

NYISO Electric System Planning Working Group Meeting

October 30, 2003

9:00 a.m.

NYISO
290 Washington Avenue Extension
Albany, NY 12203

Draft Minutes

Of the ninth meeting of the New York Independent System Operator Electric System Planning Working Group held October 30, 2003 at The NYISO, 290 Washington Avenue Extension, Albany, NY.

Welcome and Introductions

Mr. Bill Palazzo, Chairman of the Electric System Planning Working Group welcomed members of the group and stated the agenda for the day.

Review of the Meeting Minutes

The meeting notes for October 10 were reviewed and accepted.

Initial Planning Process Implementation Issues

- Transmission Congestion Impact

Mr. John Adams presented "Transmission Congestion Impacts". Mr. Adams displayed the definition of congestion transmission as listed in the OATT. From that definition he had reworked the matrix discussed in previous meetings. Mr. Bob Reed asked for clarification on bid production costs. Mr. Adams described this as bid production price, which is the production costs based on the generators bids. There was a suggestion to look at the aggregate load payments instead of the net load payments. Mr. Mark Younger stated that the group should decide on one type of congestion for the definition, and that there may be other categories of congestion that will be tracked. Mr. Garry Brown suggested that we use the bid production costs as the primary calculation and then other subcategories would also be tracked. Mr. Younger was concerned that if the NYISO uses the subcategories, it may be misleading and if the numbers are published, they would need to be noted. Mr. Stuart Nachmias stated that each of the subcategories is needed to help explain the baseline number, because the baseline number alone could also be misleading. Members wanted to use the definition from the last meeting that read as follows: "The increase in total least cost bid production costs that results from one or more transmission constraints in the New York transmission system". Members were in favor of

recommending the agreed upon definition to the OC, and the category of bid production costs as the baseline calculation number, with subcategories of load payments, congestion payments, and physical flows being reported as long as when these subcategories are reported, it is noted what each of these numbers represents. Mr. Palazzo suggested bringing these to the OC as conceptual ideas and the actual methodology would be provided in the future. Mr. Adams stated that the three examples provided at earlier meetings could possibly be analyzed for this. Mr. Adams stated that the NYISO will attempt to produce a conceptual 3 bus model and generate real numbers from the market, based on previously gathered information for July 15. Members scheduled a conference call meeting for Tuesday, November 3 at 12:30 for discussion of these examples prior to distributing to the OC. The group agreed that they would not provide a recommendation on how these calculations will be performed, such as use of the PROBE model, until a later date.

- PROBE model analysis

Mr. Jim Mitsche presented “Congestion Analysis Using PROBE”. Mr. Mitsche reviewed activities that have been performed since the last meeting. He has monitored the daily DAM limiting constraints since September 1 and there has only been one day where a maintenance outage caused a limiting constraint. Mr. Mitsche provided a table showing the constraint locations and costs for September 22. A benchmark will be developed using the data from this date. Some comparisons have been done between SCUC and PROBE and work continues on the details exploring the dispatch differences.

Mr. Mitsche described the type of analysis that will be used for the ESPWG analysis. He has been working on having a single power flow case for the year when doing normalized congestion costs.

Phase II: Comprehensive Planning Process Development

- Development of process for reliability needs
 - Review of WG comments on NYISO October 10 presentation of issues

Mr. John Buechler presented “Phase II: NYISO Comprehensive Transmission Planning Process”. The comments that had been received from MPs were included in the reliability process issues that had been discussed at the last meeting. MPs had submitted comments that they did not want specific facilities or resources identified during the Needs Assessment. Mr. Younger suggested that the NYISO could report on facilities that they secure. Mr. Buechler stated that a process could be developed that includes a certain amount of facilities and the TOs would have responsibility for some of those facilities under NYISO oversight. Ms. Doreen Saia asked if there is a reason why the NYISO should not have the ultimate responsibility. Mr. Nachmias stated the NYISO should do bulk system and the TOs should do distribution, but that there is also a gray area between these. Mr. Larry Dewitt indicated that we need to address the legal issues and determine whose responsibility is it, the TOs, the NYISO, or the PSC. Mr. Brown stated the NYISO will need to identify where the gray line is and put this in writing. Mr. Rufrano suggested the NYISO use the A1 list to determine facilities the NYISO controls and the

A2 list has facilities in the gray area and these need to be looked at because in some cases they impact the A1 facilities. .

