

31.5.31.4 Cost Allocation and Cost Recovery

31.5.131.4.1 The Scope of Attachment Y Cost Allocation

31.5.1.131.4.1.1 Regulated Responses

The cost allocation principles and methodologies in this Attachment Y cover only regulated transmission solutions to Reliability Needs, ~~and~~ regulated transmission responses to congestion identified in the CARIS, and regulated transmission solutions to needs driven by Public Policy Requirements whether proposed by a Responsible Transmission Owner or a Transmission Owner or Other Developer. The cost allocation principles and methodology covering regulated transmission solutions to Reliability Needs are contained in Sections 31.5.3.131.4.2.1 and 31.5.3.231.4.2.2 of this Attachment Y. The separate cost allocation principles and methodology covering regulated transmission responses to congestion identified in the CARIS are contained in Sections 31.5.4.131.4.3.1 and 31.5.4.231.4.3.2 of this Attachment Y. The separate cost allocation principles and methodology covering regulated transmission solutions to needs driven by Public Policy Requirements are contained in Sections 31.5.5 and 31.5.6 of this Attachment Y.

31.5.1.231.4.1.2 Market-Based Responses

The cost allocation principles and methodologies in this Attachment Y do not apply to market-based solutions to Reliability Needs or to market-based responses to congestion identified in the CARIS. The cost of a market-based project shall be the responsibility of the developer of that project.

31.5.1.3~~31.4.1.3~~ Interconnection Cost Allocation

The cost allocation principles and methodologies in this Attachment Y do not apply to the interconnection costs of generation and merchant transmission projects. Interconnection costs are determined and allocated in accordance with Attachment S, Attachment X and Attachment Z of the ISO OATT.

31.5.1.4~~31.4.1.4~~ Individual Transmission Service Requests

The cost allocation principles and methodologies in this Attachment Y do not apply to the cost of transmission expansion projects undertaken in connection with an individual request for Transmission Service. The cost of such a project is determined and allocated in accordance with Section 3.7 or Section 4.5 of the ISO OATT.

31.5.1.5~~31.4.1.5~~ LTP Facilities

The cost allocation principles and methodologies in this Attachment Y do not apply to the cost of transmission projects included in LTPs or LTP updates. Each Transmission Owner will recover the cost of such transmission projects in accordance with its then existing rate recovery mechanisms.

31.5.1.6~~31.4.1.6~~ Regulated Non-Transmission Solutions to Reliability Needs

Costs related to regulated non-transmission reliability projects will be recovered by Responsible Transmission Owners, Transmission Owners and Other Developers in accordance with the provisions of New York Public Service Law, New York Public Authorities Law, or other applicable state law. Nothing in this section shall affect the Commission's jurisdiction over the sale and transmission of electric energy subject to the jurisdiction of the Commission.

31.5.1.7 Eligibility for Cost Allocation and Cost Recovery

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Any entity, whether Transmission Owner or Other Developer, shall be eligible for cost allocation and cost recovery as set forth in Section 31.5 of this Attachment Y and associated rate schedules, as applicable, for any approved reliability, economic, or Public Policy Requirement driven transmission project.

31.5.1.8 Effective Date of Cost Allocation and Cost Recovery for Regulated Transmission Solutions Driven by Public Policy Requirements

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The cost allocation methodology and cost recovery provided under this Section 31.5 for regulated transmission solutions driven by Public Policy Requirements shall only apply to solutions identified in the Tariff that are submitted to the ISO upon the completion of the next reliability planning cycle following the Commission's issuance of a final order approving these tariff changes.

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31.5.231.4.2 Cost Allocation Principles Required Under Order Nos. 1000 & 1000-A

In compliance with Commission Order Nos. 1000 and 1000-A, the ISO shall implement the specific cost allocation methodology in Section 31.5.3.2, 31.5.4.4, and 31.5.5.4 in accordance with the following Regional Cost Allocation Principles ("Order No. 1000 Regional Cost Allocation Principles"):

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Regional Cost Allocation Principle 1: The ISO shall allocate the cost of transmission facilities to those within the transmission planning region that benefit from those facilities in a manner that is at least roughly commensurate with estimated benefits. In determining the beneficiaries of transmission facilities, the ISO's CSPP will consider benefits including, but not limited to, the extent to which transmission facilities, individually or in the aggregate provide for maintaining reliability and sharing reserves, production cost savings and congestion relief, and/or meeting Public Policy Requirements.

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Regional Cost Allocation Principle 2: The ISO shall not involuntarily allocate any of the costs of transmission facilities to those that receive no benefit from transmission facilities.

Regional Cost Allocation Principle 3: In the event that the ISO adopts a benefit to cost threshold in its CSPP to determine which transmission facilities have sufficient net benefits to be selected in a regional transmission plan for the purpose of cost allocation, such benefit to cost threshold will not be so high that transmission facilities with significant positive net benefits are excluded from cost allocation. If the ISO chooses to adopt such a threshold in its CSPP it will not include a ratio of benefits to costs that exceeds 1.25 unless the ISO justifies and the Commission approves a higher ratio.

Regional Cost Allocation Principle 4: The ISO's allocation method for the cost of a transmission facility selected pursuant to the process in the CSPP shall allocate costs solely within the ISO's transmission planning region unless another entity outside the region or another transmission planning region voluntarily agrees to assume a portion of those costs. Costs for an interregional transmission facility must be assigned only to regions in which the facility is located. Costs cannot be assigned involuntarily to another region.

Regional Cost Allocation Principle 5: The ISO's cost allocation method and data requirements for determining benefits and identifying beneficiaries for a transmission facility shall be transparent with adequate documentation to allow a stakeholder to determine how they were applied to a proposed transmission facility, as consistent with confidentiality requirements set forth in this Attachment Y and the ISO Code of Conduct in Attachment F of the OATT.

Regional Cost Allocation Principle 6: The ISO's CSPP provides a different cost allocation method for different types of transmission facilities in the regional transmission plan and each cost allocation method is set out clearly and explained in detail in this Section 31.5.

31.5.3 Regulated Responses to Reliability Needs

31.5.3.1~~31.4.2.1~~ Cost Allocation Principles

~~The ISO shall implement the specific cost allocation methodology in Section 31.5.3.2 of this Attachment Y in accordance with the Order No. 1000 Regional Cost Allocation Principles as set forth in Section 31.5.2. Cost allocation for regulated transmission solutions to Reliability Needs shall be determined by the ISO based upon the principle that beneficiaries should bear the cost responsibility.~~ The specific cost allocation methodology ~~in Section 31.5.3.2, to be developed by the ISO in consultation with the ESPWG, will~~ incorporate the following elements:

~~31.5.3.1.1~~~~31.4.2.1.1~~ The focus of the cost allocation methodology shall be on solutions to Reliability Needs.

