Price Correction Initiatives Update

Billing and Price Correction Task Force
Price Error Elimination Team

Sector Meetings

October/November 2005

Billing and Price Correction Task Force

- Task Force was established in July 2005 to develop a plan and schedule for shortening the time periods for price reservation and correction
  - Required by May 9, 2005 FERC Order
- Task Force has undertaken a thorough examination of the issues relating to price calculation, screening, reservation and correction
- Efforts identified the need to better address the underlying causes of price corrections through process improvements
  - Price Error Elimination Team
  - Lean Six Sigma projects

New Price Correction Rules and Procedures

- New price correction rules and procedures are being developed
  - Seeking balance between price accuracy and price finality
- Combined Price Correction Rules and Procedures proposal sent to Market Participants on October 14
  - Market Participant comments are due by October 26
- NYISO will incorporate comments and distribute a revised proposal by November 4
- November/early December Task Force meetings to finalize recommendation
- Targeting December 14 BIC meeting to present recommendation with FERC filing by April 2006

Price Error Elimination Team

➢ Team formed investigate, document, and eliminate (if possible) causes of pricing errors
- ✓ Software enhancements
- ✓ Process improvements
- ✓ Rule-based solutions

➢ Inter-departmental representation
- ✓ Rich Dewey (Lead) – Product & Project Management
- ✓ Robb Pike – Information Technology
- ✓ Rick Gonzales – Market Operations
- ✓ Nicole Bouchez – Market Monitoring
- ✓ Bob Thompson – Market Strategy

Action Plan Overview

➢ **Price Error Elimination Team activities directed in multiple areas**

  ✓ Analysis and categorization of price errors, each with a recommendation for an appropriate remedial action

  ✓ High-priority allocation of software resources to correct price calculation issues

  ✓ Initiation of Lean Six Sigma projects targeting internal processes that contribute to pricing errors

  ✓ Additional design resources dedicated to create solutions for those price error issues that require new software designs or protocols

Price Error Elimination Progress

➢ Software improvements completed to reduce pricing errors

- ✓ Load forecasting software and modeling errors (Feb)
- ✓ RTD unit ramping logic (Feb)
- ✓ DNI constraint problem affecting external proxy (Jun)
- ✓ RTD-CAM commitment of GTs (Jul)
- ✓ Out of Merit flagging bids as flexible (Aug)
- ✓ Generator operating status issue (Aug)
- ✓ Load forecaster modeling improvements (Sep)
- ✓ Islanded generator modeling anomaly (Oct)
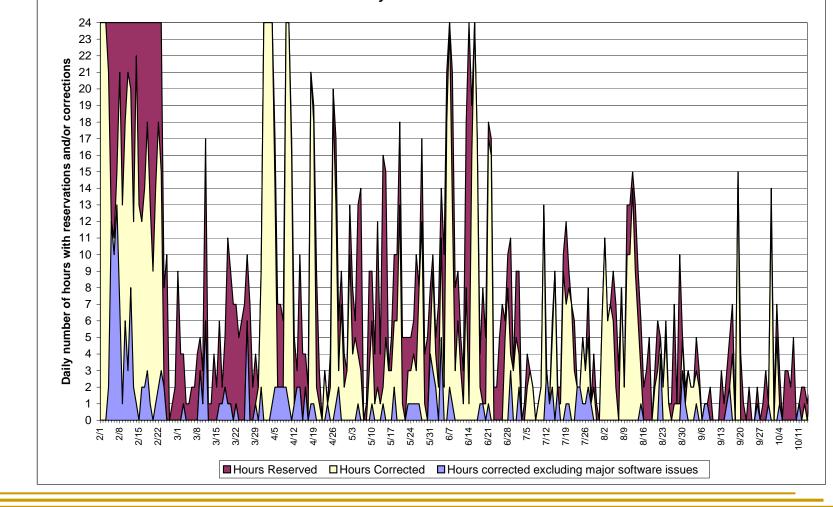- ✓ RTS price posting process improvements (Oct)

Price Error Elimination Progress (Cont.)

- ➢ Thirty-one (31) specific issues impacting pricing or related to errors have been investigated by the team.
  - ✓ Sixteen (16) issues have been closed or completed

- ➢ Sixteen (16) enterprise Lean Six Sigma projects have been launched by the NYISO.
  - ✓ Five (5) projects directly linked to improving the processes related to pricing or price corrections

Price Correction Statistics

Daily Hours with Corrections Excluding Major Known Software Issues
February 1 2005- October 14 2005

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