

New York Independent System Operator
Schedule 1 Evaluation Project
BSP Subcommittee Presentation

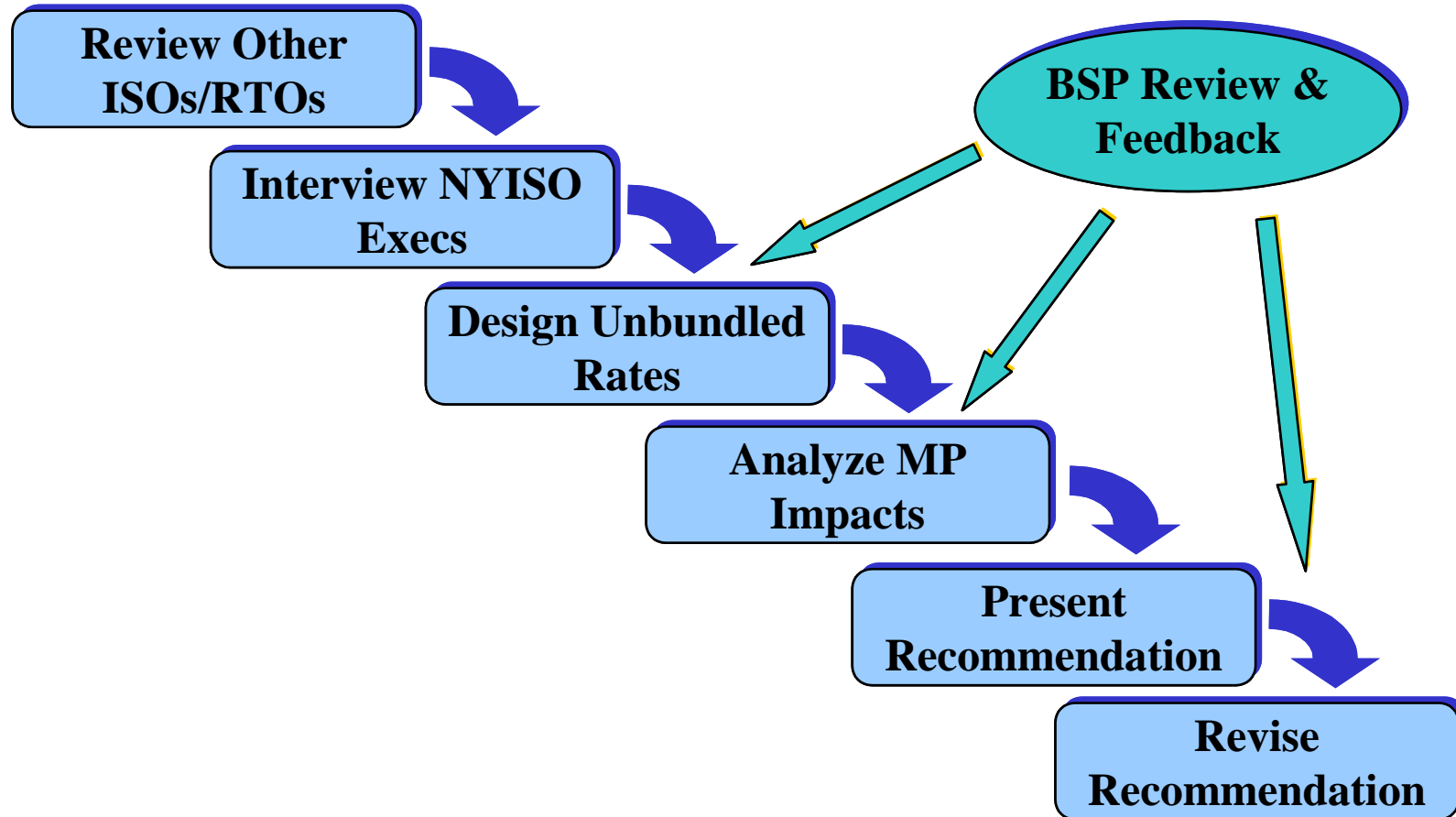
February 17, 2004



Overview

- Project Methodology
- Project Status
- Service Category Selection
- Allocation to Service Categories
- Next Steps
- Project Schedule
- Next Meeting