~~31.5.3.1.2~~~~31.4.2.1.2~~ Potential impacts unrelated to addressing the Reliability Needs shall not be considered for the purpose of cost allocation for regulated solutions.

~~31.5.3.1.3~~~~31.4.2.1.3~~ Primary beneficiaries shall initially be those Load Zones identified as contributing to the reliability violation.

~~31.5.3.1.4~~~~31.4.2.1.4~~ The cost allocation among primary beneficiaries shall be based upon their relative contribution to the need for the regulated solution.

~~31.5.3.1.5~~~~31.4.2.1.5~~ The ISO will examine the development of specific cost allocation rules based on the nature of the reliability violation (e.g., thermal overload, voltage, stability, resource adequacy and short circuit).

~~31.5.3.1.6~~~~31.4.2.1.6~~ Cost allocation shall recognize the terms of prior agreements among the Transmission Owners, if applicable.

~~31.5.3.1.7~~~~31.4.2.1.7~~ Consideration should be given to the use of a materiality threshold for cost allocation purposes.

~~31.5.3.1.8~~~~31.4.2.1.8~~ The methodology shall provide for ease of implementation and administration to minimize debate and delays to the extent possible.

~~31.5.3.1.9~~~~31.4.2.1.9~~ Consideration should be given to the “free rider” issue as appropriate. The methodology shall be fair and equitable.

~~31.5.3.1.10~~~~31.4.2.1.10~~ The methodology shall provide cost recovery certainty to investors to the extent possible.

~~31.5.3.1.11~~~~31.4.2.1.11~~ The methodology shall apply, to the extent possible, to Gap Solutions.

~~31.5.3.1.12~~~~31.4.2.1.12~~ Cost allocation is independent of the actual triggered project(s), except when allocating cost responsibilities associated with meeting a minimum Locational Installed Capacity Requirement (“LCR”), and is based on a separate process that results in NYCA meeting its LOLE requirement.

~~31.5.3.1.13~~~~31.4.2.1.13~~ Cost allocation for a solution that meets the needs of a Target Year assumes that backstop solutions of prior years have been implemented.

~~31.5.3.1.14~~~~31.4.2.1.14~~ Cost allocation will consider the most recent values for LCRs. LCRs must be met for the Target Year.

~~31.5.3.2~~~~31.4.2.2~~ **Cost Allocation Methodology**

~~31.5.3.2.1~~~~31.4.2.2.1~~ **General Reliability Solution Cost Allocation Formula:**

The cost allocation mechanism under Rate Schedule 10 of this tariff for regulated transmission solutions to Reliability Needs, whether proposed by a Responsible Transmission Owner or a Transmission Owner or Other Developer, would be used as a basis for allocating costs associated with projects determined to be necessary pursuant to Section 31.2.5.7. The

formula is not applicable to that portion of a project oversized beyond the smallest technically feasible solution that meets the Reliability Need identified in the RNA. Nor is the formula applicable to that portion of the cost of a regulated transmission reliability project that is, pursuant to Section 25.7.12 of Attachment S to the ISO OATT, paid for with funds previously committed by or collected from Developers for the installation of System Deliverability Upgrades required for the interconnection of generation or merchant transmission projects. The same cost allocation formula is applied regardless of the project or sets of projects being triggered; however, the nature of the solution set may lead to some terms equaling zero, thereby dropping out of the equation. To ensure that appropriate allocation to the LCR and non-LCR zones occurs, the zonal allocation percentages are developed through a series of steps that first identify responsibility for LCR deficiencies, followed by responsibility for remaining need. This cost allocation process can be applied to any solution or set of solutions that involve single or multiple cost allocation steps. One formula can be applied to any solution set:

$$\text{Cost Allocation}_i = \left[\frac{\text{LCRdef}_i}{\text{Soln Size}} + \left[\frac{\text{Coincident Peak}_i \times (1 + \text{IRM} - \text{LCR}_i)}{\sum_{k=1}^n \text{Coincident Peak}_k \times (1 + \text{IRM} - \text{LCR}_k)} \times \frac{\text{Soln STWdef}}{\text{Soln Size}} \right] \right]$$

$$= + \left[\frac{\text{Coincident Peak}_i \times (1 + \text{IRM} - \text{LCR}_i)}{\sum_{l=1}^m \text{Coincident Peak}_l \times (1 + \text{IRM} - \text{LCR}_l)} \times \frac{\text{Soln CIdef}}{\text{Soln Size}} \right]$$

$$\text{_____} \times 100\%$$

Where i is for each applicable zone, n represent the total zones in NYCA, m represents the zones isolated by the binding interfaces, IRM is the statewide reserve margin, and where

LCR is defined as the locational capacity requirement in terms of percentage and is equal to zero for those zones without an LCR requirement, LCR_{def_i} is the applicable zonal LCR deficiency, $Soln_{STW_{def}}$ is the STW_{def} for each applicable project, $Soln_{CI_{def}}$ is the CI_{def} for each applicable project, and $Soln_Size$ represents the total compensatory MW addressed by each applicable project.

Three step cost allocation methodology for regulated reliability solutions:

~~31.5.3.2.1.1~~~~31.4.2.2.1.1~~ Step 1 - LCR Deficiency

~~31.5.3.2.1.1~~~~31.4.2.2.1.1.1~~ Any deficiencies in meeting the LCRs for the Target Year

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will be referred to as the LCR_{def} . If the reliability criterion is met once the LCR deficiencies have been addressed, that is $LOLE \leq 0.1$ for the Target Year is achieved, then the only costs allocated will be those related to the LCR_{def} MW. Cost responsibility for the LCR_{def} MW will be borne by each deficient locational zone(s), to the extent each is individually deficient.

For a single solution that addresses only an LCR deficiency in the applicable LCR zone, the equation would reduce to:

$$Allocation_i = \frac{LCR_{def_i}}{Soln_Size} \times 100\%$$

Where i is for each applicable LCR zone, LCR_{def_i} represents the applicable zonal LCR deficiency, and $Soln_Size$ represents the total compensatory MW addressed by the applicable project.

~~31.5.3.2.1.1~~~~231.4.2.2.1.1.2~~ Prior to the LOLE calculation, voltage constrained

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interfaces will be recalculated to determine the resulting transfer limits when the LCR_{def} MW are added.

