

Workshop on Transmission Investments in Deregulated Markets

December 1, 2005
Desmond Hotel and Conference Center
660 Albany Shaker Road, Albany, NY 12211

Agenda

10:00 - 10:15 Welcome
Mr. Mark Lynch, President & CEO, NYISO
Mr. Paul Powers, Executive Deputy, New York State Public Service Commission

10:15 - 10:30 Opportunities for New Transmission in NYISO's Markets
John Buechler, Vice-President, Market Structures, NYISO

10:30 - 11:15 Invited Presentation Dr. William Hogan, Ph.D.,
Director LECG, Professor of Public Policy and Administration, John F. Kennedy
School of Government, Harvard University

Transmission investment presents the most difficult challenges for an electricity market. In practice and in theory, market failures can be significant. If regulatory intervention is required to plan, coordinate and mandate transmission investment, how can the intervention reinforce the larger market design? A focus on market failures provides a framework that might work in theory. Comparison with the Argentine experience suggests the framework would work in practice. Getting this right is important, with implications for the ultimate success of electricity restructuring.

11:15 - 12:00 Invited Presentation Edward N. Krapels, ESAI,
Director of Gas & Power Services; Partner, Hudson Transmission Partners

There have been two independent transmission projects interconnected (in the case of the Cross Sound Cable) or under construction (in the case of Neptune) with the NYISO. The Neptune experience is especially useful as it is a true independent project, and may be used as a model for other projects. I will describe the Project under the general heading of "transmission development paradigm shift" and present its implications for development of successors.

12:00 - 1:00 Lunch

1:00 - 1:30 Invited Presentation Dr. Richard O'Neill, Chief
Economic Advisor, Federal Energy Regulatory Commission
summary not available at time of publication

1:30 - 2:15 Invited Presentation Dr. Susan F. Tierney, Managing
Principal, Analysis Group

As wholesale power markets have restructured over the past decade, interest has grown in the prospects for the merchant transmission model as a way to provide efficient levels and forms of transmission investment. In parallel, there remains continued attention to providing sufficient mechanisms to provide broad-based support for reliability investments. These different perspectives often spring from alternative theories of the role of transmission in supporting competitive wholesale markets. Often, these theories bump into the practical realities of planning, siting, studying, power contracting, financing, and allocating the costs of transmission investment. My remarks will discuss the points of tension between these models, and suggest approaches to resolving them.

2:15 - 2:30 Break

2:30 - 3:30 Open Q&A Session with Invited Speakers
Moderated by Mr. Mark Reeder, Acting Director, Office of Regulatory Economics,
New York State Public Service Commission

3:30 - 3:45 Wrap-Up and Adjournment

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A call-in number is available for those who cannot attend in person:

Dial in Number: 1-866-293-6970

Meeting Number: *1667518*

Remote participants can view speaker presentations via WebEx

Speaker Biographies

WILLIAM W. HOGAN - William W. Hogan is Lucius N. Littauer Professor of Public Policy and Administration at the John F. Kennedy School of Government, Harvard University where he is research director of the Harvard Electricity Policy Group (HEPG) and director of the Repsol YPF - Harvard KSG Fellows Program in Energy Policy. He also serves as director of Ph.D. programs at the Kennedy School of Government. He is a director of LECG, LLC. For more than a decade, Professor Hogan has been actively engaged in the design and improvement of competitive electricity markets in many regions of the United States and around the world. He has worked to design the market structures and market rules by which transmission system organizations coordinate bid-based markets for energy, ancillary services, and financial transmission rights (FTRs). In particular, Professor Hogan has been active in the development of locational marginal cost pricing (LMP), to efficiently price the effects of transmission congestion and of FTR systems, now in use in the Mid Atlantic and Northeast markets, to allow market participants to hedge transmission congestion costs. He has been actively supporting the Federal Energy Regulatory Commission's decision regarding independent system/market operators, regional transmission organizations, and a standard market design, based on the experience in the successful electricity markets. Professor Hogan has been the recipient of honors and awards for distinguished public service throughout his career. Currently he serves on the editorial boards of the Journal of Regulatory Economics, and The Electricity Journal. He has been a member of the faculty of Stanford University where he founded the Energy Modeling

Forum (EMF), and he is a past president of the International Association for Energy Economics (IAEE). Professor Hogan received his undergraduate degree from the U.S. Air Force Academy and his Ph.D. from UCLA. Selected papers are available on his website, <http://www.whogan.com>.

EDWARD N. KRAPELS - Dr. Krapels is an expert on a wide variety of energy markets and the author of many studies and reports on natural gas and electricity market dynamics. Most recently, he has been a key participant in the development of several major North American transmission projects and an advisor on evolving electricity policy. He has written about gas, power, and petroleum risk management, including an influential series of monographs for Risk Magazine titled Guide to Electricity Trading and Hedging (2000), Guide to Natural Gas Hedging (1999), and Crude Oil Hedging: Benchmarking Price Protection Strategies (1998). Dr. Krapels received his Ph.D. at the Paul H. Nitze School of Advanced International Studies, John Hopkins University, his MA at the University of Chicago, and his B.A at the University of North Carolina, Chapel Hill.

RICHARD O'NEILL - Richard P. O'Neill is the Chief Economic Advisor at the Federal Energy Regulatory Commission. From 1988 to 2000 he was the Chief Economist and Director of the Office of Economic Policy. From 1986 to 1988 he was the Director of the Commission's Office of Pipeline and Producer Regulation. His work has focused on open access, restructuring, competition, performance-based incentive regulation and market design.

From 1978 to 1986, he directed oil and gas analysis, including the development of software systems, oil and gas resource analysis, energy modeling systems, analysis of natural gas markets, and oil and gas forecasting at the Energy Information Administration. From 1973 to 1978, he taught and did research in computer science and applied mathematics on the computer science and business faculty of Louisiana State University. From 1969 to 1973, he taught and did research in the areas of operations research and statistics on the business school faculty of the University of Maryland.

He has a B.S. in chemical engineering, an MBA and a Doctorate in operations research (with minors in mathematics, statistics, economics and accounting) all from the University of Maryland.

He has worked with several countries, states, the World Bank, energy companies and computer companies in the development of mathematical software, energy modeling, forecasting, regulation, privatization, restructuring and market design. His published work has appeared in academic and professional journals and books in the areas of Applied Mathematics, Optimization, Operations Research, Management Science, Computer Science, Energy, Electrical Engineering, Economics, and Law.

SUSAN F. TIERNEY - Dr. Tierney is an expert on energy policy and economics, specializing in the electric and gas industries. She has consulted to companies, governments, non-profits, and other organizations on energy markets, economic and environmental regulation and strategy, and energy facility projects. Her expert witness, business consulting, and arbitration services have involved industry restructuring, market analyses, wholesale and retail market design, contract disputes, resource planning, resource procurement analysis, market monitoring, and asset valuations. In addition, Dr. Tierney's work has covered regional transmission organizations, siting of generation and transmission facilities and natural gas pipeline projects, natural gas markets, electric system reliability, and environmental policy and regulation. A former Assistant Secretary for Policy at the U.S. Department of Energy and state public utility commissioner, she is chairman of the board of the Energy Foundation and a member of the National Commission on Energy Policy. She has published widely and frequently speaks at industry conferences.