Project Methodology

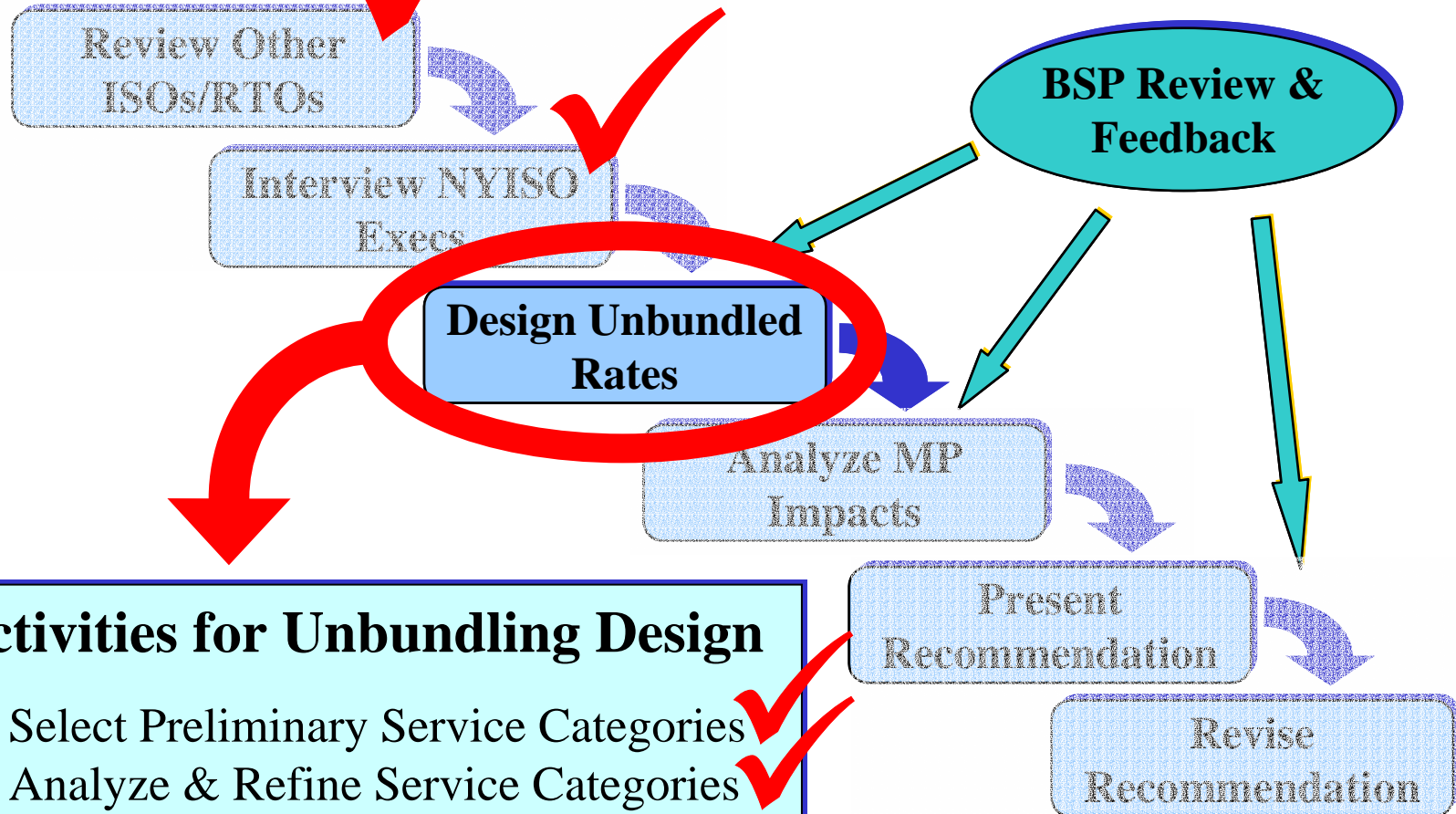


Project Methodology

- Guiding Principles for project

1. Assign cost recovery to those creating the need
2. Send appropriate price-signals
3. Hold MPs accountable for the costs of projects they request
4. Build rate design from knowledge of other ISO designs
5. Provide a smooth transition to any new rate design
6. Support NYISO Strategic Plan goals for full regulatory compliance and promotion of a workable competitive market

Project Status



Activities for Unbundling Design

1. Select Preliminary Service Categories ✓
2. Analyze & Refine Service Categories ✓
3. Select Preliminary Billing Determinants
4. Analyze & Refine Billing Determinants

Service Category Selection

- Data Input
 - 2001 NYISO Schedule 1 Analysis
 - Schedule 1 designs at other ISO/RTOs
 - 2004 NYISO Budget
 - 2003 NYISO Time Reporting
 - Interviews with NYISO Executives & Managers

Service Category Selection

- Data Inputs
 - Schedule 1 designs at other ISO/RTOs
 - 7 Categories at PJM
 - Includes category for direct customer billing
 - 4 Categories at ISO-NE
 - 7 Categories now proposed for Cal-ISO
 - Includes category for direct customer billing
 - 11 **Preliminary** Categories identified for NYISO
 - Includes category for direct customer billing
 - Includes Management Services category to be allocated