31.5.3.2.1.2~~31.4.2.2.1.2~~ Step 2 - Statewide Resource Deficiency. If the reliability criterion is not met after the LCRdef has been addressed, that is an LOLE > 0.1, then a NYCA Free Flow Test will be conducted to determine if NYCA has sufficient resources to meet an LOLE of 0.1.

31.5.3.2.1.2~~31.4.2.2.1.2.1~~ If NYCA is found to be resource limited, the ISO, using the transfer limits and resources determined in Step 1, will determine the optimal distribution of additional resources to achieve a reduction in the NYCA LOLE to 0.1.

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31.5.3.2.1.2~~31.4.2.2.1.2.2~~ Cost allocation for compensatory MW added for cost allocation purposes to achieve an LOLE of 0.1, defined as a Statewide MW deficiency (STWdef), will be prorated to all NYCA zones, based on the NYCA coincident peak load. The allocation to locational zones will take into account their locational requirements.

For a single solution that addresses only a statewide deficiency, the equation would reduce to:

$$\text{Allocation}_i = \left[\frac{\text{Coincident Peak}_i \times (1 + \text{IRM} - \text{LCR}_i)}{\sum_{k=1}^n \text{Coincident Peak}_k \times (1 + \text{IRM} - \text{LCR}_k)} \times \frac{\text{Soln STWdef}}{\text{Soln Size}} \right] \times 100\%$$

Where i is for each applicable zone, n is for the total zones in NYCA, IRM is the statewide reserve margin, and LCR is defined as the locational capacity requirement in terms of percentage and is equal to zero for those zones without an LCR requirement, Soln STWdef is the STWdef for the applicable project, and

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Soln_Size represents the total compensatory MW addressed by the applicable project.

31.5.3.2.1.3~~31.4.2.2.1.3~~ Step 3 - Constrained Interface Deficiency. If the NYCA is not resource limited as determined by the NYCA Free Flow Test, then the ISO will examine constrained transmission interfaces, using the Binding Interface Test.

31.5.3.2.1.3.1~~31.4.2.2.1.3.1~~ The ISO will provide output results of the reliability simulation program utilized for the RNA that indicate the hours that each interface is at limit in each flow direction, as well as the hours that coincide with a loss of load event. These values will be used as an initial indicator to determine the binding interfaces that are impacting LOLE within the NYCA.

31.5.3.2.1.3.2~~31.4.2.2.1.3.2~~ The ISO will review the output of the reliability simulation program utilized for the RNA along with other applicable information that may be available to make the determination of the binding interfaces.

31.5.3.2.1.3.3~~31.4.2.2.1.3.3~~ Bounded Regions are assigned cost responsibility for the compensatory MW, defined as Cidef, needed to reach an LOLE of 0.1.

31.5.3.2.1.3.4~~31.4.2.2.1.3.4~~ If one or more Bounded Regions are isolated as a result of binding interfaces identified through the Binding Interface Test, the ISO will determine the optimal distribution of compensatory MW to achieve a NYCA LOLE of 0.1. Compensatory MW will be added until the required NYCA LOLE is achieved.

31.5.3.2.1.3.5~~31.4.2.2.1.3.5~~ The Bounded Regions will be identified by the ISO's Binding Interface Test, which identifies the bounded interface limits that can be

relieved and have the greatest impact on NYCA LOLE. The Bounded Region that will have the greatest benefit to NYCA LOLE will be the area to be first allocated costs in this step. The ISO will determine if after the first addition of compensating MWs the Bounded Region with the greatest impact on LOLE has changed. During this iterative process, the Binding Interface Test will look across the state to identify the appropriate Bounded Region. Specifically, the Binding Interface Test will be applied starting from the interface that has the greatest benefit to LOLE (the greatest LOLE reduction per interface compensatory MW addition), and then extended to subsequent interfaces until a NYCA LOLE of 0.1 is achieved.

31.5.3.2.1.3.6 ~~31.4.2.2.1.3.6~~ The CIdéf MW are allocated to the applicable Bounded Region isolated as a result of the constrained interface limits, based on their NYCA coincident peaks. Allocation to locational zones will take into account their locational requirements.

For a single solution that addresses only a binding interface deficiency, the equation would reduce to:

$$\text{Allocation}_i = \left[\frac{\text{Coincident Peak}_i \times (1 + \text{IRM} - \text{LCR}_i)}{\sum_{l=1}^m \text{Coincident Peak}_l \times (1 + \text{IRM} - \text{LCR}_l)} \times \frac{\text{Soln CIdéf}}{\text{Soln Size}} \right] \times 100\%$$

Where i is for each applicable zone, m is for the zones isolated by the binding interfaces, IRM is the statewide reserve margin, and where LCR is defined as the locational capacity requirement in terms of percentage and is equal to zero for those zones without an LCR requirement, SolnCIdéf is the CIdéf for the

applicable project and Soln_Size represents the total compensatory MW addressed by the applicable project.

~~31.5.3.2.1.4~~~~31.4.2.2.1.4~~ If, after the completion of Steps 1 through 3, there is a thermal or voltage security issue that does not cause an LOLE violation, it will be deemed a local issue and related costs will not be allocated under this process.

~~31.5.3.2.1.5~~~~31.4.2.2.1.5~~ Costs related to the deliverability of a resource will be addressed under the ISO's deliverability procedures.

~~31.5.3.2.1.6~~~~31.4.2.2.1.6~~ This cost allocation methodology would be used for any projects required to meet Reliability Needs identified in the RNA that are triggered prior to January 1, 2016. Costs associated with any projects triggered on or after January 1, 2016 will be allocated according to a methodology, which, after proper consideration within the ISO stakeholder process, will be filed by the ISO for the Commission's approval prior to January 1, 2016, in accordance with the ISO governance process. The filing may provide for a continuation of the forgoing methodology or a revised methodology.

~~31.5.4~~~~31.4.3~~ **Regulated Economic Projects**

~~31.5.4.1~~~~31.4.3.1~~ **The Scope of Section ~~31.5.4~~~~31.4.3~~**

As discussed in Section ~~31.5.1~~~~31.4.1~~ of this Attachment Y, the cost allocation principles and methodologies of this Section ~~31.5.4~~~~31.4.3~~ apply only to regulated economic transmission projects ("RETPs") proposed in response to congestion identified in the CARIS. This Section ~~31.5.4~~~~31.4.3~~ does not apply to generation or demand side management projects, nor does it apply to any market-based projects. This Section ~~31.5.4~~~~31.4.3~~ does not apply to regulated backstop solutions triggered by the ISO pursuant to the CSPP, provided, however, the cost allocation

principles and methodologies in this Section ~~31.5.4.3~~^{31.5.4.4} will apply to regulated backstop solutions when the implementation of the regulated backstop solution is accelerated solely to reduce congestion in earlier years of the Study Period. The ISO will work with the ESPWG to develop procedures to deal with the acceleration of regulated backstop solutions for economic reasons.

