

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

6.12.1 Applicability

6.12.1.1 This ~~rate mechanism~~Schedule establishes the Highway Facilities Charge (“HFC”) for the recovery of that portion of the costs related to Highway System Deliverability Upgrades (“Highway SDUs”) required for deliverability under Section 25.7.12 of Attachment S of the ~~NY~~ISO OATT that are allocated to Load Serving Entities (“LSEs”). ~~The rate mechanism~~This Schedule shall not apply to:

(i) the extent that a Highway SDU is addressed and funded as part of a transmission project undertaken in accordance with the Comprehensive System Planning Process~~and funded~~ pursuant to Attachment Y of the ~~NY~~ISO OATT; (ii) costs for System Upgrade Facilities or System Deliverability Upgrades that are allocated to Developers or Interconnection Customers in accordance with Attachments S, X or Z of the ISO OATT; ~~or~~ (iii) costs of transmission expansion projects undertaken in connection with an individual request for Transmission Service under Sections 3.7 or 4.5 of the ~~NY~~ISO OATT; (iv) transmission facilities eligible for cost recovery pursuant to another rate schedule of the ISO OATT; and (v) transmission facilities for which costs are recovered through the Transmission Service Charge (“TSC”) or the NYPA Transmission Adjustment Charge (“NTAC”) determined in accordance with Attachment H of the ISO OATT.

6.12.1.2 The HFC shall be calculated in accordance with the formula in Section 6.12.3 ~~using~~comprised of the revenue requirements related to each Highway SDU filed with ~~FERC~~the Commission by a Transmission Owner pursuant to Section 6.12.2~~the provisions of this Schedule~~ and approved or accepted by the

Commission. The HFC will provide for full recovery of a The costs that may be included in the revenue requirement for calculating the HFC include all reasonably incurred costs, as determined by the Commission, related to the development, construction, operation and maintenance of any Highway SDU undertaken pursuant to Attachment S of this tariff (including costs for a Highway SDU that is subsequently halted through no fault of the constructing Transmission Owner) that are allocated to LSEs. ~~Subject to regulatory acceptance, the HFC shall include a reasonable return on investment~~ These costs include, but are 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. The HFC established under this Schedule shall be separate from the ~~Transmission Service Charge ("TSC")~~ and the ~~NYPA Transmission Adjustment Charge ("NTAC")~~ determined in accordance with Attachment H of the ~~NYISO OATT,~~ and ~~the Reliability Facilities Charge ("RFC")~~ established in accordance with Attachment Y and Rate Schedule 10 of the ~~NYISO OATT~~ any charge for transmission facilities eligible for cost recovery through another rate schedule of the ISO OATT.

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

Each Transmission Owner shall file with ~~FERC~~ the Commission the rate treatment, prior to the implementation of any HFC, that will be used to derive and determine the revenue requirement to be included in the HFC for Highway SDUs undertaken pursuant to a Class Year Deliverability Study and allocated to LSEs in accordance with Section 25.7.12 of Attachment S

of the ~~NY~~ISO OATT. The rate treatment will provide for the recovery of the full revenue requirement for that portion of a Highway SDU that is allocated to LSEs consistent with the provisions of Attachment S and this Rate Schedule. Pursuant to a determination by the ~~NY~~ISO that the threshold for construction of a Highway SDU has been crossed in accordance with Section 25.7.12.3.1 of Attachment S of the ~~NY~~ISO OATT, the Transmission Owner(s) responsible for constructing the Highway SDU will proceed with the approval process for all necessary federal, state and local authorizations for the requested project to which this HFC applies.

6.12.2.1 Upon receipt of all necessary federal, state, and local authorizations, including ~~FERC~~Commission approval or acceptance of the rate treatment, the Transmission Owner(s) shall commence construction of the project.

6.12.2.2 The portion of the cost of the Highway SDU to be allocated to LSEs will be reduced by any Headroom payments made to the constructing Transmission Owner by a subsequent Developer or Interconnection Customer prior to the completion of the project.

6.12.2.3 The period for cost recovery will be determined by the Commission and will begin if and when the Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12 enters service, is halted, or as otherwise determined by the Commission. ~~Upon completion of the project, t~~The Transmission Owner(s) will make ~~an informational a~~ filing with ~~FERC~~the Commission to provide for its review and approval or acceptance of the final project cost and resulting revenue requirement to be recovered through the HFC pursuant to this Rate Schedule 12. The Transmission Owner(s) shall bear the

burden of resolving all concerns about the content of the filing that might be raised in such proceeding. The ISO will begin to calculate and bill the HFC in accordance with the period for cost recovery determined by the Commission after the Commission has accepted or approved the filing~~The recovery of project costs pursuant to this Schedule will commence on the effective date proposed in the informational filing and accepted by FERC, and shall not require and shall not be dependent upon a re-opening or review of the Transmission Owner's revenue requirements for the TSCs and NTAC set forth in Attachment H of the NYISO OATT. Following the informational filing, the NYISO will bill the HFC, as applicable.~~

6.12.3 HFC Revenue Requirement Recovery Calculation and Recovery of HFC and Payment of Recovered Revenue

The HFC is to be invoiced by the NYISO separately for each Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12 and paid by the LSEs allocated in accordance with Section 25.7.12.3.2 of Attachment S of the NYISO OATT. The ISO shall collect the HFC from LSEs. The LSEs, All LSEs to which costs have been allocated, including Transmission Owners, non-Transmission Owner LSEs, and municipal systems, competitive LSEs and any other LSE, to which the costs of the Highway SDU have been allocated (each a "Responsible LSE") will be invoiced by the NYISO and shall pay the HFC.

