

6.16 Schedule 16 - Rate Mechanism for the Recovery of the Short-Term Reliability Process Facilities Charge for a Regulated Transmission Solution in the Short-Term Reliability Process (“STRPFC”).

6.16.1 Applicability.

This Schedule establishes the facilities charge for the recovery of the costs of a regulated transmission Short-Term Reliability Process Solution in connection with a Short-Term Reliability Process Need arising in the Short-Term Reliability Process set forth in Attachment FF of the ISO OATT (“STRPFC”).¹ A Transmission Owner, an Unregulated Transmitting Utility,² or another Developer, may recover through the STRPFC the costs that it is eligible to recover pursuant to Attachment FF of the ISO OATT related to: (i) the transmission Short-Term Reliability Process Solution proposed by a Responsible Transmission Owner to address the Short-Term Reliability Process Need in accordance with Section 38.4.2.1, (ii) the conceptual permanent transmission Short-Term Reliability Process Solution, if applicable, submitted by a Responsible Transmission Owner in accordance with Section 38.4.2.1, or (iii) a regulated transmission Short-Term Reliability Process Solution proposed by a Developer that is selected by the ISO to address the Short-Term Reliability Process Need in accordance with Section 38.10, including the portion of an Interregional Transmission Project proposed pursuant to Section 38.4.2.5 of the ISO OATT and selected by the ISO pursuant to Section 38.10 of the ISO OATT. Such a project is referred to in this Schedule as an “Eligible Project.” Any costs incurred for an Eligible Project by LIPA or NYPA will be collected under a separate LIPA STRPFC or NYPA STRPFC, as applicable, as described in Section 6.16.5.

¹ Capitalized terms used in this Schedule that are not defined in this Schedule shall have the same meaning set forth in Section 38.1 of Attachment FF of the ISO OATT.

² An “Unregulated Transmitting Utility” is a Transmission Owner, such as LIPA and NYPA, that, pursuant to Section 201(f) of the Federal Power Act, is not subject to the Commission’s jurisdiction under Sections 205 and 206(a) of the Federal Power Act.

This Schedule does not provide for cost recovery related to: (i) projects undertaken by Transmission Owners through their Local Transmission Owner Planning Processes pursuant to Section 31.1.3 and 31.2.1 of Attachment Y of the ISO OATT, (ii) projects eligible for cost recovery through Schedule 10 of the ISO OATT in connection with the NYISO's Reliability Planning Process, (iii) a Generator operating under an RMR Agreement, or (iv) a market-based Short-Term Reliability Process Solution identified in accordance with Section 38.6 of the ISO OATT.

The STRPFC shall be separate from the Transmission Service Charge ("TSC") and the NYPA Transmission Adjustment Charge ("NTAC") determined in accordance with Attachment H of the ISO OATT.

In addition, with respect to the Eligible Project only, the Developer shall receive the outage charges described herein and shall not be charged O/R-t-S Congestion Rent Shortfall Charges, U/D Congestion Rent Shortfall Charges, O/R-t-S Auction Revenue Shortfall Charges or U/D Auction Revenue Shortfall Charges or be paid O/R-t-S Congestion Rent Surplus Payments, U/D Congestion Rent Surplus Payments, O/R-t-S Auction Revenue Surplus Payments or U/D Auction Revenue Surplus Payments under Section 20.2.4 and Section 20.3.6 of Attachment N of the ISO OATT. The Developer shall request Incremental TCCs with respect to the Eligible Project in accordance with the requirements of Section 19.2.4 of Attachment M of the ISO OATT and receive any Incremental TCCs to the extent awarded by the ISO pursuant to such request. As it relates solely to the Eligible Project, the Developer 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 and accordingly shall not receive an allocation of Net Congestion Rents under Section 20.2.5 of Attachment N of the ISO OATT or Net Auction Revenues under Section 20.3.7 of Attachment N of the ISO OATT.

6.16.2 Revenue Requirement for STRPFC

The STRPFC shall be calculated in accordance with the formula set forth in Section 6.16.3 using the revenue requirement of the Transmission Owner, Unregulated Transmitting Utility, or other Developer, as applicable, necessary to recover the costs of an Eligible Project. The revenue requirement to be used in the calculation and recovery of the STRPFC for a Transmission Owner or other Developer, other than an Unregulated Transmitting Utility, is described in Section 6.16.4. The development of a revenue requirement and recovery of costs for an Eligible Project by an Unregulated Transmitting Utility through the NYPA STRPFC or the LIPA STRPFC, as applicable, is described in Section 6.16.5.

