *n*

Original $Residual_{q,n}$ = The one-month portion of the revenue imputed to the Direct Sale or the sale in any Centralized TCC Auction Sub-Auction of Original Residual TCCs that are valid during the month corresponding to Reconfiguration Auction *n*. The one-month portion of the revenue imputed to the Direct Sale of these Original Residual TCCs shall be one-sixth of the average market clearing price in the rounds of the 6-month Sub-Auction of the last Centralized TCC Auction held for TCCs valid during the month corresponding to Reconfiguration Auction *n*. For Centralized TCC Auctions conducted before May 1, 2010, the calculation of the average market clearing price in rounds of the 6-month Sub-Auction shall incorporate only Stage 1 six month rounds. The one-month portion of the revenue imputed to the sale in any Centralized TCC Auction Sub-Auction of these Original Residual TCCs shall be calculated by dividing the revenue received from the sale of these Original Residual TCCs in the Centralized TCC Auction Sub-Auction by the duration in months of the TCCs sold in that Centralized TCC Auction Sub-Auction

$ETCNL_{q,n}$ = The sum of the one-month portion of the revenues the Transmission Owner has received as payment for the Direct Sale of ETCNL or for its ETCNL released in the Centralized TCC Auction Sub-Auctions held for TCCs valid for the month corresponding to Reconfiguration Auction *n*. Each one-month portion of the revenue for ETCNL released in such Centralized TCC Auction shall be calculated by dividing the revenue received in a Centralized TCC Auction Sub-Auction from the sale of the ETCNL by the duration in months of the TCCs corresponding to the ETCNL sold in the Centralized TCC Auction Sub-Auction.[2] The one-month portion of the revenue imputed to the Direct Sale of ETCNL shall be one-sixth of the average market clearing price of the TCCs corresponding to that ETCNL in the rounds of the 6-month Sub-Auction of the last Centralized TCC Auction held for TCCs valid during the month corresponding to Reconfiguration Auction *n.* For Centralized TCC Auctions conducted before May 1, 2010, the calculation of the average market clearing price in rounds of the 6-month Sub-Auction shall incorporate only Stage 1 six month rounds.

[4] A TCC corresponds to ETCNL if it has the same POI and POW as the ETCNL.

$NARs_{q,n}$ = The one-month portion of the Net Auction Revenues the Transmission Owner has received in Centralized TCC Auction Sub-Auctions and Reconfiguration Auctions held for TCCs valid for the month corresponding to Reconfiguration Auction *n* (which shall not include any revenue from the sale of Original Residual TCCs). The one-month portion of the revenues shall be calculated by summing (i) the revenue Transmission Owner *q* received in each Centralized TCC Auction Sub-Auction from the allocation of Net Auction Revenue pursuant to Section 3.7, divided by the duration in months of the TCCs sold in the Centralized TCC Auction Sub-Auction (or, to the extent TCC auction revenues were allocated pursuant to a different methodology, the amount of such revenues allocated to Transmission Owner *q*), minus (ii) the sum of $NetAuctionAllocations_{t,n}$ as calculated pursuant to Formula N-27 (as adjusted for any charges or payments that are zeroed out) for Transmission Owner *q* for all rounds *n* of a 6-month Sub-Auction for all Centralized TCC Auctions held for TCCs valid in the month corresponding to Reconfiguration Auction *n*, divided in each case by the duration in months of the TCCs sold in each Centralized TCC Auction Sub-Auction (or, to the extent that the revenue impact of transmission facility outages, returns-to-service, upratings, and deratings were settled pursuant to a different methodology, the net of such revenue impacts for Transmission Owner *q*), minus (iii) $NetAuctionAllocations_{t,n}$ as calculated pursuant to Formula N-27 and as adjusted for any charges or payments that are zeroed out for Transmission Owner *q* for Reconfiguration Auction *n*. For Centralized TCC Auctions conducted before May 1, 2010, the calculation of (ii) shall incorporate only Stage 1 six month rounds.