Nothing in this Attachment Y mandates the implementation of any project in response to the congestion identified in the CARIS.

~~31.5.4.2~~^{31.5.4.3} **Cost Allocation Principles**

~~The ISO shall implement the specific cost allocation methodology in Section 31.5.4.4 of this Attachment Y in accordance with the Order No. 1000 Regional Cost Allocation Principles as set forth in Section 31.5.2. Cost allocation for RETPs shall be determined by the ISO based upon the principle that beneficiaries should bear the cost responsibility.~~ The specific cost allocation methodology in Section ~~31.5.4.3~~^{31.5.4.4} incorporates the following elements:

~~31.5.4.2.1~~^{31.5.4.3.1} The focus of the cost allocation methodology shall be on responses to specific conditions identified in the CARIS.

~~31.5.4.2.2~~^{31.5.4.3.2} Potential impacts unrelated to addressing the identified congestion shall not be considered for the purpose of cost allocation for RETPs.

~~31.5.4.2.3~~^{31.5.4.3.3} Projects analyzed hereunder as proposed RETPs may proceed on a market basis with willing buyers and sellers at any time.

~~31.5.4.2.4~~^{31.5.4.3.4} Cost allocation shall be based upon a beneficiaries pay approach. Cost allocation under the ISO tariff for a RETP shall be applicable only when a super majority of the beneficiaries of the project, as defined in Section ~~31.5.4.6~~^{31.5.4.3.6} of this Attachment Y, vote to support the project.

~~31.5.4.2.5~~~~31.4.3.2.5~~ Beneficiaries of a RETP shall be those entities economically benefiting from the proposed project. The cost allocation among beneficiaries shall be based upon their relative economic benefit.

~~31.5.4.2.6~~~~31.4.3.2.6~~ Consideration shall be given to the proposed project's payback period.

~~31.5.4.2.7~~~~31.4.3.2.7~~ The cost allocation methodology shall address the possibility of cost overruns.

~~31.5.4.2.8~~~~31.4.3.2.8~~ Consideration shall be given to the use of a materiality threshold for cost allocation purposes.

~~31.5.4.2.9~~~~31.4.3.2.9~~ The methodology shall provide for ease of implementation and administration to minimize debate and delays to the extent possible.

~~31.5.4.2.10~~~~31.4.3.2.10~~ Consideration should be given to the "free rider" issue as appropriate. The methodology shall be fair and equitable.

~~31.5.4.2.11~~~~31.4.3.2.11~~ The methodology shall provide cost recovery certainty to investors to the extent possible.

~~31.5.4.2.12~~~~31.4.3.2.12~~ Benefits determination shall consider various perspectives, based upon the agreed-upon metrics for analyzing congestion.

~~31.5.4.2.13~~~~31.4.3.2.13~~ Benefits determination shall account for future uncertainties as appropriate (e.g., load forecasts, fuel prices, environmental regulations).

~~31.5.4.2.14~~~~31.4.3.2.14~~ Benefits determination shall consider non-quantifiable benefits as appropriate (e.g., system operation, environmental effects, renewable integration).

31.5.4.3~~31.4.3.3~~ Project Eligibility for Cost Allocation

The methodologies in this Section 31.5.4.3~~31.4.3.3~~ will be used to determine the eligibility of a proposed RETP to have its cost allocated and recovered pursuant to the provisions of this Attachment Y.

31.5.4.3.1~~31.4.3.3.1~~ The ISO will evaluate the benefits against the costs (as provided by the Developer) of each proposed RETP over a ten-year period commencing with the proposed commercial operation date for the project. The Developer of each project will pay the cost incurred by the ISO to conduct the ten-year benefit/cost analysis of its project. The ISO, in conjunction with the ESPWG, will develop methodologies for extending the most recently completed CARIS database as necessary to evaluate the benefits and costs of each proposed RETP.

31.5.4.3.2~~31.4.3.3.2~~ The benefit metric for eligibility under the ISO's benefit/cost analysis will be expressed as the present value of the annual NYCA-wide production cost savings that would result from the implementation of the proposed project, measured for the first ten years from the proposed commercial operation date for the project.

31.5.4.3.3~~31.4.3.3.3~~ The cost for the ISO's benefit/cost analysis will be supplied by the Developer of the project, and the cost metric for eligibility will be expressed as the present value of the first ten years of annual total revenue requirements for the project, reasonably allocated over the first ten years from the proposed commercial operation date for the project.

31.5.4.3.4~~31.4.3.3.4~~ For informational purposes only, the ISO will also calculate the present value of the annual total revenue requirement for the project over a 30

year period commencing with the proposed commercial operation date of the project.

~~31.5.4.3.5~~~~31.4.3.3.5~~ To be eligible for cost allocation and recovery under this Attachment Y, the benefit of the proposed project must exceed its cost measured over the first ten years from the proposed commercial operation date for the project, and the requirements of section ~~31.5.4.2~~~~31.4.3.2~~ must be met. The total capital cost of the project must exceed \$25 million. In addition, a super-majority of the beneficiaries must vote in favor of the project, as specified in Section ~~31.5.4.6~~~~31.4.3.6~~ of this Attachment Y.

~~31.5.4.3.6~~~~31.4.3.3.6~~ In addition to calculating the benefit metric as defined in Section ~~31.5.4.3.2~~~~31.4.3.3.2~~, the ISO will calculate additional metrics to estimate the potential benefits of the proposed project, for information purposes only, in accordance with Section 31.3.1.3.5, for the applicable metric. These additional metrics shall include those that measure reductions in LBMP load costs, changes to generator payments, ICAP costs, Ancillary Service costs, emissions costs, and losses. TCC revenues will be determined in accordance with Section ~~31.5.4.4.2~~~~31.4.3.4.2.3~~. The ISO will provide information on these additional metrics to the maximum extent practicable considering its overall resource commitments.

