Opportunities for New Transmission in NYISO’s Markets

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Current NYISO Market Features

- Interconnection Study & Cost Allocation Process: equally applicable to both generation and merchant transmission
  - Part of same “queue” for interconnection study purposes

- NYISO Tariff provides for allocation of TCC’s to those who expand the transmission system
  - Expansion TCC’s have been granted on an “interim basis” to date
  - Specific methodology still under development

- NYISO’s Comprehensive Reliability Planning Process
  - Considers both merchant and regulated transmission solutions to identified Reliability Needs
Current Market Features (cont’d)

- Unforced Capacity Deliverability Rights (UDRs) allow controllable transmission facilities, coupled with generation, to satisfy NYISO’s “locational capacity” requirements
  - Presently applicable only to external lines

- Controllable line pricing
  - Operational protocols, software modifications and market rules for secondary scheduling of external controllable lines
    - Initial implementation: Cross Sound Cable in June 2005
    - Future applications: 1385, Cedars, Neptune, HQ
Future Market Features

- UDR’s for merchant AC transmission
  - Included in long-term market evolution plan

- Controllable line pricing for internal lines
  - Concept of Operations approved by NY stakeholders in 2004

- Multiple Proxy Buses on External Interfaces
  - May be workable for controllable lines with appropriate pricing rules
  - Creates gaming opportunities on free-flowing interfaces
Future Market Features (Cont’d)

- Cross-Border TCC Options
  - To facilitate hedging of congestion charges on Inter-RTO transactions
  - NYISO could unilaterally implement
  - NYCA closed interface constraint model may facilitate software implementation

- Internal NYCA TCC Options
  - PJM running option auction since Spring 2003
  - ISO-NE considering implementation
  - Existing programs based on DC load flow
  - NYISO auction model based on AC load flow
Future Market Features  (Cont’d)

- Finalize methodology for TCC awards for transmission expansion
  - Decision to implement awards of long-term TCCs delayed by market participant desire for awards to be made as TCC options rather than obligations
  - Without options: may need a more complex award process and shorter-term TCC awards
Future Market Features  (Cont’d)

- End State TCC auction
  - *Eliminate separate auctions for each duration*
    - Fewer NYISO resources
    - Fewer market participant resources
  - *Permit long-term awards in every auction*
  - *Auction and settlement design must be reevaluated in light of operating experience gained during the past five years and the multi-period capability being proposed*
  - *A new bid/post system is required to cope with the additional data handling burden that is expected with the auction’s new flexibility*
  - *Consider offering 24 hour, on-peak and off-peak products*