$GFR\&GFTCC_{q,n}$ = The one-month portion of the imputed value of Grandfathered TCCs and Grandfathered Rights, valued at one-sixth of the market clearing price in the last Centralized TCC Auction held for TCCs valid during the month corresponding to Reconfiguration Auction *n*, provided that the Transmission Owner is the selling party and the Existing Transmission Agreement related to each Grandfathered TCC and Grandfathered Right remains valid in the month corresponding to Reconfiguration Auction *n.* For Centralized TCC Auctions conducted before May 1, 2010, the calculation of the average market clearing price in rounds of the 6-month Sub-Auction shall incorporate Stage 1 six month rounds.

t = Transmission Owner *t*

T = The set of all Transmission Owners *q*.

Each Transmission Owner's share of Net Auction Revenues allocated pursuant to this Section 3.7 shall be incorporated into its TSC or NTAC, as the case may be.

(a) The sum of the amounts calculated in accordance with the appropriate per TCC term-based formula listed below for TCC purchases less the amounts calculated in accordance with the appropriate per TCC term-based formula listed below for TCC sales:

for two-year TCCs:

(1) upon initial award of a two-year TCC until completion of the final round of the current one-year TCC Sub-Auction:

2 x the amount calculated in accordance with the one-year TCC formula listed below

where:

Pijt = auction price of a one-year TCC in the final round of the one year Sub-Auction in the prior Capability Period Centralized TCC Auction with the same POI and POW combination as the two-year TCC; *provided, however*, in the event there is no price for a one-year TCC with the same POI and POW combination as the two-year TCC, then "Pijt" shall equal a proxy price, assigned by the NYISO, for a one-year TCC with like characteristics. For Centralized TCC Auctions conducted before May 1, 2010, the "auction price of a one-year TCC in the final round of the one-year Sub-Auction" means the auction price of a one-year TCC in the final Stage 1 round of the one-year TCC auction.

(2) upon completion of the final round of the current one-year Sub-Auction until commencement of year two of a two-year TCC:

2 x the amount calculated in accordance with the one-year TCC formula listed below

where:

Pijt = auction price of a one-year TCC in the final round of the current one-year TCC Sub-Auction with the same POI and POW combination as the two-year TCC

(3) upon commencement of year two of a two-year TCC:

1 x the amount calculated in accordance with the one-year TCC formula listed below

where:

Pijt = auction price of a one-year TCC in the final round of the most recently completed one-year Sub-Auction with the same POI and POW combination as the two-year TCC.

for one-year TCCs, representing a 5% probability curve:

$$+1.909 \sqrt{e^{10.9729 + .6514 (\ln (|P_{ijt}| + e)) + .6633 * Zone\ J}} - .9696\ P_{ijt}$$

for six-month TCCs, representing a 3% probability curve:

$$+2.565 \sqrt{e^{11.6866 + .4749 (\ln (|p_{ijt}| + e)) + .4856 * Zone\ J - .0373\ Summer}} - .8166\ P_{ijt}$$

for one-month TCCs, representing a 3% probability curve:

$$+2.221 \sqrt{e^{11.2682 + 0.3221 (\ln (|p_{ijt}| + e)) + 1.3734 * ZoneJ + 2.0011 * ZoneK + Month}} - .8152\ P_{ijt}$$

where:

Pijt = auction price of i to j TCC in round t of the auction in which the TCC was purchased;

Zone J = 1 if TCC sources or sinks but not both in Zone J, zero otherwise;

Zone K = 1 if TCC sources or sinks but not both in Zone K and does not source or sink in Zone J, 0 otherwise;

Summer = 1 for six-month TCCs sold in the spring auction, 0 otherwise; and

Attachment II

1.42 Short-Term Firm Point-To-Point Transmission Service: Firm Point-to-Point Service, the price of which is fixed for a short term by a Transmission Customer acquiring sufficient TCCs with the same Points of Receipt and Delivery as its Transmission Service.

1.42.01 Sink Price Cap Bid: A Bid Price provided by an entity engaged in an Export to indicate the relevant Proxy Generator Bus LBMP below which that entity is willing to either purchase Energy in the LBMP Markets or, in the case of Bilateral Transactions, to accept Transmission Service.