Service Category Selection

- Preliminary NYISO Service Categories

- | | |
|---------------------------------------|-----------------------------------|
| 1. System Reliability | 7. Billing |
| 2. Real-Time Operations | 8. Management Services |
| 3. Energy / Ancillary Service Markets | 9. Annual Membership / Governance |
| 4. Capacity Planning | 10. Customer-Specific |
| 5. Capacity Markets | 11. Customer Service |
| 6. TCC Markets | |

Service Category Selection

- Preliminary Service Categories
 1. System Reliability
 - Ensure reliable transmission system operations including activities that do not change with specific energy flows
 2. Real-Time Operations
 - Manage energy flows & congestion management, including activities that do change with specific energy flows

Service Category Selection

- Preliminary Service Categories
 3. Energy / Ancillary Services Markets
 - Conduct and administer Energy and Ancillary Service markets, including financial and pricing aspects
 4. Capacity Planning
 - Studies, communications and planning to determine capacity requirements and ensure sufficient capacity

Service Category Selection

- Preliminary Service Categories
 5. Capacity Markets
 - All activities necessary to conduct and administer the ICAP market
 6. TCC Market
 - All activities necessary to conduct and administer the TCC market

Service Category Selection

- Preliminary Service Categories

- 7. Billing

- Computing bills and providing billing information to customers

- 8. Management Services

- All administrative and management activities that can not be directly assigned to another Category. *This category is reassigned among the other categories based on their proportional share of the total expenditures*

Service Category Selection

- Preliminary Service Categories

- 9. Annual Membership / Governance

- Communications, meetings and maintenance of Members' accounts and perform all other activities related only to their roles as Members

- 10. Customer-Specific

- Perform training, analysis or other activities for the benefit of a specific customer. *This category would be directly billed to MPs and would not be part of the cost allocation design*

Service Category Selection

- Preliminary Service Categories

11. Customer Service

- Provide customer service, information and communications with Market Participants for topics other than the Billing activities