If an Eligible Project involves construction of a facility identified as a Highway System Deliverability Upgrade in a completed Class Year Interconnection Facilities Study or Cluster Study, the Project Cost Allocation for which has been accepted and Security posted by at least one Interconnection Customer in the Class Year Study, Cluster Study, or Additional SDU Study, the final project cost and resulting revenue requirement will be reduced to the extent permitted by, as applicable, Section 25.7.12.3.3 of Attachment S or Section 40.13.12.3.3 of Attachment HH to the ISO OATT.

6.16.3 Calculation and Recovery of STRPFC and Payment of Recovered Revenue

The ISO will calculate and bill the STRPFC for each Eligible Project in accordance with this Section 6.16.3. The ISO shall collect the STRPFC from LSEs. The LSEs, including Transmission Owners, competitive LSEs, municipal systems, and any other LSE, serving Load in the Load Zones and/or Subzones to which the costs of the Eligible Project have been allocated (each a “Responsible LSE”) shall pay the STRPFC. The costs of each Eligible Project shall be allocated as set forth in Section 38.22 of Attachment FF of the ISO OATT.

6.16.3.1 The revenue requirement filed pursuant to this Schedule by the Transmission Owner, Unregulated Transmitting Utility, or another Developer, as applicable, and approved or accepted by the Commission will be the basis for the STRPFC Rate (\$/MWh) that shall be charged by the ISO to each Responsible LSE based on its Actual Energy Withdrawals as set forth in Section 6.16.3.4.

6.16.3.2 The Developer shall in relation to any Eligible Project reasonably exercise its right to obtain and maintain in effect all Incremental TCCs, including temporary Incremental TCCs, to which it has rights under Section 19.2.4 of Attachment M of the ISO OATT and shall take the actions required to do so in accordance with the procedures specified therein. Notwithstanding Sections 19.2.4.7 and 19.2.4.8 of Attachment M of the ISO OATT, Incremental TCCs created and awarded to the Developer as a result of implementation of an Eligible Project shall not be eligible for sale in Secondary Markets. Incremental TCCs that may be created and awarded to the Developer as a result of the implementation of an Eligible Project, shall be offered by the Developer 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 the Developer. The total amount of the auction revenues disbursed to the Developer pursuant to this Section 6.16.3.2 shall be used in the calculation of the STRPFC Rate, as set forth in Section 6.16.3.4. Incremental TCCs associated with an Eligible Project shall continue to be offered for the duration of the Incremental TCCs, established pursuant to the terms of Attachment M of the ISO OATT. The revenue offset discussed in this Section 6.16.3.2 shall commence upon the first

payment of revenues related to Incremental TCCs associated with the implementation of an Eligible Project on or after the date the STRPFC is implemented. The STRPFC and the revenue offset related to Incremental TCCs associated with the implementation of an Eligible Project shall not require and shall not be dependent upon a reopening or review of the Developer's revenue requirements for an RFC pursuant to Section 6.10 of the ISO OATT or the Transmission Owners' revenue requirements for the TSCs and NTAC set forth in Attachment H of the NYISO OATT.

6.16.3.2.1 Outage charges related to any Incremental TCCs awarded by the ISO for an Eligible Project shall be assessed to the Developer, and payable by the Developer to the ISO, pursuant to Section 19.2.4 of Attachment M of the ISO OATT for an Expander not subject to Section 20.2.5 of Attachment N of the ISO OATT for any hour in the Day-Ahead Market during which an Expansion, associated with an Eligible Project, is modeled to be wholly or partially out of service.

6.16.3.3 The billing units for the STRPFC Rate for the Billing Period shall be based on the Actual Energy Withdrawals available for the current Billing Period for those Load Zones and/or Subzones allocated the costs of the project in accordance with Section 38.22 of Attachment FF of the ISO OATT.

6.16.3.4 Cost Recovery Methodology

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

Step 1: Calculate the \$ assigned to each Load Zone or Subzone (as applicable)

$$\text{STRPFC}_{z,B} = \sum_{p \in P} ((\text{AnnualRR}_{p,B} - \text{IncrementalTransmissionRightsRevenue}_{p,B} + \text{OutageCostAdjustment}_{p,B})) \times (\text{ZonalCostAllocation}_{z,P})$$

