

National Grid Comments on ...
NYISO DRAFT FOR DISCUSSION PURPOSES

“STRAWMAN PROPOSAL” FOR A
NYISO ECONOMIC PLANNING PROCESS

OVERVIEW AND PURPOSE

It is intended that this strawman will provide a potentially viable process in response to FERC’s policies which have indicated that ISOs/RTOs’ planning processes should address both reliability and economic needs. It is structured in the context of the NYISO’s preference for market-driven solutions, which is consistent with the recently filed Comprehensive Reliability Planning Process. This strawman recognizes the views of most of the NYISO’s market participants and stakeholders that NYISO intervention in economic matters is to be minimized so as not to interfere with the operation of the market. In this context, the role of the NYISO with regard to economic needs is initially one of providing information in a transparent manner to the marketplace so that appropriately informed decisions can be made and actions taken by market participants and other stakeholders. The proposed process will provide an opportunity—but not an obligation—for NYISO market participants to better assess such economic issues.

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OUTLINE OF NYISO ECONOMIC PLANNING PROCESS

NYISO ROLE

Historical Analysis

- With stakeholder participation/transparent process
- Use approved “congestion matrix” format for reporting
- Identify additional reporting formats
- Post on NYISO website on quarterly/monthly basis in usable format
- Adjust for “unusual day” events
- Perform “What if” analyses (e.g., with a nd without key constraint to ascertain potential savings of eliminating that constraint)
- Track congestion by key constraints
- Post other economic parameters in usable formats
 - ICAP prices by location
 - Ancillary services costs
 - Losses

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Market-Based Initiatives

- Analyze market performance (include all NYISO markets) identifying ...
 - Key drivers that have major impacts on the market
 - Potential market design problems
- Identify areas for improvement or updates in market design to produce or maintain as correct price signals as possible to encourage market-based solutions
 - Transmission
 - Generation
 - Demand Response
- Qualitative impact (and, where possible, quantitative) impact of intangibles such as widened/more competitive markets, market entry barriers, fuel diversity, environmental aspects, and “natural” price stability versus administratively imposed price stability
- Pursue market enhancements through NYISO committee process

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Future Estimates of Costs

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- With stakeholder participation/transparent process
- Selection of model or models to forecast unconstrained energy prices, congestion, ICAP costs by location, Ancillary Services and Losses
- Utilize CRP planning horizon (10 years)
- Develop base case assumptions
- Develop future scenarios (i.e., variations in parameter assumptions)
- Perform what if analysis (i.e., total projected change in costs with and without a proposed improvement under the projected range of conditions)
- Analyze market performance (include all NYISO markets) identifying potential market economic problems (i.e., a condition in which an improvement is not made even though its anticipated savings exceed anticipated costs of a proposed regulated solution by a significant margin)
- NYISO will provide a range of information to the marketplace
- Appropriate caveats will be noted
- NYISO will NOT:
 - Determine congestion thresholds
 - Draw any conclusions pertaining to the potential economics of a proposed upgrade
 - Mandate solutions

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Reliability Analysis of Economic Upgrades

- Perform reliability analysis of proposed economic upgrades through its existing Interconnection Process (Attachment X) to determine if reliability will be detrimentally impacted
- Perform cost allocation analysis for Attachment Facilities and System Upgrade Facilities associated with proposed economic upgrades through its existing Attachment S process

NYISO Tariff

- Could be utilized for cost recovery purposes (similar to CRP cost recovery mechanism)
- Could be utilized for cost allocation purposes (similar to CRP cost allocation principles as applicable)

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MARKET PARTICIPANT ROLE

- Participate in development of input assumptions
- Recommend scenarios for analysis
- Review of NYISO analysis
- Perform independent business assessment based upon consideration of NYISO data
- Development of market-based responses
- Development of regulated responses

PSC ROLE

- Participate in development of input assumptions
- Recommend scenarios for analysis
- Review NYISO data
- Review proposed regulated projects
- Review benefit/cost evaluations of regulated projects,
- Evaluate (along with NYISO) the viability and efficacy of proposed market based solutions to alleviate identified economic problems to assess the need for a regulated solution
- Certify under Article VII Proceedings: (a) that a proposed solution meets its criteria to receive regulated cost recovery; and (b) that the regulated solution should proceed because it is indeed needed and because viable market based solutions for the problem are not anticipated.

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- Approve cost allocation/cost recovery of regulated upgrades on the retail level in accordance with NYISO OATT and subject to prior approval by the FERC.
- Determination of public policy objectives

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