~~31.5.4.3.7~~~~31.4.3.3.7~~ In addition to the benefit/cost analysis performed by the ISO under this Section ~~31.5.4.3~~~~31.4.3.3~~, the ISO will work with the ESPWG to consider the development and implementation of scenario analyses, for information only, that shed additional light on the benefit/cost analysis of a proposed project. These

additional scenario analyses may cover fuel and load forecast uncertainty, emissions data and the cost of allowances, pending environmental or other regulations, and alternate resource and energy efficiency scenarios. Consideration of these additional scenarios will take into account the resource commitments of the ISO.

31.5.4.4.3.4 Cost Allocation for Eligible Projects

As noted in Section 31.5.4.2.3.4.3.2 of this Attachment Y, the cost of a RETP will be allocated to those entities that would economically benefit from implementation of the proposed project.

31.5.4.4.1.3.4.4.1 The ISO will identify the beneficiaries of the proposed project over a ten-year time period commencing with the proposed commercial operation date for the project. The ISO, in conjunction with the ESPWG, will develop methodologies for extending the most recently completed CARIS database as necessary for this purpose.

31.5.4.4.2.3.4.4.2 The ISO will identify beneficiaries of a proposed project as follows:

31.5.4.4.2.1.3.4.4.2.1 The ISO will measure the present value of the annual zonal LBMP load savings for all Load Zones which would have a load savings, net of reductions in TCC revenues, and net of reductions from bilateral contracts (based on available information provided by Load Serving Entities to the ISO as set forth in subsection 31.5.4.4.2.5.3.4.4.2.5 below) as a result of the implementation of the proposed 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 commencing with the project's commercial operation date. The load savings for a Load Zone will be equal to the difference between the zonal LBMP load cost without the project and the LBMP load cost with the project, net of reductions in TCC revenues and net of reductions from bilateral contracts.

31.5.4.4.2.2~~31.4.3.4.2.2~~ The beneficiaries will be those Load Zones that experience net benefits measured over the first ten years from the proposed commercial operation date for the project. If the sum of the zonal benefits for those Load Zones with load savings is greater than the revenue requirements for the project (both load savings and revenue requirements measured in present value over the first ten years from the commercial operation date of the project), the ISO will proceed with the development of the zonal cost allocation information to inform the beneficiary voting process.

31.5.4.4.2.3~~31.4.3.4.2.3~~ Reductions in TCC revenues will reflect the forecasted impact of the project on TCC auction revenues and day-ahead residual congestion rents allocated to load in each zone, not including the congestion rents that accrue to any Incremental TCCs that may be made feasible as a result of this project. This impact will include forecasts of: (1) the total impact of that project on the Transmission Service Charge offset applicable to loads in each zone (which may vary for loads in a given zone that are in different Transmission Districts); (2) the total impact of that project on the NYPA Transmission Adjustment Charge offset applicable to loads in that zone; and (3) the total impact of that project on payments made to LSEs serving load in that zone that hold Grandfathered Rights

or Grandfathered TCCs, to the extent that these have not been taken into account in the calculation of item (1) above. These forecasts shall be performed using the procedure described in Appendix B to this Attachment Y.

~~31.5.4.4.2.4~~~~31.4.3.4.2.4~~ Estimated TCC revenues from any Incremental TCCs created by a proposed RETP over the ten-year period commencing with the project's commercial operation date will be added to the Net Load Savings used for the cost allocation and beneficiary determination.

~~31.5.4.4.2.5~~~~31.4.3.4.2.5~~ The ISO will solicit bilateral contract information from all Load Serving Entities, which will provide the ISO with bilateral energy contract data for modeling contracts that do not receive benefits, in whole or in part, from LBMP reductions, and for which the time period covered by the contract is within the ten-year period beginning with the commercial operation date of the project. Bilateral contract payment information that is not provided to the ISO will not be included in the calculation of the present value of the annual zonal LBMP savings in section ~~31.5.4.4.2.1~~~~31.4.3.4.2.1~~ above.

~~31.5.4.4.2.5.1~~~~31.4.3.4.2.5.1~~ All bilateral contract information submitted to the ISO must identify the source of the contract information, including citations to any public documents including but not limited to annual reports or regulatory filings

~~31.5.4.4.2.5.2~~~~31.4.3.4.2.5.2~~ All non-public bilateral contract information will be protected in accordance with the ISO's Code of Conduct, as set forth in Section 12.4 of Attachment F of the ISO OATT, and Article 6 of the ISO Services Tariff.

31.5.4.4.2.5.3~~31.4.3.4.2.5.3~~

All bilateral contract information and information

on LSE-owned generation submitted to the ISO must include the following information:

- (1) Contract quantities on an annual basis:
 - (a) For non-generator specific contracts, the Energy (in MWh) contracted to serve each Zone for each year.
 - (b) For generator specific contracts or LSE-owned generation, the name of the generator(s) and the MW or percentage output contracted or self-owned for use by Load in each Zone for each year.
- (2) For all Load Serving Entities serving Load in more than one Load Zone, the quantity (in MWh or percentage) of bilateral contract Energy to be applied to each Zone, by year over the term of the contract.
- (3) Start and end dates of the contract.
- (4) Terms in sufficient detail to determine that either pricing is not indexed to LBMP, or, if pricing is indexed to LBMP, the manner in which prices are connected to LBMP.
- (5) Identify any changes in the pricing methodology on an annual basis over the term of the contract.

31.5.4.4.2.5.4~~31.4.3.4.2.5.4~~

Bilateral contract and LSE-owned generation

information will be used to calculate the adjusted LBMP savings for each Load Zone as follows:

$AdjLBMP_{y,z}$, the adjusted LBMP savings for each Load Zone z in each year y , shall be calculated using the following equation:

$$AdjLBMP_{y,z} = \max \left[0, TL_{y,z} - \sum_{b \in B_{y,z}} (BCL_{b,y,z} \cdot (1 - Ind_{b,y,z})) - SG_{y,z} \right] \cdot (LBMP1_{y,z} - LBMP2_{y,z})$$

Where:

$TL_{y,z}$ is the total annual amount of Energy forecasted to be consumed by Load in year y in Load Zone z ;

$B_{y,z}$ is the set of blocks of Energy to serve Load in Load Zone z in year y that are sold under bilateral contracts for which information has been provided to the ISO that meets the requirements set forth elsewhere in this Section [31.5.4.4.2.5](#) ~~31.4.3.4.2.5~~

$BCL_{b,y,z}$ is the total annual amount of Energy sold into Load Zone z in year y under bilateral contract block b ;

$Ind_{b,y,z}$ is the ratio of (1) the increase in the amount paid by the purchaser of Energy, under bilateral contract block b , as a result of an increase in the LBMP in Load Zone z in year y to (2) the increase in the amount that a purchaser of that amount of Energy would pay if the purchaser paid the LBMP for that Load Zone in that year for all of that Energy (this ratio shall be zero for any bilateral contract block of Energy that is sold at a fixed price or for which the cost of Energy purchased under that contract otherwise insensitive to the LBMP in Load Zone z in year y);

$SG_{y,z}$ is the total annual amount of Energy in Load Zone z that is forecasted to be served by LSE-owned generation in that Zone in year y ;

$LBMP1_{y,z}$ is the forecasted annual load-weighted average LBMP for Load Zone z in year y , calculated under the assumption that the project is not in place; and

$LBMP2_{y,z}$ is the forecasted annual load-weighted average LBMP for Load Zone z in year y , calculated under the assumption that the project is in place.

