



Cross Sound Cable Interim Solution

March 2, 2004

Management Committee Meeting

Agenda 05



CSC Background

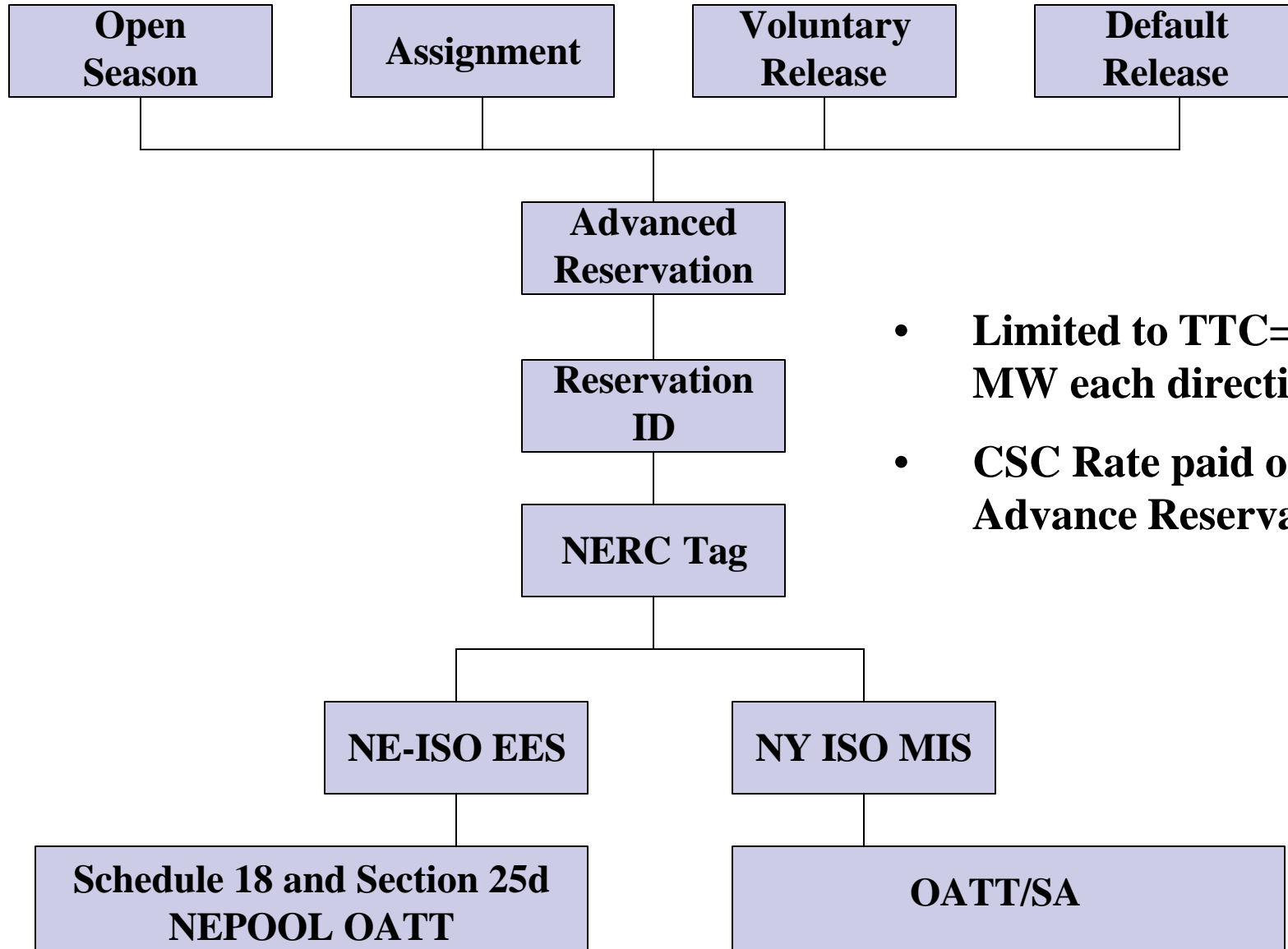
- NYISO is pursuing a project A-619 which will provide an external proxy bus representation for controllable tie lines (HVDC and/or PAR) which span two control areas. Completion of A-619 is targeted for Summer 2005, subject to the requirements of higher priority projects such as SMD 2.0 and billing software enhancement projects.
- NYISO has been working with TransEnergie, LIPA and ISO-NE to develop an Interim Solution that would permit the scheduling of secondary service on the Cross Sound Cable in Summer 2004.



