31.8   ~~This section is reserved for future use.~~Appendix E – Public Policy Transmission Need Cost Allocation Methodologies

31.8.1   General

Under the Public Policy Transmission Planning Process, Section 31.5.5.4 of Attachment Y to the ISO OATT provides the process for prescribing an alternative to the default cost allocation methodology for Public Policy Transmission Projects that the ISO selected pursuant to Section 31.4.8.2 of Attachment Y to the ISO OATT. This Appendix E contains the Commission-accepted alternative cost allocation methodologies that the ISO will apply instead of the default cost allocation methodology set forth in Section 31.5.5.4.3 of Attachment Y to the ISO OATT for selected Public Policy Transmission Projects.

31.8.2   AC Transmission Public Policy Transmission Need Cost Allocation Methodology

This Section 31.8.2 of Appendix E sets forth the Commission-accepted methodology prescribed by the Public Policy Requirement for allocating costs associated with the Public Policy Transmission Project that the ISO has selected pursuant to Section 31.4.8.2 of Attachment Y to the ISO OATT to satisfy the AC Transmission Public Policy Transmission Need identified by the NYPSC in an order issued on December 17, 2015 ("AC Transmission Project"). For purposes of this Section 31.8.2, the aforementioned costs are collectively referred to as the "AC Transmission Costs."

The AC Transmission Costs to be allocated pursuant to this cost allocation methodology under this Section 31.8.2 of Appendix E will be determined in accordance with Sections 31.4 and 31.5.6.5 of Attachment Y to the ISO OATT. This cost allocation methodology is not applicable to any costs not approved by the Commission.

The ISO will apply the cost allocation methodology set forth under this Section 31.8.2 of Appendix E in the absence of the Commission accepting a different methodology. The ISO will perform the calculations prescribed under this Section 31.8.2 of Appendix E one time no earlier than thirty (30) days following the ISO's selection of the AC Transmission Project; provided, however, if the Developer of the selected AC Transmission Project proposes an alternative cost allocation methodology pursuant to Section 31.5.5.4 of Attachment Y to the ISO OATT, the NYISO will perform the calculations under this cost allocation methodology following the Commission's determination not to accept a methodology proposed in the filing by the Developer, or on behalf of the Developer, of the AC Transmission Project.

The cost allocation methodology set forth under this Section 31.8.2 of Appendix E will use the forecasts and assumptions identified in the Public Policy Transmission Planning Report for the AC Transmission Public Policy Transmission Need as the set of forecasts and assumptions to be used in the cost allocation methodology calculation. This methodology will be applied over a ten-year period beginning with the calendar year following the in-service date for the AC Transmission Project specified in the Public Policy Transmission Planning Report in accordance with Section 31.4.11 of Attachment Y to the ISO OATT. Recovery of the revenue requirements based upon the AC Transmission Costs resulting from this cost allocation methodology will be based on real-time usage data in accordance with NYISO's Billing and Settlements process under the applicable rate schedule in the ISO OATT.

The AC Transmission Costs will be allocated in accordance with the following methodology: (i) 25 percent of the costs will be allocated to all Load Zones in the NYCA based upon load-ratio share, and (ii) 75 percent of the costs will be allocated to those Load Zones that

would economically benefit from the implementation of the AC Transmission Project based on the relative reduction in energy payments.

31.8.2.1 NYCA-Wide Load-Ratio Share Allocation

For purposes of allocating 25 percent of the AC Transmission Costs, the ISO will allocate such costs based on a load-ratio share to each Load Zone in the NYCA. The ISO will use the forecasted coincident summer peak demand contained in the forecasts and assumptions identified in the Public Policy Transmission Planning Report for the AC Transmission Public Policy Transmission Need as the set of forecasts and assumptions to be used in the cost allocation methodology calculation over the ten-year period beginning with the calendar year following the in-service date specified in accordance with Section 31.4.11 of Attachment Y to the ISO OATT, as follows:

$$NYCAWideCostAllocation_z = \left(\frac{\sum_{y=1}^{10} CoincidentPeak_{z,y}}{\sum_{y=1}^{10} CoincidentPeak_{NYCA,y}} \right) \times (25\%)$$

Where: z = an individual Load Zone in the NYCA;

y = forecast year 1 through 10, beginning with the calendar year following the in-service date for the AC Transmission Project specified in the Public Policy Transmission Planning Report in accordance with Section 31.4.11 of Attachment Y to the ISO OATT;

$CoincidentPeak_{z,y}$ = the forecasted coincident summer peak demand in Load Zone z and year y; and

$CoincidentPeak_{NYCA,y}$ = the forecasted coincident summer peak demand for the NYCA in year y.

31.8.2.2   Economic Beneficiaries Allocation

For purposes of allocating 75 percent of the AC Transmission Costs to the Load Zones that would economically benefit from the implementation of the AC Transmission Project, the ISO will identify those Load Zones and allocate the costs as follows:

31.8.2.2.1   The ISO will identify the Load Zones that would economically benefit from the AC Transmission Project over the ten-year period beginning with the calendar year following the in-service date for the project specified in the Public Policy Transmission Planning Report in accordance with Section 31.4.11 of Attachment Y to the ISO OATT.