~~31.5.4.4.2.6~~ ~~31.4.3.4.2.6~~ NZS_z , the Net Zonal Savings for each Load Zone z resulting from a given project, shall be calculated using the following equation:

$$NZS_z = \max \left[0, \sum_{y=PS}^{PS+9} ((AdjLBMP_{y,z} - TCCRevImpact_{y,z}) \cdot DF_y) \right],$$

Where:

PS is the year in which the project is expected to enter commercial operation;

$AdjLBMP_{y,z}$ is as calculated in Section ~~31.5.4.4.2.5~~ ~~31.4.3.4.2.5~~;

$TCCRevImpact_{y,z}$ is 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~~ ~~31.6~~ of this Attachment Y; and

DF_y is the discount factor applied to cash flows in year y to determine the present value of that cash flow in year PS .

~~31.5.4.4.3~~ ~~31.4.3.4.3~~ Load Zones not benefiting from a proposed RETP will not be allocated any of the costs of the project under this Attachment Y. There will be no “make whole” payments to non-beneficiaries.

~~31.5.4.4.4~~ ~~31.4.3.4.4~~ Costs of a project will be allocated to beneficiaries as follows:

~~31.5.4.4.1~~ ~~31.4.3.4.4.1~~ The ISO will allocate the cost of the RETP based on the zonal share of total savings to the Load Zones determined pursuant to Section ~~31.5.4.4.2~~ ~~31.4.3.4.2~~ to be beneficiaries of the proposed project. Total savings will be equal to the sum of load savings for each Load Zone that experiences net benefits pursuant to Section ~~31.5.4.4.2~~ ~~31.4.3.4.2~~. A Load Zone’s cost allocation will be equal to the present value of the following calculation:

$$\text{Zonal Cost Allocation} = \text{Project Cost} \times \left(\frac{(\text{Zonal Benefits})}{\text{Total Zonal Benefits for zones with positive net benefits}} \right)$$

~~31.5.4.4.4.2~~~~31.4.3.4.4.2~~ Zonal cost allocation calculations for a RETP will be performed prior to the commencement of the ten-year period that begins with the project's commercial operation date, and will not be adjusted during that ten-year period.

~~31.5.4.4.4.3~~~~31.4.3.4.4.3~~ Within zones, costs will be allocated to LSEs based on MWhs calculated for each LSE for each zone using data from the most recent available 12 month period. Allocations to an LSE will be calculated in accordance with the following formula:

$$\text{LSE Intrazonal Cost Allocation} = \text{Zonal Cost Allocation} \times \left(\frac{\text{LSE Zonal MWh}}{\text{Total Zonal MWh}} \right)$$

~~31.5.4.4.5~~~~31.4.3.4.5~~ Project costs allocated under this Section ~~31.5.4.4~~~~31.4.3.4~~ will be determined as follows:

~~31.5.4.4.5.1~~~~31.4.3.4.5.1~~ The project cost allocated under this Section ~~31.5.4.4~~~~31.4.3.4~~ will be based on the total project revenue requirement, as supplied by the Developer of the project, for the first ten years of project operation. The total project revenue requirement will be determined in accordance with the formula rate on file at the Commission. If there is no formula rate on file at the Commission, then the Developer shall provide to the ISO the project-specific parameters to be used to calculate the total project revenue requirement.

~~31.5.4.4.5.2~~~~31.4.3.4.5.2~~ Once the benefit/cost analysis is completed the amortization period and the other parameters used to determine the costs that will be recovered for the project should not be changed, unless so ordered by the

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Commission or a court of applicable jurisdiction, for cost recovery purposes to maintain the continued validity of the benefit/cost analysis.

~~31.5.4.4.5.3~~ ~~31.4.3.4.5.3~~ The ISO, in conjunction with the ESPWG, will develop procedures to allocate the risk of project cost increases that occur after the ISO completes its benefit/cost analysis under this Attachment Y. These procedures may include consideration of an additional review and vote prior to the start of construction and whether the developer should bear all or part of the cost of any overruns.

~~31.5.4.4.6~~ ~~31.4.3.4.6~~ The Commission must approve the cost of a proposed RETP for that cost to be recovered through the ISO OATT. The developer's filing with the Commission must be consistent with the project proposal evaluated by the ISO under this Attachment Y in order to be cost allocated to beneficiaries.

~~31.5.4.5~~ ~~31.4.3.5~~ **Collaborative Governance Process and Board Action**

~~31.5.4.5.1~~ ~~31.4.3.5.1~~ The ISO shall submit the results of its project benefit/cost analysis and beneficiary determination to the ESPWG and TPAS, and to the identified beneficiaries of the proposed RETP for comment. The ISO shall make available to any interested party sufficient information to replicate the results of the benefit/cost analysis and beneficiary determination. The information made available will be electronically masked and made available pursuant to a process that the ISO reasonably determines is necessary to prevent the disclosure of any Confidential Information or Critical Energy Infrastructure Information contained in the information made available. Following completion of the review by the ESPWG and TPAS of the project benefit/cost analysis, the ISO's analysis

reflecting any revisions resulting from the TPAS and ESPWG review shall be forwarded to the Business Issues Committee and Management Committee for discussion and action.