6.12.3.1 The revenue requirement filed pursuant to Section 6.12.2.3 by the Transmission Owner pursuant to this Schedule and approved or accepted by the Commission, as may be subsequently adjusted in accordance with Section 6.12.4.1.3 below, will be the basis for the HFC that shall be charged by the ISO to each Responsible LSE for the Billing Period, and shall be allocated by the NYISO

~~to each LSE~~ based on ~~its~~ the Responsible LSE's proportionate share of the ICAP requirement in the statewide capacity market, adjusted to subtract locational capacity requirements, as set forth in Section 25.7.12.3.2 of Attachment S of the ISO OATT.

6.12.3.2 The HFC for the Billing Period shall include operation and maintenance costs for the proportionate share of the Highway SDU funded by LSEs.

6.12.3.3 LSEs will not be responsible for actual costs in excess of their share of the final Class Year estimated cost of the Highway SDU if the excess results from causes within the control of a Transmission Owner(s) responsible for constructing the Highway SDU as described in Section 25.8.6.4 of Attachment S of the ISO OATT.

6.12.3.4 As described in Section 25.7.2.2 of Attachment S of the ISO OATT, the Transmission Owner(s) responsible for constructing a Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12 shall request Incremental TCCs with respect to the Highway SDU in accordance with the requirements of Section 19.2.4 of Attachment M. As it relates solely to a Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12, the Transmission Owner(s) responsible for constructing the Highway SDU shall not be a "Transmission Owner" for purposes of Section 20.2.5 or Section 20.3.7 of Attachment N of the ISO OATT. Accordingly, the Transmission Owner(s) responsible for constructing the Highway SDU shall not receive Net Congestion Rents pursuant to Section 20.2.5 of Attachment N of the ISO OATT or Net Auction Revenues pursuant to Section 20.3.7 of Attachment N

of the ISO OATT as it relates to a Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12.

6.12.3.4.1 The Transmission Owner(s) responsible for constructing a Highway SDU shall exercise its right to obtain and maintain in effect all Incremental TCCs they are awarded with respect to the Highway SDU, as further described in Section 25.7.2.2 of Attachment S of the ISO OATT. The Incremental TCCs awarded with respect to a Highway SDU may not be sold or transferred through a Centralized TCC Auction, Reconfiguration Auction or the Secondary Market. The Transmission Owner(s) responsible for constructing a Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12 shall receive congestion payments pursuant to Section 20.2.3 of Attachment N of the ISO OATT for any Incremental TCCs related to the Highway SDU for which it is the Primary Holder. The congestion payments received by the Transmission Owner(s) responsible for constructing a Highway SDU from any Incremental TCCs it holds related to the Highway SDU will be used in the calculation of the HFC.~~To the extent that Incremental TCCs are created as a result of a Highway SDU implemented in accordance with Attachment S of the NYISO OATT, that portion of those Incremental TCCs attributed to LSEs pursuant to Attachment S that can be sold will be auctioned or otherwise sold by the NYISO. The NYISO will disburse or credit the associated revenues to the LSEs. These Incremental TCCs will continue to be sold for so long as LSEs are responsible for funding the Highway SDU through an HFC, and the disbursements or credits discussed above will commence upon the first payment of revenues related to a sale of Incremental~~

~~TCCs on or after the HFC is first invoiced for a specific Highway SDU. These HFC and incremental revenues adjustments related to Incremental TCCs shall not require and shall not be dependent upon any reopening or any review of the Transmission Owner(s) TSCs or NTAC under Attachment H of the NYISO OATT; (i) the Transmission Owner's revenue requirements for the HFC for another Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12; (ii) the Transmission Owner's revenue requirements for the TSCs and NTAC set forth in Attachment H of the ISO OATT; or (iii) the Transmission Owner's revenue requirements for the charge for a transmission facility eligible for cost recovery pursuant to another rate schedule of the ISO OATT.~~

6.12.3.4.2 As it relates solely to a Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12, the Transmission Owner(s) responsible for constructing the Highway SDU shall receive outage charges for any Incremental TCCs related to the Highway SDU it holds pursuant to Section 19.2.4.10 of Attachment M of the ISO OATT for any hour in the Day-Ahead Market during which the Highway SDU is modeled to be wholly or partially out of service as an entity not subject to Section 20.2.5 of Attachment N of the ISO OATT with respect to the Highway SDU. Accordingly, the Transmission Owner(s) responsible for constructing the Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12 shall not be charged or paid O/R-t-S Congestion Rent Shortfall Charges, U/D Congestion Rent Shortfall Charges, O/R-t-S Auction Revenue Shortfall Charges,

U/D Auction Revenue Shortfall Charges, 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 pursuant to Attachment N of the ISO OATT.

