

**7.4.2.2 Methodology for Calculating Generation Meter Multiplier.** The ISO shall calculate the Generation Meter Multiplier for each Generating Unit location in a given hour by subtracting the Scaled Marginal Loss Rate from 1.0.

**7.4.2.2.1** The Scaled Marginal Loss Rate for a given Generating Unit location in a given hour shall equal the product of (i) the Full Marginal Loss Rate for each Generating Unit location and hour, and (ii) the Loss Scale Factor for such hour.

**7.4.2.2.2** The ISO shall calculate the Full Marginal Loss Rate for each Generating Unit location for an hour by utilizing the Power Flow Model to calculate the effect on total Transmission Losses for the ISO Controlled Grid of injecting an increment of Generation at each such Generating Unit location to serve an equivalent incremental MW of Demand distributed on a pro-rata basis throughout the ISO Controlled Grid.

**7.4.2.2.3** The ISO shall determine the Loss Scale Factor for an hour by determining the ratio of forecast Transmission Losses to the total Transmission Losses which would be collected if Full Marginal Loss Rates were applied to each Generating Unit in that hour.

**7.4.3** In the event that the Power Flow Model fails to determine Ex Post GMMs, for example if GMMs are outside the range of reasonability (typically 0.8 to 1.1), the ISO will use Default GMMs in their place.

## **8. GRID MANAGEMENT CHARGE.**

### **8.1 ISO's Obligations.**

#### **8.1.1 FERC's Uniform System of Accounts.**

The ISO shall maintain a set of financial statements and records in accordance with the FERC's Uniform System of Accounts.

**8.1.2 [Not Used]**

**8.2 Components of the Grid Management Charge.**

The formula adopted for setting the Grid Management Charge shall include the following components:

**8.2.1 Start Up and Development Costs.**

The ISO start up and development costs shall include an amortized amount standing to the credit of the ISO Memorandum Account plus any additional start up or development costs incurred after the date of Resolution E-3459 (July 17, 1996) plus any additional capital expenditure budgeted to be incurred by the ISO in 1998 ("Start Up and Development Costs"). The amortized amount to be included in the Grid Management Charge shall be equal to the amount necessary to fully amortize all Start Up and Development Costs over a period 5 years, or such longer period as the ISO Governing Board shall decide.

**8.2.2 Operating Costs.**

Budgeted annual operating costs, which shall include all staffing costs including remuneration of contractors and consultants, salaries, benefits and any incentive programs for employees, costs of operating, replacing and maintaining ISO systems,

lease payments on facilities necessary for the ISO to carry out its business, reasonable contingencies, and annual costs of financing the ISO's working capital("Operating Costs").

**8.2.3 Financing Costs.**

The other financing costs that are approved by the ISO Governing Board, including debt service on start-up costs and future capital expenditures. Capital expenditures may be financed over such period as the ISO Governing Board shall decide ("Financing Costs").

**8.2.4 Operating and Capital Reserves Cost.**

The budgeted annual cost of pay-as-you-go capital expenditures and reasonable coverage of debt service obligations. Such reserves shall be utilized to minimize the impact of any variance between forecast and actual costs throughout the year (“Operating and Capital Reserves Costs”).

**8.3 Allocation of the Grid Management Charge Among Scheduling Coordinators.**

The Grid Management Charge shall be levied monthly in arrears on all Scheduling Coordinators by charging each Scheduling Coordinator the product of the Grid Management Charge rate as calculated under Section 8.4, and the monthly metered consumption in MWh of Energy (including Wheeling Out and Wheeling Through the ISO Controlled Grid) for that Scheduling Coordinator or by such other method as shall be approved by the ISO Governing Board and filed with FERC, which shall be reflected in a rate schedule appended to the ISO Tariff.

**8.4 Calculation and Adjustment of the Grid Management Charge.**

The Grid Management Charge shall be calculated by summing the Start Up and Development Costs, the Operating Costs, the Financing Costs and the Operating and Capital Cost Reserves Cost for each fiscal year. The sum of the calculation provided in this section shall be adjusted annually, or over such lesser period as approved by the ISO Governing Board and filed with the FERC, to reflect any variance between forecast and actual costs for the previous year or period, or the inability to recover from a Scheduling Coordinator its share of the Grid Management Charge, or any under-forecast of annual metered Demand for the previous year or period or any surplus revenues from the previous year or period as defined under Section 8.5. The result of the Grid Management Charge calculation, adjusted for variances as set out in this Section 8.4 shall then be divided by

the forecast annual or periodic volume in MWh of Energy to establish a Grid Management Charge rate in \$/MWh, which will be payable by Scheduling Coordinators as set out in Section 8.3.

**8.5 Operating and Reserve Account.**

Revenues collected to fund Operating Reserves shall be deposited in an Operating and Reserve Account until such account reaches a level specified by the ISO Governing Board. If the Operating and Reserve Account is fully funded, surplus revenues will be considered revenues in the next fiscal year's operating budget.

**8.6 Transition Mechanism .**

During the ten-year transition period described in Section 4 of Schedule 3 to Appendix F, the Original Participating TOs collectively shall pay to the ISO each year an amount equal to the sum annually, for all New Participating TOs, of: (a) the difference between (i) the amount that the New Participating TO pays for Grid Management Charges in accordance with Schedule 1 of Appendix F; and (ii) the amount that the New Participating TO would have paid for Grid Management Charges if the participant had not become a New Participating TO; reduced by (b) the amount, if any, by which the cost of High Voltage Transmission Facilities associated with deliveries of Energy to Gross Loads in the Service Area of the Participating TO is reduced by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F; or increased by (c) the amount, if any, by which the cost of High Voltage Transmission Facilities associated with deliveries of Energy to Gross Loads in the Service Area of the Participating TO is increased by the implementation of the High Voltage Access Charge described in Schedule 3 to Appendix F. Responsibility for such payments shall be allocated to Original Participating TOs in

accordance with Schedule 3 to Appendix F. Amounts payable by Original Participating TOs under this section shall be recoverable as part of the Transition Charge calculated in accordance with Schedule 3 of Appendix F. Amounts received by the ISO under this section shall be disbursed to New Participating TOs based on the ratio of each New Participating TO's net increase in costs in the categories described in the first sentence of this section, to the sum of the net increases in such costs for all New Participating TOs.

## **9. FIRM TRANSMISSION RIGHTS**

### **9.1 General**

**9.1.1** Commencing in 2000, on the effective date established by the ISO Governing Board, the ISO shall make FTRs available in the amounts determined in accordance with Section 9.3, with the rights and other characteristics described in Sections 9.2, 9.6, 9.7 and 9.8, and through the processes described in Section 9.4. Proceeds of the ISO's auction of FTRs shall be distributed as described in Section 9.5. The owners of FTRs shall be entitled to share in Usage Charge revenues associated with Inter-Zonal Congestion in accordance with Section 9.6, and to scheduling priority in the event of congestion in the Day-Ahead Market, as described in Section 9.7. For the purpose of Section 9, the term "Zone" shall be construed to mean both "Zone" and "Scheduling Point."

### **9.2 Characteristics of Firm Transmission Rights**

**9.2.1** Each FTR shall be defined by a transmission path from an originating Zone to a contiguous receiving Zone. Each FTR shall entitle the FTR Holder to a share of Usage Charges attributable to Inter-Zonal Congestion for transfers on that path from the designated originating Zone to the designated receiving Zone in accordance with Section 9.6. An FTR is a right in one direction only. An FTR Holder shall not be entitled to share in (i) Usage Charges attributable to Inter-Zonal Congestion from the designated receiving Zone to the designated