31.5.4.5.2~~31.4.3.5.2~~ Following the Management Committee vote, the ISO's project benefit/cost analysis and beneficiary determination will be forwarded, with the input of the Business Issues Committee and Management Committee, to the ISO Board for review and action. In addition, the ISO's determination of the beneficiaries' voting shares will be forwarded to the ISO Board for review and action. The Board may approve the analysis and beneficiary determinations as submitted or propose modifications on its own motion. If any changes to the benefit/cost analysis or the beneficiary determinations are proposed by the Board, the revised analysis and beneficiary determinations shall be returned to the Management Committee for comment. If the Board proposes any changes to the ISO's voting share determinations, the Board shall so inform the LSE or LSEs impacted by the proposed change and shall allow such an LSE or LSEs an opportunity to comment on the proposed change. The Board shall not make a final determination on the project benefit/cost analysis and beneficiary determination until it has reviewed the Management Committee comments. Upon final approval of the Board, project benefit/cost analysis and beneficiary determinations shall be posted by the ISO on its website and shall form the basis of the beneficiary voting described in Section 31.5.4.6~~31.4.3.6~~ of this Attachment Y.

~~31.5.4.6~~~~31.4.3.6~~ **Voting by Project Beneficiaries**

~~31.5.4.6.1~~~~31.4.3.6.1~~ Only LSEs serving Load located in a beneficiary zone determined in accordance with the procedures in Section ~~31.5.4.4~~~~31.4.3.4~~ of this Attachment Y shall be eligible to vote on a proposed project. The ISO will, in conjunction with the ESPWG, develop procedures to determine the specific list of voting entities for each proposed project.

~~31.5.4.6.2~~~~31.4.3.6.2~~ The voting share of each LSE shall be weighted in accordance with its share of the total project benefits, as allocated by Section ~~31.5.4.4~~~~31.4.3.4~~ of this Attachment Y.

~~31.5.4.6.3~~~~31.4.3.6.3~~ The costs of a RETP shall be allocated under this Attachment Y if eighty percent (80%) or more of the actual votes cast on a weighted basis are cast in favor of implementing the project.

~~31.5.4.6.4~~~~31.4.3.6.4~~ If the proposed RETP meets the required vote in favor of implementing the project, and the project is implemented, all beneficiaries, including those voting "no," will pay their proportional share of the cost of the project.

~~31.5.4.6.5~~~~31.4.3.6.5~~ The ISO will tally the results of the vote in accordance with procedures set forth in the ISO Procedures, and report the results to stakeholders. Beneficiaries voting against approval of a project must submit to the ISO their rationale for their vote within 30 days of the date that the vote is taken. Beneficiaries must provide a detailed explanation of the substantive reasons underlying the decision, including, where appropriate: (1) which additional benefit metrics, either identified in the tariff or otherwise, were used; (2) the actual quantification of such benefit metrics or factors; (3) a quantification and

explanation of the net benefit or net cost of the project to the beneficiary; and (4) data supporting the metrics and other factors used. Such explanation may also include uncertainties, and/or alternative scenarios and other qualitative factors considered, including state public policy goals. The ISO will report this information to the Commission in an informational filing to be made within 60 days of the vote. The informational filing will include: (1) a list of the identified beneficiaries; (2) the results of the benefit/cost analysis; and (3) where a project is not approved, whether the developer has provided any formal indication to the ISO as to the future development of the project.

31.5.5 Regulated Transmission Solutions Driven by Public Policy Requirements

31.5.5.1 The Scope of Section 31.5.5

As discussed in Section 31.5.1 of this Attachment Y, the cost allocation principles and methodologies of this Section 31.5.5 apply only to regulated transmission projects proposed as solutions to transmission needs driven by Public Policy Requirements. This Section 31.5.5 does not apply to generation or demand side management projects, nor does it apply to any market-based projects. This Section 31.5.5 does not apply to regulated reliability solutions implemented pursuant to the reliability planning process, nor does it apply to RETPs proposed in response to congestion identified in the CARIS.

A regulated backstop transmission solution or an alternative regulated reliability transmission solution shall only utilize the cost allocation methodology set forth in Section 31.5.3 where it either is: (1) determined by the appropriate regulatory agency(ies) or authority(ies) to be the regulated solution that should be implemented pursuant to Section 31.2.5.7.1, or (2) seeking cost recovery where it has been halted or cancelled pursuant to the

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provisions of Section 31.2.7.3. A regulated economic transmission solution proposed in response to congestion identified in the CARIS, and approved pursuant to Section 31.5.4.6, shall only be eligible to utilize the cost allocation principles and methodologies set forth in Section 31.5.4.

31.5.5.2 Cost Allocation Principles

The ISO shall implement the specific cost allocation methodology in Section 31.5.5.4 of this Attachment Y in accordance with the Order No. 1000 Regional Cost Allocation Principles as set forth in Section 31.5.2. The specific cost allocation methodology in Section 31.5.5.4 incorporates the following elements:

31.5.5.2.1 The focus of the cost allocation methodology shall be on proposed regulated transmission solutions to transmission needs driven by Public Policy Requirements identified by the NYDPS/NYPSC.

31.5.5.2.2 Projects analyzed hereunder as proposed solutions to transmission needs driven by Public Policy Requirements may proceed on a market basis with willing buyers and sellers at any time.

31.5.5.2.3 Cost allocation shall be based on a beneficiaries pay approach.

31.5.5.2.4 Project benefits will be identified in accordance with Section 31.5.4.4.

31.5.5.2.5 Identification of beneficiaries for cost allocation and cost allocation among those beneficiaries shall be according to the methodology specified in Section 31.5.5.4.

31.5.5.3 Project Eligibility for Cost Allocation

A project that is proposed as a solution for a transmission need driven by a Public Policy Requirement and that is evaluated by the ISO is eligible for cost allocation under this tariff when

the NYPSC determines that the project should proceed to request the necessary local, state, and federal authorizations for construction and operation of the project. The ISO shall post on its website a list of all projects that the NYPSC has determined should proceed to request necessary approvals.

If the NYPSC requests a Transmission Owner or Other Developer to provide a more detailed study or cost estimate for a proposed transmission project, such study costs shall be eligible for cost recovery.

At this point in the process, cost allocation for selected projects will be calculated by the ISO using the process set forth in Section 31.5.5.4 of this Attachment Y.

31.5.5.4 Cost Allocation for Eligible Projects

As noted in Section 31.5.5.2 of this Attachment Y, the identification of beneficiaries for cost allocation and the cost allocation of a proposed solution to a transmission need driven by a Public Policy Requirement will be calculated by the ISO in accordance with the following methodology:

31.5.5.4.1 If the Public Policy Requirement that results in the construction of a transmission project prescribes the use of a particular cost allocation and recovery methodology, then the ISO shall use that methodology.