1.42.01a Special Test Transactions: The revenues or costs from purchases and/or sales of Energy that may occur pursuant to virtual regional dispatch/intra-hour transaction pilot tests conducted by the ISO to analyze potential solutions for, or approaches to resolving inter-market "seams" issues with neighboring control area operators.

1.42.02 Start-Up Bid: A Bid parameter that may vary hourly and that identifies the payment a Supplier requires to bring a Generator up to its specified minimum operating level from an offline state or a Demand Side Resource from a level of no Demand Reduction to its specified minimum level of Demand Reduction.

1.42a Storm Watch: Actual or anticipated severe weather conditions under which region-specific portions of the NYS Transmission System are operated in a more conservative manner by reducing transmission transfer limits.

1.42b Strandable Costs: Prudent and verifiable expenditures and commitments made pursuant to a Transmission Owner's legal obligations that are currently recovered in the Transmission Owner's retail or wholesale rate that could become unrecoverable as a result of a restructuring of the electric utility industry and/or electricity market, or as a result of retail-turned-wholesale customers, or customers switching generation or transmission service suppliers.

1.42c Stranded Investment Recovery Charge ("SIRC"): A charge established by a Transmission Owner to recover Strandable Costs.

1.42c.1 Sub-Auctions: The set of rounds in a given ~~Capability Period~~Centralized TCC Auction in which TCCs of a given duration may be purchased.

equal to the product of (i) NCR_m, and (ii) the allocation factor for Transmission Owner *t* for month *m*, as calculated pursuant to Formula N-15.

Formula N-15

$$\text{AllocationFactor}_{t,m} = \frac{\left(\text{Original Residual}_{t,m} + \text{ETCNL}_{t,m} + \text{NARs}_{t,m} + \text{GFR\&GFTCC}_{t,m}\right)}{\sum_{q \in T}\left(\text{Original Residual}_{q,m} + \text{ETCNL}_{q,m} + \text{NARs}_{q,m} + \text{GFR\&GFTCC}_{q,m}\right)}$$

Where,

Allocation Factor$_{t,m}$	=	The allocation factor used by the ISO to allocate a share of the Net Congestion Rents to Transmission Owner *t* for month *m*
Original Residual$_{q,m}$	=	The one-month portion of the revenue imputed to the Direct Sale or the sale in any Centralized TCC Auction Sub-Auction of Original Residual TCCs that are valid in month *m*. The one-month portion of the revenue imputed to the Direct Sale of these Original Residual TCCs shall be the market clearing price of the TCCs in the Reconfiguration Auction held for month *m* (or one-sixth of the average market clearing price in the rounds of the 6-month Sub-Auction of the last Centralized TCC Auction if no Reconfiguration Auction was held for month *m*. For Centralized TCC Auctions conducted before May 1, 2010, the calculation of the average market clearing price in rounds of the 6-month Sub-Auction shall incorporate only~~are~~ Stage 1 six month rounds.). The one-month portion of the revenue imputed to the sale in any Centralized TCC Auction Sub-Auction of these Original Residual TCCs shall be calculated by dividing the revenue received from the sale of these Original Residual TCCs in the Centralized TCC Auction Sub-Auction by the duration in months of the TCCs sold in that Centralized TCC Auction Sub-Auction.

$ETCNL_{q,m}$	=	The sum of the one-month portion of the revenue the Transmission Owner has received as payment for the Direct Sale of ETCNL or for its ETCNL released in the Centralized TCC Auction Sub-Auction held for TCCs valid for month *m*. Each one-month portion of the revenue for ETCNL released in such Centralized TCC Auction shall be calculated by dividing the revenue received in a Centralized TCC Auction Sub-Auction from the sale of the ETCNL by the duration in months of the TCCs corresponding to the ETCNL sold in the Centralized TCC Auction Sub-Auction.[1] The one-month portion of the revenue imputed to the Direct Sale of ETCNL shall be the value of the TCCs corresponding to that ETCNL in the Reconfiguration Auction held for month *m* (or one-sixth of the average market clearing price of such TCCs in the rounds of the 6-month Sub-Auction of the last Centralized TCC Auction if no Reconfiguration Auction was held for month *m*). For Centralized TCC Auctions conducted before May 1, 2010, the calculation of the average market clearing price in rounds of the 6-month Sub-Auction shall incorporate only~~are~~ Stage 1 six month rounds.

