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

6.15.1 Applicability

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

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

6.15.2 Revenue Requirement for MSSCFC

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

6.15.3 Calculation and Recovery of MSSCFC and Payment of Recovered Revenue

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

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

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

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

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

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

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

6.15.3.4 Cost Recovery Methodology

6.15.3.4.1 Cost Recovery Methodology for All Responsible LSEs

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

Step 1: Calculate the $ assigned to each Transmission District

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

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

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

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

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

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

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

Where,

l = the relevant Responsible LSE;

T = set of ISO Transmission Districts;

t = an individual Transmission District

B = the relevant Billing Period;

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

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

Annual RR_B = the *pro rata* share of the annual revenue requirement for the MSSC project allocated for Billing Period B;

Incremental TCC $\mathrm{Revenue}_B$ = the auction revenue derived from the sale of Incremental TCCs related to the MSSC project plus Incremental TCC payments received by NYPA pursuant to Section 20.2.3 of the ISO OATT for the MSSC project allocated for Billing Period B. The revenues from the sale of Incremental TCCs related to the MSSC project in the ISO's six month

Sub-Auctions of each Centralized TCC Auction shall be allocated uniformly across all hours of the Billing Period;

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

Transmission District Cost Allocation$_t$ = the proportion of the cost of the MSSC project allocated to Transmission District t, as set forth below in Section 6.15.3.7.

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

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

6.15.3.7 Cost Allocation Table for the MSSC Project

Transmission District	Allocation of Project Costs (%)
Consolidated Edison Co. of NY, Inc. Orange and Rockland Utilities, Inc.	63.18
Long Island Power Authority	8.55
Niagara Mohawk Power Corp.	12.16*
New York Gas & Electric Corp. Rochester Gas and Electric Corp.	10.12
Central Hudson Gas & Electric Corp.	5.99
New York Power Authority	Load is treated the same as all other load serving entities (“LSEs”) and NYPA will pay the same rate as the LSEs in each transmission district.

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

6.15.4 Recovery of Costs Incurred by NYPA

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

6.15.4.2 The period for cost recovery will begin if and when the MSSC project is completed and a MSSC revenue requirement is produced by NYPA’s Formula Rate Template as discussed in Section 6.15.3.5, or as otherwise determined by the Commission. The ISO will not begin to assess the MSSCFC solely because NYPA receives incremental TCC revenue or is assessed Outage Charges related to the MSSC project prior to the date NYPA’s Formula Rate Template first produces a non-zero MSSC revenue requirement. Instead any incremental TCC revenue received, or Outage Charge incurred, prior to that time will be reflected in the Formula Rate Template's true-up of calendar year revenue to calendar year costs for the calendar year when such revenue or charge was incurred. In any event, the ISO will not collect the MSSCFC from LSEs under this Schedule 15 unless and until the Commission issues an order approving a settlement in Docket No. ER15-572-000 that includes the cost allocation described in Section 6.15.3.7.