31.5.5.4.2 If the Public Policy Requirement that results in the construction of a transmission project solution does not prescribe a cost allocation methodology, then the project developer may propose and, subject to any guidance that may be provided by the NYPSC and subject to the approval of the Commission, use a cost allocation based on load ratio share, adjusted to reflect the transmission needs driven by the Public Policy Requirement, the party(ies) responsible for complying

with the Public Policy Requirement, and the parties who benefit from the transmission facility (“Adjusted Load Ratio Share”).

31.5.5.4.3 If the Public Policy Requirement does not specify a cost allocation methodology, or the developer’s cost allocation methodology is not endorsed by the NYPSC, the NYDPS/NYPSC may identify an alternative cost allocation methodology to be applied, consistent with the Order No. 1000 Regional Cost Allocation Principles.

31.5.5.4.4 The ISO, on behalf of, the Transmission Owner or Other Developer of a transmission solution to a transmission need driven by a Public Policy Requirement, that is the subject of a determination by the NYPSC that the project should proceed to request the necessary local, state, and federal authorizations for construction and operation of the project, will make a filing for approval by FERC of the proposed cost allocation for the project, if the proposed cost allocation is other than the default cost allocation formula based on a load ratio share methodology. The filing will demonstrate that the proposed cost allocation is compliant with the Order No. 1000 Regional Cost Allocation Principles.

31.5.5.4.5 In the absence of any of the above cost allocation methodologies, the ISO will allocate the costs of the transmission project to all Load Serving Entities in the NYCA using a default cost allocation formula, based upon a load ratio share methodology.

31.5.631.4.4 Cost Recovery for Regulated Projects

Responsible Transmission Owners, Transmission Owners and Other Developers will be entitled to full recovery of all reasonably incurred costs, including a reasonable return on

investment and any applicable incentives, related to the development, construction, operation and maintenance of regulated solutions, including Gap Solutions, proposed or undertaken pursuant to the provisions of this Attachment Y to meet a Reliability Need. Transmission Owners and Other Developers will be entitled to recovery of costs associated with the implementation of a regulated economic transmission project ("RETP") in accordance with the provisions of Section

31.5.6.4.4 of this Attachment Y. Transmission Owners and Other Developers will be entitled to recovery of costs associated with the implementation of regulated transmission projects undertaken to meet a transmission need driven by a Public Policy Requirement in accordance with the provisions of Section 31.5.5.4 of this Attachment Y.

31.5.6.131.4.4.1 The Responsible Transmission Owner, Transmission Owner or Other Developer will receive cost recovery for a regulated solution it undertakes to meet a Reliability Need pursuant to Section 31.2.7 of this Attachment Y that is subsequently halted in accordance with the criteria established pursuant to Section 31.2.7 of this Attachment Y. Such costs will include reasonably incurred costs through the time of cancellation, including any forward commitments made.

31.5.6.231.4.4.2 The Responsible Transmission Owner, Transmission Owner or Other Developer will recover its costs described in this Section 31.5.31.4.4 incurred with respect to the implementation of a regulated transmission solution to Reliability Needs in accordance with the provisions of Rate Schedule 10 of this ISO OATT. Provided further that cost recovery for regulated transmission projects undertaken by a Transmission Owner pursuant to this Attachment Y shall be in accordance with the provisions of the NYISO/TO Reliability Agreement.

~~31.5.6.3~~~~31.4.4.3~~ Costs related to non-transmission regulated solutions to Reliability Needs will be recovered by Responsible Transmission Owners, Transmission Owners and Other Developers in accordance with the provisions of New York Public Service Law, New York Public Authorities Law, or other applicable state law. A Responsible Transmission Owner, a Transmission Owner, or Other Developer may propose and undertake a regulated non-transmission solution, provided that the appropriate state agency(ies) has established cost recovery procedures comparable to those provided in this tariff for regulated transmission solutions to ensure the full and prompt recovery of all reasonably-incurred costs related to such non-transmission solutions. Nothing in this section shall affect the Commission's jurisdiction over the sale and transmission of electric energy subject to the jurisdiction of the Commission.

~~31.5.6.4~~~~31.4.4.4~~ For a regulated economic transmission project that is approved pursuant to Section ~~31.5.4.6~~~~31.4.6.3~~ of this Attachment Y, the Transmission Owner or Other Developer shall have the right to make a filing with the Commission, under Section 205 of the Federal Power Act, for approval of its costs associated with implementation of the project. The filing of the Transmission Owner or Other Developer must be consistent with its project proposal made to and evaluated by the ISO under Section ~~31.5.4~~~~31.4.3~~ of this Attachment Y. The period for cost recovery, if any cost recovery is approved, will be determined by the Commission and will begin if and when the project begins commercial operation. Upon request by NYPA, the ISO will make a filing on behalf of NYPA.

31.5.6.5 For a regulated transmission project that is implemented to meet a transmission need driven by a Public Policy Requirement, the Transmission Owner or Other Developer shall have the right to make a filing with the Commission under Section 205 of the Federal Power Act, for approval of its costs associated with implementation of the project. The filing of the Transmission Owner or Other Developer must be consistent with its project proposal made to and evaluated by the ISO under Section 31.4 of this Attachment Y, as approved by the NYPSC. The period for cost recovery, if any cost recovery is approved, will be determined by the Commission and will begin if and when the project begins commercial operation. Such cost recovery will include reasonable costs incurred, by the Transmission Owner or Other Developer, to provide a more detailed study or cost estimate for such project at the request of the NYPSC, and to prepare the application required to comply with New York Public Service Law Article VII, or any successor statute, and to seek other necessary authorizations. If the appropriate federal, state or local agency(ies) either does not approve a necessary authorization, or approves and later withdraws authorization, for the project, all of the necessary and reasonable costs incurred and commitments made up to the final federal, state or local regulatory decision, including reasonable and necessary expenses incurred to implement an orderly termination of the project, will be recoverable by the Transmission Owner or Other Developer. Upon request by NYPA, the ISO will make a filing on behalf of NYPA.

31.5.6.6~~31.4.4.5~~ To the extent that Incremental TCCs are created as a result of a regulated economic transmission project that has been approved for cost recovery

under the NYISO Tariff, those Incremental TCCs that can be sold will be auctioned or otherwise sold by the ISO. The ISO shall determine the amount of Incremental TCCs that may be awarded to an expansion in accordance with the provisions of Section 19.2.2 of Attachment M of the ISO OATT. The ISO will use these revenues to offset the revenue requirements for the project. The Incremental TCCs shall continue to be sold for the depreciable life of the project, and the revenues offset will commence upon the first payment of revenues related to a sale of Incremental TCCs on or after the charge for a specific RETP is implemented.