2 A TCC corresponds to ETCNL if it has the same POI and POW as the ETCNL.

$NARs_{q,m}$ = The one-month portion of the Net Auction Revenues the Transmission Owner has received in Centralized TCC Auction Sub-Auctions and Reconfiguration Auctions held for TCCs valid for month *m* (which shall not include any revenue from the sale of Original Residual TCCs). The one-month portion of the revenues shall be calculated by summing (i) the revenue Transmission Owner *q* received in each Centralized TCC Auction Sub-Auction or Reconfiguration Auction from the allocation of Net Auction Revenue pursuant to Section 3.7, divided by the duration in months of the TCCs sold in the Centralized TCC Auction Sub-Auction or Reconfiguration Auction (or, to the extent TCC auction revenues were allocated pursuant to a different methodology, the amount of such revenues allocated to Transmission Owner *q*), minus (ii) the sum of $NetAuctionAllocations_{t,n}$ as calculated pursuant to Formula N-27 (as adjusted for any charges or payments that are zeroed out) for Transmission Owner *q* for all 6-month Sub-Auction rounds *n* of all Centralized TCC Auctions held for TCCs valid in month *m*, divided in each case by the duration in months of the TCCs sold in each Centralized TCC Auction Sub-Auction (or, to the extent that the revenue impact of transmission facility outages, returns-to-service, upratings, and deratings were settled pursuant to a different methodology, the net of such revenue impacts for Transmission Owner *q*), minus (iii) $NetAuctionAllocations_{t,n}$ as calculated pursuant to Formula N-27 and as adjusted for any charges or payments that are zeroed out for Transmission Owner *q* for the Reconfiguration Auction *n* held for month *m* (or, to the extent that the revenue impact of transmission facility outages, returns-to-service, upratings, and deratings were settled pursuant to a different methodology, the net of such revenue impacts for Transmission Owner *q*). For Centralized TCC Auctions conducted before May 1, 2010, the calculation of (ii) shall incorporate only Stage 1 six month rounds.

$GFR\&GFTCC_{q,m}$	=	The one-month portion of the imputed value of Grandfathered TCCs and Grandfathered Rights, valued at their market clearing prices in the Reconfiguration Auction for month *m* (or one-sixth of the average market clearing price for rounds in the 6-month Sub-Auction of the last Centralized TCC Auction if no Reconfiguration Auction was held for month *m*), provided that the Transmission Owner is the selling party and the Existing Transmission Agreement related to each Grandfathered TCC and Grandfathered Right remains valid in month *m*. For Centralized TCC Auctions conducted before May 1, 2010, the calculation of the average market clearing price in rounds of the 6-month Sub-Auction shall incorporate only~~are~~ Stage 1 six month rounds.
t	=	Transmission Owner *t*
T	=	The set of all Transmission Owners *q*.

Each Transmission Owner's share of Net Congestion Rents allocated pursuant to this Section 2.5 shall be incorporated into its TSC or NTAC, as the case may be.

Formula N-29

$$NNAR_{t,n} = \frac{\left(\text{Original Residual}_{t,n} + ETCNL_{t,n} + NARs_{t,n} + GFR\&GFTCC_{t,n}\right)}{\sum_{q \in T}\left(\text{Original Residual}_{q,n} + ETCNL_{q,n} + NARs_{q,n} + GFR\&GFTCC_{q,n}\right)}$$

Where,

$NNAR_{t,n}$ = The negative Net Auction Revenue coefficient for Transmission Owner *t* for Reconfiguration Auction *n*

