

6.13 Schedule 13 – Rate Mechanism for the Recovery of the Transco Facilities Charge (“TFC”)

6.13.1 Applicability

This Schedule establishes the Transco Facilities Charge (“TFC”) for the recovery of costs related to the following NY Transco LLC (“NY Transco”) projects, each of which is hereinafter referred to as an “Approved NYTP”: (1) the Second Ramapo-to-Rock Tavern 345-kV Line Project, the March South Series Compensation and Fraser-to-Coopers Corner Reconductoring Project, and the Staten Island Unbottling Project, each of which have been approved by the New York Public Service Commission (“NYPSC”) on November 4, 2013, in Case No. 12-E-0503 (the “Transmission Owner Transmission Solutions” or “TOTS” projects); (2) the Second Oakdale-to-Fraser 345-kV Line Project and the new Edic-to-Pleasant Valley 345-kV Line Project (the “AC” projects) upon approval by the NYPSC in Case Number 12-T-502 and subject to inclusion by the ISO in the ISO transmission plan for purposes of cost allocation; and (3) any regulated public policy transmission project that has been approved by the ISO pursuant to Section 31.4.8 of Attachment Y of the ISO OATT and determined to be eligible to recover such costs pursuant to Sections 31.5.5.3 and 31.5.5.4 of Attachment Y of the ISO OATT.¹ NY Transco may undertake an Approved NYTP and seek cost recovery through a TFC under this Schedule.

The TFC 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, NY Transco shall receive the outage charges described herein and shall not

¹ Capitalized terms used in this Schedule that are not defined in this Schedule shall have the same meaning set forth in Section 31.1.1 of Attachment Y of the ISO OATT.

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 under Section 20.2.4 and Section 20.3.6 of the ISO OATT; and NY Transco shall receive Incremental TCCs as described in Section 19.2.4 of the ISO OATT, but NY Transco 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.

6.13.2 Revenue Requirement for TFC

The TFC shall be calculated in accordance with the formula set forth in Section 6.13.3 using the revenue requirement of NY Transco necessary to recover the costs of an Approved NYTP. The revenue requirement to be used in the calculation of the TFC is described in Section 6.13.4. The costs that may be included in the revenue requirement include all reasonably incurred costs related to the preparation of proposals for, and the development, financing, construction, operation, and maintenance of, an Approved NYTP, 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.

6.13.3 Calculation and Recovery of TFC and Payment of Recovered Revenue

The ISO will calculate and bill the TFC for each Approved NYTP in accordance with this Section 6.13.3. The ISO shall collect the TFC from the LSEs. The LSEs, including Transmission Owners, competitive LSEs, and municipal systems, serving Load located in

Transmission Districts to which the costs of the Approved NYTP have been allocated (each a “Responsible LSE” or a “NYPA Responsible LSE”) shall pay the TFC. The costs of each Approved NYTP shall be allocated as set forth in the appropriate allocation table in Section 36.2 of Attachment 1 to Attachment DD.

6.13.3.1 The revenue requirement filed pursuant to this Schedule by NY Transco will be the basis for the TFC 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 6.13.3.4. The revenue requirement of the NY Transco will be calculated according to the formula rate set forth in Section 36.3.1. of Attachment DD of the ISO OATT.

6.13.3.2 NY Transco shall in relation to any Approved NYTP 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 NY Transco as a result of implementation of an Approved NYTP shall not be eligible for sale in Secondary Markets. Incremental TCCs that may be created and awarded to NY Transco as a result of the implementation of an Approved NYTP, 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 NY Transco. The total amount of the auction revenues disbursed to the NY Transco pursuant to this Section 6.13.3.2 shall be used in the calculation

of the TFC Rate, as set forth in Section 6.13.3.4. Incremental TCCs associated with an Approved NYTP shall continue to be offered for the duration of the Incremental TCCs, established pursuant to the terms of Attachment M.

The revenue offset discussed in this Section 6.13.3.2 shall commence upon the first payment of revenues related to Incremental TCCs associated with the implementation of an Approved NYTP on or after the date the TFC is implemented. The TFC and the revenue offset related to Incremental TCCs associated with the implementation of an Approved NYTP shall not require and shall not be dependent upon a reopening or review of NY Transco's revenue requirements for an RFC pursuant to Section 6.10 of the ISO OATT.

6.13.3.2.1 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 an Expansion, associated with an Approved NYTP, is modeled to be wholly or partially out of service.

6.13.3.3 The billing units for the TFC Rate for the Billing Period shall be based on the Actual Energy Withdrawals available for the prior Billing Period for those Transmission Districts allocated the costs of the Approved NYTP in accordance with Attachment DD of the ISO OATT.