Another issue raised was that a communication process should be developed for TOs to notify the NYISO of the effects of TO projects on the bulk power system. Mr. Nachmias stated the NYISO does not identify the needs on the distribution level. Members discussed if dispute resolution should be included in this process for occasions when agreement cannot be reached.

Members discussed the market based proposals process. Mr. Brown stated since this is a 10-year analysis, there may be sufficient time for further analysis of potential problems. Mr. Dewitt stated that timelines should be included. Mr. Buechler asked if MPs had suggestions for an appropriate time period for responses. Mr. Fromer stated that it's important for MPs to know how much time is needed for certain solutions and how much time is needed for a backup plan to ensure reliability. Mr. Brown stated that it could depend on the regulatory process involved.

Members discussed the commitment requirements when the NYISO issues identified needs. National Grid had commented that no commitment is required. Mr. Fromer stated that if the market is not providing the right amounts of revenue, the MPs may hold off, because they could not get funding. Mr. Brown stated that the regulatory process has to begin with a sufficient amount of time so that the solution will address the problem in the appropriate time frame. Members discussed the possibility that an MP may propose a solution that the NYISO feels does not address the full problem. Mr. Brown stated the NYISO may tell the MP that this will help with the reliability problem but that the NYISO may still pursue a regulatory solution. MPs discussed the need for the process to be transparent. Ms. Saia stated if the market is not responsive and the NYISO needs to move to a regulated solution, then the NYISO will need to examine why the market is not responding. NYISO staff indicated this is included in the process. Mr. Roy Shanker stated that explicit reliability criteria needs to be established to trigger actions by the TOs to meet the needs, but prior to the timeframe in which this must be done, the NYISO should not be doing anything. Mr. Brown indicated the NYISO should not have to identify any specific project, but if there are no responses for a market based solution within the appropriate timeframe, the NYISO will need to go to the TOs for a regulated project solution. Mr. Shanker stated a deadline date would need to be established and then the NYISO could go to the TO regulated project.

The group discussed the regulated transmission responses. The PSC indicated that this should include more than just transmission facilities. Ms. Diane Barney indicated the PSC would want the least cost solution to be used. Mr. Nachmias stated that FERC may be required to be involved in this too. Mr. Buechler stated that the NYISO doesn't have the authority to order any transmission built. Mr. Brown stated that the least cost solution may not be the best solution. He added that the NYISO should identify the needs to provide guidance to the markets and regulators, but that the NYISO is not in the position to make the decision. Ms. Barney stated that the PSC would not only consider cost, but also impacts on the environment and economy as well. Another issue that needs to be considered is that the PSC does not have jurisdiction over LIPA and NYPA.

MPs wanted to strike the word transmission on slide #22 of the presentation to read as follows: “TOs would assume the obligation to provide a regulated reliability upgrade that is included in the final NYISO Plan.”

Members discussed if the TO has a responsibility to file for cost recovery. Mr. Brown stated that costs could be recovered either through NYISO tariff or through the PSC rate based. There was a suggestion to separate the issues into who should pay and what mechanism will be used for paying. Mr. Brown asked MPs that were strongly opposed to provide comments on this. Mr. Nachmias stated that FERC has approved rate based solutions through tariff authority for the PJM market and suggested this could be considered. Mr. Brown responded that multi-state ISOs have limited options.

The group discussed the use of gap solutions for situations in which a project can't be built quickly enough to satisfy the reliability need. Short term solutions should be identified for cases in which the solution will not be completed in time to meet the reliability need. Mr. Brown stated as this will be a FERC approved process, the NYISO will need to stay within the reliability criteria. Mr. Brown suggested that the NYISO investigate what other ISOs are doing for some of these situations.

- TO discussion of “Right of first refusal”

It was decided that this would not be discussed in detail at this meeting.

Next Meeting

The ESPWG is scheduled to meet November 18 at the NYISO, 290 Washington Avenue Extension, Albany, NY at 9 a.m.