Original $Residual_{q,n}$ = The one-month portion of the revenue imputed to the Direct Sale or the sale in any Centralized TCC Auction Sub-Auction of Original Residual TCCs that are valid during the month corresponding to Reconfiguration Auction *n*. The one-month portion of the revenue imputed to the Direct Sale of these Original Residual TCCs shall be one-sixth of the average market clearing price in the rounds of the 6-month Sub-Auction of the last Centralized TCC Auction held for TCCs valid during the month corresponding to Reconfiguration Auction *n*. For Centralized TCC Auctions conducted before May 1, 2010, the calculation of the average market clearing price in rounds of the 6-month Sub-Auction shall incorporate only~~are~~ Stage 1 six month rounds. The one-month portion of the revenue imputed to the sale in any Centralized TCC Auction Sub-Auction of these Original Residual TCCs shall be calculated by dividing the revenue received from the sale of these Original Residual TCCs in the Centralized TCC Auction Sub-Auction by the duration in months of the TCCs sold in that Centralized TCC Auction Sub-Auction

$ETCNL_{q,n}$ = The sum of the one-month portion of the revenues the Transmission Owner has received as payment for the Direct Sale of ETCNL or for its ETCNL released in the Centralized TCC Auction Sub-Auctions held for TCCs valid for the month corresponding to Reconfiguration Auction *n*. Each one-month portion of the revenue for ETCNL released in such Centralized TCC Auction shall be calculated by dividing the revenue received in a Centralized TCC Auction Sub-Auction from the sale of the ETCNL by the duration in months of the TCCs corresponding to the ETCNL sold in the Centralized TCC Auction Sub-Auction.[2] The one-month portion of the revenue imputed to the Direct Sale of ETCNL shall be one-sixth of the average market clearing price of the TCCs corresponding to that ETCNL in the rounds of the 6-month Sub-Auction of the last Centralized TCC Auction held for TCCs valid during the month corresponding to Reconfiguration Auction *n*. For Centralized TCC Auctions conducted before May 1, 2010, the calculation of the average market clearing price in rounds of the 6-month Sub-Auction shall incorporate only~~are~~ Stage 1 six month rounds.

[4] A TCC corresponds to ETCNL if it has the same POI and POW as the ETCNL.

$NARs_{q,n}$ = The one-month portion of the Net Auction Revenues the Transmission Owner has received in Centralized TCC Auction Sub-Auctions and Reconfiguration Auctions held for TCCs valid for the month corresponding to Reconfiguration Auction *n* (which shall not include any revenue from the sale of Original Residual TCCs). The one-month portion of the revenues shall be calculated by summing (i) the revenue Transmission Owner *q* received in each Centralized TCC Auction Sub-Auction from the allocation of Net Auction Revenue pursuant to Section 3.7, divided by the duration in months of the TCCs sold in the Centralized TCC Auction Sub-Auction (or, to the extent TCC auction revenues were allocated pursuant to a different methodology, the amount of such revenues allocated to Transmission Owner *q*), minus (ii) the sum of $NetAuctionAllocations_{t,n}$ as calculated pursuant to Formula N-27 (as adjusted for any charges or payments that are zeroed out) for Transmission Owner *q* for all rounds *n* of a 6-month Sub-Auction for all Centralized TCC Auctions held for TCCs valid in the month corresponding to Reconfiguration Auction *n*, divided in each case by the duration in months of the TCCs sold in each Centralized TCC Auction Sub-Auction (or, to the extent that the revenue impact of transmission facility outages, returns-to-service, upratings, and deratings were settled pursuant to a different methodology, the net of such revenue impacts for Transmission Owner *q*), minus (iii) $NetAuctionAllocations_{t,n}$ as calculated pursuant to Formula N-27 and as adjusted for any charges or payments that are zeroed out for Transmission Owner *q* for Reconfiguration Auction *n*. For Centralized TCC Auctions conducted before May 1, 2010, the calculation of (ii) shall incorporate only Stage 1 six month rounds.