6.13.3.4 Cost Recovery Methodology

6.13.3.4.1 Cost Recovery Methodology for All Responsible LSEs Except NYPA

The ISO shall calculate the TFC for each responsible LSE except NYPA as follows:

Step 1: Calculate the \$ assigned to each Transmission District

$$TFC_{t,B} = \sum_{p \in P} \left((AnnualRR_{p,B} - Incremental\ TCC\ Revenue_{p,B} + Outage\ Cost\ Adjustment_{p,B}) \times (TransmissionDistrictCostAllocation_{t,p}) \right)$$

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

$$TFCRate_{t,B} = TFC_{t,B} / MWh_{t,B}$$

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

$$Charge_{B,l,t} = TFCRate_{t,B} \times MWh_{l,t,B}$$

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

$$Charge_{B,l} = \sum_{t \in T} (Charge_{B,l,t})$$

Where,

l = the relevant Responsible LSE;

P = set of projects;

T = set of ISO Transmission Districts;

t = an individual Transmission District

B = the relevant Billing Period;

MWh_{t,B} = Actual Energy Withdrawals in Transmission District t excluding NYPA Responsible LSEs aggregated across all hours in Billing Period B;

MWh_{l,t,B} = Actual Energy Withdrawals for Responsible LSE l in Transmission District t aggregated across all hours in Billing Period B;

Annual $RR_{p,B}$ = the pro rata share of the annual revenue requirement for each project p as discussed in Section 6.13.2 above allocated for Billing Period B;

Incremental TCC Revenue $_{p,B}$ = the auction revenue derived from the sale of Incremental TCCs plus Incremental TCC payments received by NY Transco pursuant to Section 20.2.3 of the ISO OATT for each project p as discussed in Section 6.13.3.2 above allocated for Billing Period B. The revenues from the sale of Incremental TCCs 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 $_{p,B}$ = the Outage Charges determined pursuant to OATT Section 6.13.3.2.1 for any hour in the Day-Ahead Market during which the project p is modeled to be wholly or partially out of service aggregated across all hours in Billing Period B;

Transmission District Cost Allocation $_{t,p}$ = the proportion of the cost of project p allocated to Transmission District t, as set forth in Section 36.2 of Attachment 1 to Attachment DD.

6.13.3.4.2 Cost Recovery Methodology for NYPA Responsible LSEs

The ISO shall calculate the TFC for each NYPA responsible LSE as follows:

Step 1: Calculate the \$ assigned to NYPA Responsible LSEs

$$TFC_{N,B} = \sum_{p \in P} \left((AnnualRR_{p,B} - Incremental\ TCC\ Revenue_{p,B} + Outage\ Costs\ Adjustment_{p,B}) \times (NYPACostAllocation_{N,p}) \right)$$

Step 2: Calculate a per-MWh Rate for NYPA Responsible LSEs

$$TFCRate_{N,B} = TFC_{N,B} / MWh_{N,B}$$

Step 3: Calculate charge for each Billing Period for each NYPA Responsible LSE

$$Charge_{B,n} = TFCRate_{N,B} \times MWh_{n,B}$$

Where,

n = the relevant NYPA Responsible LSE;

N= the set of NYPA Responsible LSEs;

P = set of projects;

B = the relevant Billing Period;

MWh_{n,B} = Actual Energy Withdrawals for each NYPA Responsible LSE n aggregated across all hours in Billing Period B ;

MWh_{N,B} = Actual Energy Withdrawals for all NYPA Responsible LSEs N aggregated across all hours in Billing Period B;

Annual RR_{p,B} = the annual revenue requirement for each project p as discussed in Section 6.13.2 above allocated for Billing Period B;

Incremental TCC Revenue_{p,B} = the auction revenue derived from the sale of Incremental TCCs plus Incremental TCC payments received by NY Transco pursuant to Section 20.2.3 of the ISO OATT for each project p as discussed in Section 6.13.3.2 above allocated for Billing Period B. The revenues from the sale of Incremental TCCs 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_{p,B} = the Outage Charges determined pursuant to OATT Section 6.13.3.2.1 for any hour in the Day-Ahead Market during which the project p is modeled to be wholly or partially out of service aggregated across all hours in Billing Period B;

NYPA Cost Allocation_{N,p} = the proportion of the cost of project p allocated to all NYPA Responsible LSEs N, as set forth in Section 36.2 of Attachment 1 to Attachment DD.

6.13.3.5 For the initial Rate Year 2016, the ISO may begin billing and collecting NY Transco's projected TFC subsequent to January 1, 2016; however, once billing commences in 2016, the ISO shall bill and collect NY Transco's projected TFC in equal installments for each Billing Period over the balance of 2016.

6.13.3.6 The ISO will collect the appropriate TFC revenues each Billing Period and remit those revenues to NY Transco in accordance with the ISO's billing and settlement procedures.

6.13.4 Recovery of Costs Incurred by NY Transco

6.13.4.1 The TFC shall be used as the cost recovery mechanism for the recovery of the costs of an Approved NYTP that is proposed, developed, or constructed by

NY Transco under applicable federal, state and local law and authorized by the Commission to recover costs under this rate mechanism; *provided, however,* nothing in this cost recovery mechanism shall be deemed to create any additional rights for NY Transco to proceed with a regulated transmission project that NY Transco does not otherwise have at law.

6.13.4.2 The period for cost recovery will be determined by the Commission and will begin if and when the Approved NYTP is completed, or as otherwise determined by the Commission. NY Transco and/or the ISO, as applicable, will make a filing with the Commission to provide for its review and approval or acceptance, as appropriate, of the final project cost and resulting revenue requirement to be recovered through the TFC, which shall be reproduced in Section 36.3 of Attachment 2 to Attachment DD of the ISO OATT. The filing may include all reasonably incurred costs related to NY Transco's undertaking an Approved NYTP as specified in Section 6.13.2 of this Schedule. NY Transco shall bear the burden of resolving all concerns about the contents of the filing that might be raised in such proceeding.