31.8.2.2.2   The ISO will measure the present value of the annual zonal LBMP load savings for all Load Zones that would have a load savings net of changes in TCC revenues as a result of the implementation of the AC Transmission Project. For purposes of this calculation, the present value of the load savings will be equal to the sum of the present value of the Load Zone's load savings for each year over the ten-year period beginning with the calendar year following the in-service date for the project specified in the Public Policy Transmission Planning Report in accordance with Section 31.4.11 of Attachment Y to the ISO OATT. The discount rate to be used for the present value analysis shall be the discount rate identified in the Public Policy Transmission Planning Report for the AC Transmission Public Policy Transmission Need. The load savings for a Load Zone will be equal to the difference between the zonal LBMP load cost without the AC Transmission Project and the LBMP load cost with the AC Transmission Project, net of changes in TCC revenues. For the purposes of this methodology under this Section 31.8.2.2.2, the ISO will not account for load served by

generation owned by LSEs or bilateral contracts in calculating a Load Zone's LBMP benefit and, for the purpose of cost allocation, will treat all load as being priced at the zonal LBMP.

31.8.2.2.2.1   The economic beneficiaries will be those Load Zones that experience net zonal benefits measured over the ten-year period beginning with the calendar year following the in-service date for the AC Transmission Project specified in the Public Policy Transmission Planning Report in accordance with Section 31.4.11 of Attachment Y to the ISO OATT.

31.8.2.2.2.2   Reductions in TCC revenues will reflect the forecasted impact of the AC Transmission Project on TCC auction revenues and day-ahead residual congestion rents allocated to Load in each Load Zone, not including the congestion rents that accrue to the ISO's projection of any potential Incremental TCCs that may be made feasible as a result of this project. This impact will include forecasts of: (i) the total impact of the AC Transmission Project on the Transmission Service Charge offset applicable to loads in each Load Zone (which may vary for loads in a given Load Zone that are in different Transmission Districts); (ii) the total impact of that project on the NYPA Transmission Adjustment Charge offset applicable to loads in that Load Zone; and (iii) the total impact of that project on payments made to LSEs serving load in that Load Zone and that hold Grandfathered Rights or Grandfathered TCCs, to the extent that these have not been taken into account in the calculation of item (i) above. These forecasts shall be performed using the procedure described in Appendix B in Section 31.7 of Attachment Y to the ISO OATT.

31.8.2.2.2.3   Estimated TCC revenues from the ISO's projection of any potential Incremental TCCs created by the AC Transmission Project over the ten-year period commencing with the calendar year following the in-service date for the project, as specified in the Public Policy Transmission Planning Report in accordance with Section 31.4.11 of Attachment Y to the ISO OATT, will be added to the net load savings used for the economic beneficiaries cost allocation determination. Any actual Incremental TCCs ultimately awarded to the AC Transmission Project shall be determined in accordance with the requirements of Section 19.2.4 of Attachment M to the ISO OATT.

31.8.2.2.2.4   The ISO will calculate the net zonal benefits for each Load Zone in the NYCA as the difference between the zonal LBMP load cost without the AC Transmission Project and the zonal LBMP load cost with the AC Transmission Project, net of reductions in TCC revenues, using the following equation:

$$NetZonalBenefits_z = \max\left[0, \sum_{y=1}^{10} \left(\left(LBMP_{z,y,base} - LBMP_{z,y,project} - TCCRevImpact_{z,y}\right) \text{ x } DF\right)\right]$$

Where: z = an individual Load Zone in the NYCA;

y = forecast year 1 through 10, beginning with the calendar year following in-service date for the AC Transmission Project specified in the Public Policy Transmission Planning Report in accordance with Section 31.4.11 of Attachment Y to the ISO OATT;

$LBMP_{z,y,base}$ = forecasted load LBMP cost for Load Zone z in year y assuming the AC Transmission Project is not in service;

$LBMP_{z,y,project}$ = forecasted load LBMP cost for Load Zone z in year y assuming the AC Transmission Project is in service;

$TCCRevImpact_{z,y}$ = the forecasted impact of TCC revenues allocated to Load Zone z in year y, calculated using the procedure described in Appendix B in Section 31.7 of Attachment Y to the ISO OATT; and

DF = is the discount factor identified in the Public Policy Transmission Planning Report for the AC Transmission Public Policy Transmission Need.

31.8.2.2.2.5   Any Load Zone that does not have a net zonal benefit is not considered an economic beneficiary and will not be allocated any portion of the 75 percent of the AC Transmission Costs. There will be no "make whole" payments to non-economic beneficiary Load Zones.

31.8.2.2.3   Those Load Zones identified in Section 31.8.2.2 of this Appendix E as economically benefiting from the AC Transmission Project will be allocated 75 percent of the AC Transmission Costs as follows:

$$EconomicCostAllocation_z = \left(\frac{NetZonalBenefits_z}{\sum_{k=1}^{m} NetZonalBenefits_k} \right) x\ (75\%)$$

Where: z = an individual Load Zone in the NYCA;

k = a Load Zone in the NYCA with net zonal benefits as calculated under Section 31.8.2.2.2.4 of this Appendix E; and

m = the total number of Load Zones in the NYCA with net zonal benefits as calculated under Section 31.8.2.2.2.4 of this Appendix E.

38.1.2.3   Zonal Cost Allocation

The NYISO will calculate the proportion of the AC Transmission Costs allocated to each individual Load Zone to be used in the applicable rate schedule under the ISO OATT, as follows:

$$ZonalCostAllocation_z = (NYCAWideCostAllocation_z + EconomicCostAllocation_z)$$

Where: z = an individual Load Zone in the NYCA.