CSC Proposed Solution

- In order to permit multiple parties to schedule transactions over the CSC, NYISO is proposing an interim CSC scheduling solution that will employ an independent third-party Scheduling Administrator (“SA”) to aggregate CSC user schedules into a single net schedule and act as NYISO’s agent in administering the operation of the CSC

CSC Oasis Reservations



- **Limited to TTC=330 MW each direction**
- **CSC Rate paid on Advance Reservation**

DRAFT – For Discussion Purposes Only



Interim SA Rules

- In order to timely implement the interim solution, consistent with existing software, the NYISO will revise its Tariffs and Procedures to permit interim operation of the CSC subject to the following:
 - The timing of certain market deadlines will be revised to allow the SA sufficient time to submit a net operating schedule for the CSC;
 - Total transactions will be limited to TTC (330 MW) in each direction;
 - Any transaction that does not have an advanced reservation or has not been scheduled by ISO-NE will be removed from consideration in the NYISO DAM, HAM and RTM;
 - Wheels through NYISO with external control areas involving the CSC will not be permitted;
 - Bilateral scheduling using the Shoreham proxy as a source or a sink will not be permitted;
 - All CSC transactions will be required to be price takers in the NYISO market under the interim solution;
 - Curtailments will be based on CSC transmission priority;
 - Multi-hour block transactions will not be permitted; and
 - Pre-scheduling will not be permitted.

DRAFT – For Discussion Purposes Only



Scheduling Administrator Functions

- Ensure parties have NERC tag / advanced reservations
- Submit a schedule to the NYISO MIS that aggregates the use of the CSC by LIPA and third parties into a single net schedule
 - Counterflow transactions will be permitted
 - Imports to NYCA will be treated collectively as a proxy generator
 - Exports from NYCA treated collectively as a negative generator (using the same model NYISO employs to represent pump-storage units);
- Provide to the NYISO and ISO-NE all transaction information needed to permit checkout in a timely fashion;
- Ensure that all parties have the requisite authority to transact within the markets administered by the NYISO and satisfy applicable NYISO transactional credit and collateral requirements;
- Determine appropriate settlement schedules with individual counter-parties (including LIPA) pursuant to all applicable tariff provisions; and
- Make all information regarding its operations and decisions available to the NYISO.



Credit Issues

- The SA will act as the NYISO's agent in administering the scheduling and settlement of transactions over the CSC.
- The SA will be responsible for assuring that all CSC users are transacting within the credit limits determined by the NYISO.
- The NYISO will provide the SA credit limits for each customer that requests authority to transact over the CSC.
- The SA will track each customer's credit balance on a daily basis and will not accept bids or offers from any customer whose credit drops below a predetermined limit set by the NYISO until the customer provides additional collateral or settles its outstanding obligation to the NYISO.
- The SA will be indemnified by the NYISO, so long as it adheres to the rules and procedures governing the scheduling of transactions on the CSC
- The SA will be liable for any failure to follow the NYISO's procedures, and/or for any negligent or fraudulent behavior by its employees.
- The SA will be required to obtain appropriate liability insurance to protect itself and the NYISO against such risks.



Billing Issues

- The interim procedure will establish both a “generator bus” and a “load bus” for the CSC in order to handle the total transactions in both directions (North to South and South to North).
- On at least a monthly basis, the SA will provide the total hourly schedules in both directions to the NYISO. Based upon settlement rules provided by NYISO, the SA will calculate the bills to reflect the payments/charges on the basis of these total schedules on an hourly basis, as well as the total net monthly amounts owed to or by each participant. Total Northbound schedules (i.e. – “loads”) would be charged the appropriate rates for external TSC, NTAC and ancillary services. NYISO would provide the necessary information on such schedules to the TOs for billing of the TSC charges per the current OATT.
- The SA will determine the “behind the net flows” settlements with individual customers and the customer-specific breakdown of debits and credits. On a monthly basis this data will be provided to the NYISO which will include it as an adjustment in each customer’s Consolidated Invoice.
- The SA will not deal with the settlement/billing of any charges for the use of the CSC itself. Such charges are determined under Section 4 of Schedule 18 of the NEPOOL OATT and are assessed directly by CSC L.L.C. The SA will provide all necessary schedule information to CSC L.L.C. for its billing purposes



Market Monitoring

- Market Monitoring will have access to all necessary SA data
- Market Monitoring will be authorized to communicate and share data with ISO-NE's Market Monitoring Unit
- Market monitoring protocols applicable to the CSC are being developed



Next Steps...

- Identify, develop and file required tariff language,
- The following schedule is contemplated:
 - MC Review and Vote: Today
 - Board Review and Vote: March 16
 - FERC Filing: ~March 31
 - FERC Approval: ~June 1
- Proceed in parallel with SA selection
 - Contract with SA by early March
 - Implementation & training to support June “go live”
- Proceed in parallel with development of detailed Operating and Market Monitoring protocols
 - Operating protocol review planned for April OC meeting