GFR& $GFTCC_{q,n}$ = The one-month portion of the imputed value of Grandfathered TCCs and Grandfathered Rights, valued at one-sixth of the market clearing price in the last Centralized TCC Auction held for TCCs valid during the month corresponding to Reconfiguration Auction *n*, provided that the Transmission Owner is the selling party and the Existing Transmission Agreement related to each Grandfathered TCC and Grandfathered Right remains valid in the month corresponding to Reconfiguration Auction *n.* For Centralized TCC Auctions conducted before May 1, 2010, the calculation of the average market clearing price in rounds of the 6-month Sub-Auction shall incorporate~~are~~ Stage 1 six month rounds.

t = Transmission Owner *t*

T = The set of all Transmission Owners *q*.

Each Transmission Owner's share of Net Auction Revenues allocated pursuant to this Section 3.7 shall be incorporated into its TSC or NTAC, as the case may be.

(a) The sum of the amounts calculated in accordance with the appropriate per TCC term-based formula listed below for TCC purchases less the amounts calculated in accordance with the appropriate per TCC term-based formula listed below for TCC sales:

for two-year TCCs:

(1) upon initial award of a two-year TCC until completion of the final round of the current one-year TCC Sub-~~a~~Auction:

2 x the amount calculated in accordance with the one-year TCC formula listed below

where:

Pijt = auction price of a one-year TCC in the final round of the one year Sub-Auction in the prior Capability Period Centralized TCC A~~a~~uction with the same POI and POW combination as the two-year TCC; *provided, however*, in the event there is no price for a one-year TCC with the same POI and POW combination as the two-year TCC, then "Pijt" shall equal a proxy price, assigned by the NYISO, for a one-year TCC with like characteristics. For Centralized TCC Auctions conducted before May 1, 2010, the "auction price of a one-year TCC in the final round of the one-year Sub-Auction" means the ~~average market clearing price in rounds of the 6-month Sub-Auction are Stage 1 six month rounds.~~auction price of a one-year TCC in the final Stage 1 round of the one-year TCC auction.

(2) upon completion of the final round of the current one-year ~~TCC~~Sub-~~a~~Auction until commencement of year two of a two-year TCC:

2 x the amount calculated in accordance with the one-year TCC formula listed below

where:

Pijt = auction price of a one-year TCC in the final round of the current one-year TCC Sub-~~a~~Auction with the same POI and POW combination as the two-year TCC

(3) upon commencement of year two of a two-year TCC:

1 x the amount calculated in accordance with the one-year TCC formula listed below

where:

Pijt = auction price of a one-year TCC in the final round of the most recently completed one-year ~~TCC~~Sub-~~a~~Auction with the same POI and POW combination as the two-year TCC. ~~For Centralized TCC Auctions conducted before May 1, 2010 the average market clearing price in rounds of the 6-month Sub-Auction are Stage 1 six month rounds.~~

for one-year TCCs, representing a 5% probability curve:

$$+1.909 \sqrt{e^{10.9729 + .6514 (\ln (|P_{ijt}| + e)) + .6633 * Zone\ J}} - .9696\ P_{ijt}$$

for six-month TCCs, representing a 3% probability curve:

$$+2.565 \sqrt{e^{11.6866 + .4749 (\ln (|p_{ijt}| + e)) + .4856 * Zone\ J - .0373\ Summer}} - .8166\ P_{ijt}$$

for one-month TCCs, representing a 3% probability curve:

$$+2.221 \sqrt{e^{11.2682 + 0.3221 (\ln (|p_{ijt}| + e)) + 1.3734 * ZoneJ + 2.0011 * ZoneK + Month}} - .8152\ P_{ijt}$$

where:

Pijt = auction price of i to j TCC in round t of the auction in which the TCC was purchased;

Zone J = 1 if TCC sources or sinks but not both in Zone J, zero otherwise;

Zone K = 1 if TCC sources or sinks but not both in Zone K and does not source or sink in Zone J, 0 otherwise;

Summer = 1 for six-month TCCs sold in the spring auction, 0 otherwise; and

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service lists compiled by the Secretary in this proceeding in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure, 18 C.F.R. § 385.2010.

Dated at Rensselaer, New York this 16th day of April, 2010.

/s/ Kristin A. Bluvas
Kristin A. Bluvas
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, New York 12144
518-356-8540