Step 2: Calculate a per-MWh Rate for each Load Zone or Subzone (as applicable)

$$\text{STRPFCRate}_{z,B} = \text{STRPFC}_{z,B} / \text{MWh}_{z,B}$$

Step 3: Calculate charge for each Billing Period for each Responsible LSE in each Load Zone or Subzone (as applicable)

$$\text{Charge}_{B,l,z} = \text{STRPFCRate}_{z,B} * \text{MWh}_{l,z,B}$$

Step 4: Calculate charge for each Billing Period for each Responsible LSE across all Load Zones or Subzones (as applicable)

$$\text{Charge}_{B,l} = \sum_{z \in Z} (\text{Charge}_{B,l,z})$$

Where,

l = the relevant Responsible LSE;

p = an individual Eligible Project;

P = set of Eligible Projects;

z = an individual Load Zone or Subzone, as applicable;

Z = set of ISO Load Zones or Subzones, as applicable;

B = the relevant Billing Period;

$\text{MWh}_{z,B}$ = Actual Energy Withdrawals in Load Zone or Subzone, as applicable, z aggregated across all hours in Billing Period B ;

$\text{MWh}_{l,z,B}$ = Actual Energy Withdrawals for Responsible LSE l in Load Zone or Subzone, as applicable, z aggregated across all hours in Billing Period B ;

$\text{AnnualRR}_{p,B}$ = the pro rata share of the annual revenue requirement for each Eligible Project p , as discussed in Section 6.16.2 above, allocated for Billing Period B ;

$\text{IncrementalTransmissionRightsRevenue}_{p,B}$ = the auction revenue derived from the sale of Incremental TCCs plus Incremental TCC payments received by the Developer pursuant to Section 20.2.3 of Attachment N of the ISO OATT for each Eligible Project p , as discussed in

Section 6.16.3.2 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;

$\text{OutageCostAdjustment}_{p,B}$ = the Outage charges determined pursuant to Section 6.16.3.2.1 above for any hour in the Day-Ahead Market during which the Eligible Project p is modeled to be wholly or partially out of service aggregated across all hours in Billing Period B ;

$\text{ZonalCostAllocation}_{z,p}$ = the proportion of the cost of Eligible Project p allocated to Load Zone or Subzone, as applicable, z , as set forth in Section 38.22 of Attachment FF of the ISO OATT.

6.16.3.5 The ISO will collect the appropriate STRPFC revenues each Billing Period and remit those revenues to the appropriate Transmission Owner, Unregulated Transmitting Utility, or other Developer in accordance with the ISO's billing and settlement procedures.

6.16.4 Recovery of Costs Incurred by Transmission Owner or Developer

6.16.4.1 The STRPFC shall be used as the cost recovery mechanism for the recovery of the costs of an Eligible Project undertaken by a Transmission Owner or Developer, other than an Unregulated Transmitting Utility, which project is 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 a Transmission Owner or Developer to proceed with a regulated transmission project that it does not otherwise have at law. The cost that may be included in the revenue requirement for calculating the STRPFC pursuant to Section 6.16.3 include all reasonably incurred costs, as determined by the Commission, related to the preparation of proposals for, and the development, financing, construction, operation, and maintenance of, an Eligible Project. This cost includes, but is 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.

6.16.4.2 The period for cost recovery will be determined by the Commission and will begin if and when the Eligible Project is completed or halted, or as otherwise determined by the Commission. The Transmission Owner/Developer 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 STRPFC. The filing may include all reasonably incurred costs specified in Section 6.16.4.1 of this Schedule that are related to the Transmission Owner's or the Developer's undertaking an Eligible Project. The Transmission Owner or Developer shall bear the burden of resolving all concerns about the contents of the filing that might be raised in such proceeding. The ISO will begin to calculate and bill the STRPFC after the Commission has accepted or approved the filing.

6.16.5 Recovery of Costs Incurred By Unregulated Transmitting Utility

6.16.5.1 The costs that may be included in the revenue requirement for an Eligible Project undertaken by an Unregulated Transmitting Utility include all reasonably incurred costs related to the preparation of proposals for, and the development, financing, construction, operation, and maintenance of, an Eligible Project as well as a reasonable return on investment. For any recovery of a revenue requirement by an Unregulated Transmitting Utility under the STRPFC, the period of cost recovery will be determined by the Commission and will begin if and when the

Eligible Project is completed or halted, or as otherwise determined by the Commission. The ISO will begin to calculate and bill the STRPFC for an Unregulated Transmitting Utility pursuant to Section 6.16.3 after the Commission has accepted or approved the filing of its revenue requirement.

