Although I agree that putting it in AppData and having some way to manage it would be better, I think just putting it in My Documents is simpler for now, and avoids people asking about where to find it or how to get there.

I think that Windows 7 only makes screenshots of GDI (Graphics Device Interface) stuff, not from DirectX surfaces. If it worked before, maybe it was some different way in which it was rendered. As far as I know it should not copy anything to the clipboard though, because that tends to stall the game for a noticeable period, whereas the TT screenshot logic should be pretty much unnoticeably fast.