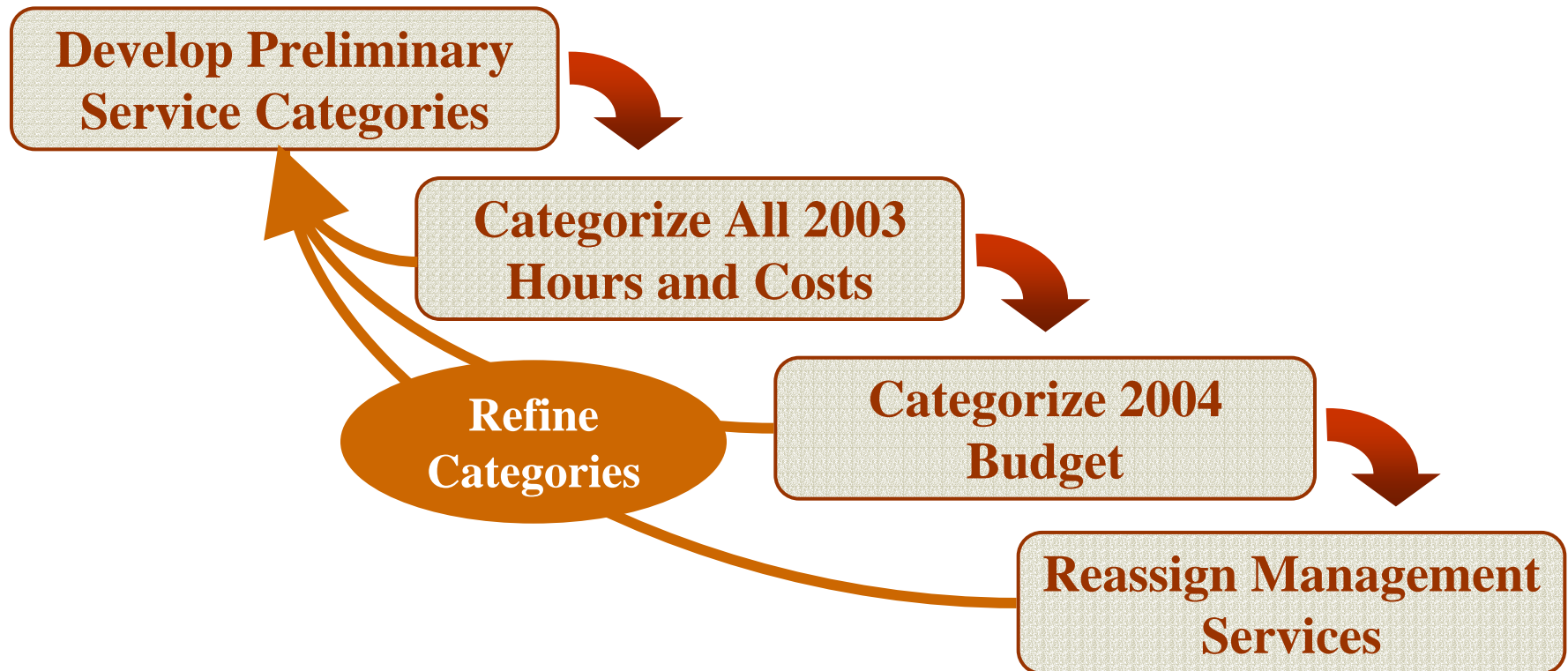
Service Category Selection

	PROPOSED NYISO CATEGORY	Present PJM	PRESENT ISO-NE	PROPOSED Cal ISO
1	System Reliability	Control Area Services Sch. 9-1	Scheduling Service Sch. 1	Grid Reliability-Core Sch 1A
2	Real-Time Operations	Control Area Services Sch. 9-2 & Regulation & Freq. Response Services Sch 9-4	Scheduling Service Sch. 1	Grid Reliability-Scalable Sch 1B
3	Energy & Ancillary Services Markets	Market Support Services Sch 9-3	Energy Administration Service Sch. 2	Market Services- Forward Scheduling Sch 2A & Market Services- Market Usage Sch 2C
4	Capacity Planning	Capacity Resource & Obligation Management Service Sch 9-5	Reliability Administrative Service Sch. 3	Grid Reliability-Core Sch 1A
5	Capacity Markets	Capacity Resource & Obligation Management Service Sch 9-5	Reliability Administrative Service Sch. 3	
6	TCC Market	FTR Sch 9-2	Scheduling Service Sch. 1	Market Services- Congestion Sch 2B
7	Billing	Management Services Sch 9-6	Within Each Category	Settlements, Billing, Customer Service Sch 3
8	Management Services	Management Services Sch 9-6	Within Each Category	Settlements, Billing, Customer Service Sch 3
9	Annual Membership / Governance	Management Services Sch 9-6		
10	Customer-Specific	Directly Billed When Possible		Directly Billed When Possible
11	Customer Service	Management Services Sch 9-6		Settlements, Billing, Customer Service Sch 3



Allocation to Service Categories

Allocation Steps



Allocation to Service Categories

- NYISO has two types of activities:
 - V - core activities of a department
 - A - projects with limited lives and specific deliverables, usually interdepartmental and may be either expensed or capitalized

Allocation to Service Categories (%)

Group	System Reliability	Real-Time Operations	Energy & Ancillary Services Markets	Capacity Planning	Capacity Markets	TCC Markets	Billing	Management Services	Annual Membership / Governance	Customer Specific	Customer Support
Finance & Compliance	2%	9%	14%	-	3%	2%	20%	45%	-	-	4%
Mkt Monitor & Bus Planning	2%	2%	80%	-	3%	-	-	13%	-	-	-
Communications	-	2%	2%	-	-	-	-	96%	-	-	-
Operations & Reliability	9%	71%	10%	-	-	-	-	8%	-	1%	-
Market Services	-	4%	16%	1%	16%	9%	1%	35%	2%	-	16%
Executive	-	-	-	-	-	-	-	97%	3%	-	-
Legal / Regulatory	-	2%	2%	-	1%	1%	3%	82%	7%	-	2%
Planning	53%	1%	1%	5%	1%	-	-	29%	-	6%	3%
Information Technology	-	25%	27%	-	1%	-	11%	34%	-	1%	1%
Administration & Compliance	4%	18%	22%	-	4%	1%	16%	30%	1%	-	3%
Human Resources	-	-	-	-	-	-	-	99%	0%	-	-
Corporate	5%	8%	15%	-	3%	-	9%	58%	-	1%	-
Total Category Percent Pre-Alloc.	3%	17%	21%	0%	3%	1%	9%	43%	1%	1%	2%
Category Percent Post-Alloc.	6%	29%	34%	1%	5%	2%	16%	-	1%	1%	5%

NYISO needs to confirm cost categorizations

Allocation of Management Services



Next Steps

- NYISO confirm preliminary cost categorization
- Review Billing Determinant Data
- Refine List of Categories and Billing Determinants
- Review MP Impact
- Qualitatively Review Distributed Generation and Demand Response Providers Impact
- Refine Rate Design
- Create Draft recommendations for Rate Design

Project Schedule

		November				December				January				February				March				
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Task I. Update Cost Allocation Evaluation																						
	Week																					
	Cost Allocation Kick-Off																					
	Cost Allocation Analysis																					
	BSP Subcommittee Meetings																					
	Brief Analysis of Other Cost Inputs																					
	Customer Impact Analysis																					
	Report																					
Task II. Evaluation of IT Budget Impact																						
	IT Budget Analysis																					
	Report																					

About 3 weeks slip in original schedule

Next Meeting with BSP Subcommittee

- Rudden recommends
 - Meeting 3 – tentatively set for March 11 in NYC
 - How about sooner, sometime after March 1?