6.16.5.2 Cost Recovery for LIPA

Any costs incurred for an Eligible Project undertaken by LIPA, as an Unregulated Transmitting Utility, that are eligible for recovery under Section 6.16.5.1 under the LIPA STRPFC shall be recovered over the period established by Long Island Power Authority's Board of Trustees as follows:

6.16.5.2.1 For Costs to LIPA Customers: Cost will be recovered pursuant to a rate recovery mechanism approved by the Long Island Power Authority's Board of Trustees pursuant to Article 5, Title 1-A of the New York Public Authorities Law, Sections 1020-f(u) and 1020-s. Upon approval of the rate recovery mechanism, LIPA shall provide to the ISO, for purposes of inclusion within the ISO OATT and filing with the Commission on an informational basis only, a description of the rate recovery mechanism, the costs of the Eligible Project, and the rate that LIPA will charge and collect from responsible entities within the Long Island Transmission District in accordance with the ISO cost allocation methodology pursuant to Section 38.22 of Attachment FF of the ISO OATT.

6.16.5.2.2 For Costs to Other Transmission Districts, As Applicable: Where the ISO determines that there are Responsible LSEs serving Load outside of the Long Island Transmission District that should be allocated a portion of the costs of the Eligible Project undertaken by LIPA, LIPA shall coordinate with and inform the

ISO of the amount of such costs. Such costs will be an allocable amount of the cost base recovered through the recovery mechanism described in Section 6.16.5.2.1 in accordance with the formula set forth in Section 6.16.3.4. Such costs of the Eligible Project allocable to Responsible LSEs serving Load outside of the Long Island Transmission District shall constitute the “revenue requirement.” The ISO shall file the revenue requirement with the Commission, to the extent requested to so by LIPA, for Commission review under the same “comparability” standard as is applied to review of changes in LIPA’s TSC under Attachment H of the ISO OATT. LIPA shall intervene in support of such filing at the Commission and shall bear the burden of resolving all concerns about the contents of the filing that might be raised in such proceeding. Using the procedures described in Sections 6.16.3 through 6.16.3.4 of this Schedule, the ISO shall calculate a separate LIPA STRPFC based on the revenue requirement and shall bill for LIPA the LIPA STRPFC as a separate line item to the Responsible LSEs serving Load in Transmission Districts located outside of the Long Island Transmission District. The ISO shall remit the revenues collected to LIPA in accordance with the ISO’s billing and settlement procedures.

6.16.5.2.3 Developers, other than LIPA, that undertake an Eligible Project on Long Island may recover any costs pursuant to Section 6.16.4 of this Schedule.

6.16.5.3 Cost Recovery for NYPA

Any costs incurred for an Eligible Project undertaken by NYPA, as an Unregulated Transmitting Utility, that are eligible for recovery under Section 6.16.5.1 shall be recovered under a NYPA STRPFC as described herein. A reasonable return on investment for an Eligible

Project undertaken by NYPA may include any incentives for construction of transmission projects available under Section 205 or Section 219 of the Federal Power Act and the Commission's regulations implementing those sections, as determined by the Commission.

6.16.5.3.1 NYPA shall coordinate with and inform the ISO of the amount of the costs it incurred in undertaking an Eligible Project. Such costs shall constitute the revenue requirement. The ISO shall file the revenue requirement with the Commission to the extent requested to do so by NYPA. NYPA shall intervene in support of such filing at the Commission and shall bear the burden of resolving all concerns about the contents of the filing that might be raised in such proceeding, including being solely responsible for making any arguments or reservations regarding its status as a non-Commission-jurisdictional utility and the appropriate standard for Commission review of its revenue requirement. In accordance with Sections 6.16.3 through 6.16.3.4 of this Schedule, the ISO shall calculate a separate NYPA STRPFC based on the revenue requirement and bill for NYPA the NYPA STRPFC to the Responsible LSEs. The ISO shall remit the revenues collected to NYPA in accordance with the ISO's billing and settlement procedures.

6.16.5.3.2 Developers, other than NYPA, that undertake an Eligible Project in the NYPA North Subzone may recover any costs pursuant to Section 6.16.4 of this Schedule.

6.16.5.4 Savings Clause

The inclusion in the ISO OATT or in a Commission filing of the revenue requirement for recovery of costs incurred by an Unregulated Transmitting Utility, including LIPA or NYPA,

related to an Eligible Project undertaken pursuant to Attachment FF to the ISO OATT, as provided for in this Section 6.16.5, or the inclusion of such revenue requirement in the LIPA STRPFC or the NYPA STRPFC, shall not be deemed to modify the treatment of such rates as non-jurisdictional pursuant to Section 201(f) of the FPA.