~~6.12.3.5 The NYISO will collect the appropriate HFC revenues for the Billing Period and remit those revenues to the appropriate Transmission Owner(s) in accordance with the NYISO's billing and settlement procedures pursuant to the NYISO OATT.~~

6.12.3.56 Cost Recovery Methodology

The HFC for the Billing Period shall be based on the ICAP requirement in the statewide capacity market, adjusted to subtract locational capacity requirements for those LSEs determined to be allocated the costs of the project in accordance with Section 25.7.12 of Attachment S of the NYISO OATT.

~~6.12.3.65.1 For Year 1, the LSEs' ICAP requirements for the most recent NYISO Capability Year prior to the in-service date of the Highway SDU shall be used for cost allocation.~~

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

~~6.12.3.6.3 The ISO shall calculate Each LSE's share of the HFC for each Billing Period (*i.e.*, $LSE\ HFC\ Allocation_{p,l,b}$) shall be allocated as follows: $LSE\ HFC\ Allocation = Billing\ Period\ HFC \times (LSE\ ICAP\ Requirement - Locational\ ICAP\ Requirement\ (if\ applicable)) / (Statewide\ ICAP\ Requirement - Sum\ of\ Locational\ ICAP\ Requirements)$~~

$$\text{LSE HFC Allocation}_{p,l,B} = \frac{(\text{Billing Period HFC}_{p,B} - \text{Incremental Transmission Rights Revenue}_{p,B} + \text{Outage Cost Adjustment}_{p,B}) \times (\text{LSE ICAP Allocation } \%_{l,B})}{1}$$

Where:

l = the relevant Responsible LSE;

p = an individual Highway SDU for which a portion of the costs thereof are recovered pursuant to this Rate Schedule 12;

B = the relevant Billing Period;

Billing Period HFC_{p,B} = the pro-rata share of the annual HFC for Highway SDU p, as discussed in Section 6.12.2 above and as may be adjusted in accordance with Section 6.12.4.1.3 below, allocated for Billing Period B;

LSE ICAP Allocation %_{l,B} = the LSE's proportionate share of the NYCA ICAP requirement for Billing Period B, adjusted to subtract Locational ICAP requirements for Billing Period B, which shall be calculated as:

$$\frac{(\text{LSE total ICAP Requirement} - \text{Sum of LSE Locational ICAP Requirements for any Locality not located within another Locality})}{(\text{NYCA Minimum Installed Capacity Requirement} - \text{Sum of Locational Minimum Installed Capacity Requirements for any Locality not located within another Locality})}$$

Such ICAP requirements shall be the ICAP equivalent of the LSE's UCAP requirements prior to any reduction for Locality Exchange MW;

Incremental Transmission Rights Revenue_{p,B} = Congestion payments received by the applicable Transmission Owner for Billing Period B pursuant to Section 20.2.3 of Attachment N of the ISO OATT for any Incremental TCCs held by the Transmission Owner related to the Highway SDU p, as discussed in Section 6.12.3.4.1 above; and

Outage Cost Adjustment_{p,B} = the Outage charges for any Incremental TCCs held by the Transmission Owner related to the Highway SDU p determined pursuant to Section 6.12.3.4.2 above for any hour in the Day-Ahead Market during which the Highway SDU p is modeled to be wholly or partially out of service aggregated across all hours of Billing Period B.

6.12.3.5.2 The ISO will collect the appropriate HFC revenues each Billing Period and remit those revenues to the appropriate Transmission Owner(s) in accordance with the ISO's billing and settlement procedures.

6.12.3.6.45.3 Billing true-ups to account for load shifting between LSEs will be based upon the existing ICAP methodology, as appropriate. These true-ups will occur

on a monthly basis pursuant to ISO procedures.

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

6.12.4 Headroom Accounting

As new generators and merchant transmission facilities come on line and use the Headroom created by a prior Highway SDU, the Developers or Interconnection Customers of those new facilities will reimburse prior Developers or Interconnection Customers or will compensate the LSEs who funded the Highway SDU Headroom in accordance with Sections 25.8.7 and 25.8.8 of Attachment S of the ISO OATT.

6.12.4.1 The Developer or Interconnection Customer of the subsequent project shall make a lump sum payment to the constructing Transmission Owner(s) proportional to the electrical use of the Headroom in the account by the Developer's or Interconnection Customer's project.

6.12.4.1.1 Payment shall be made as soon as the cost responsibilities of the subsequent Developer or Interconnection Customer are determined in accordance with Attachment S of the ISO OATT.

6.12.4.1.2 Payment to the constructing Transmission Owner(s) will be based upon the depreciated amount of the Highway SDU in the constructing Transmission Owner's accounting records.

6.12.4.1.3 The constructing Transmission Owner(s) will adjust their revenue requirement under this Rate Schedule 12 to account for ~~the~~any payments received from ~~the~~ subsequent Developers or Interconnection Customers to lower the HFC

charged to LSEs going forward and notify the ISO of the adjusted revenue requirement.

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