NYISO Electric System Planning Working Group Meeting

November 18, 2003

9:00 A.M.

The Desmond
660 Albany Shaker Road
Albany, NY

Of the tenth meeting of the New York Independent System Operator Electric System Planning Working Group held on November 18, 2003 at the Desmond Hotel in 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 10/30/03 meeting notes have not yet been completed; finalized version will be distributed prior to the next ESPWG Meeting.

Initial Planning Process Implementation Issues:

Schedule and Implementation Plan

Mr. Lamanna reviewed the schedule and implementation plan with ESPWG members. A schedule of dates to discuss the substance of initial planning process will be proposed at the December 16th ESPWG meeting.

The group agreed that ESPWG would continue to be the forum for Planning Process Implementation and if desired , Market Participant's could schedule separate sector meetings for input as well.

PROBE Model Analysis

Mr. Obessis and Mr Gisin of PowerGem presented "Elements of Transmission Congestion 2-Bus Example" for the group. Examples of congestion impacts on uncontrained 2-bus system and constrained 2-bus system were provided with conclusions that (1) losers & winners vary -

depending on system configuration (2) results may be counter-intuitive and may not be easily generalized (3) transmission constraints may increase or decrease generation/load payments (4) current market design does minimize bid production cost but does not necessarily minimize load payments.
The group discussed energy payments vs. transmission payments and observations were made that the examples did not capture all costs associated with constraint. It was noted that the load calculation did not accurately reflect all costs the entity really pays. Additional questions were raised on costs associated with constraint. The NYISO noted that there are some load costs that it cannot quantify since these are based upon bilateral agreements of which the NYISO has no knowledge.

It was requested that the formula on slide 17 titled "congestion impact on load payments" be revised to: TRR=TCC credit + TSC (where TRR= Transmission Revenue Requirements).

Mr. Mark Reeder remarked that his distributed document titled "Congestion Cost Examples – Societal Cost Approach vs. Load Payments Approach" was a more simple approach and did not involve transmission revenue requirement.

Ms. MaryEllen Paravolos referenced the PJM docket related to economic expansion and suggested that the NYISO should take note of any conclusions reached regarding the way to report historic congestion.

Mr. Tom Payntor stated that to get a better understanding on money flows and rate impacts on customers and generators it's more useful to look at hedged congestion rather than total congestion. On slide 15, recognizing that we count all MWs of flow, as the hedged will help to clarify the money flows.

Mr. Mark Younger remarked that the current load payment for the transmission system is split into two pieces: TSC and the credit for congestion—for which the TCC payments can be used as a proxy in a competitive market. If credit for congestion is taken away, the loads will pay more for TSC's, unless a new rule is set up, which he was not proposing.

Jim Mitsche presented "Congestion Impact Example" for the group.

Mr. Mitsche posed the question whether mitigated or unmitigated bids should be used in NYC; there was consensus from the group that mitigated bids should be used in the determination of historic congestion for both the constrained and unconstrained cases. Mr. Bill Palazzo suggested that the chart on slide 5 be laid out to include both the constrained and unconstrained figures as well as the difference between the two. It was also requested that a line item be added in for generation revenues/payments. It was agreed that this should be expressed on a statewide basis rather than by zone.

ESPWG members asked that events be classified by "normal vs. unusual event" to get a better understanding of what's driving the congestion. NYISO will put together a straw position on categorizing information by putting outages into various buckets (Buckets being no outages, forced outages, maintenance outages and construction outages). PowerGem took an action item to bring a revised chart back at the Dec 16th meeting.

The group agreed that quantifying historic congestion by interface and calculating TCC credit by zone is something that won't be addressed now but will be added to the list of issues. It was agreed that PROBE should be allowed to vary generator schedules, imports and exports, but that virtual bids and price capped loads should be fixed.

Phase ll: Comprehensive Planning Process Development:

Framework for Reliability Planning Process

Mr. John Buechler presented "Reliability Planning Process Framework" for the group. This presentation outlined the framework for the Reliability Planning Process based upon ESPWG discussion and comments received to date. Mr. Buechler noted that the framework did not include economic needs or cost allocation issues. The overall goal is to ensure that upgrades are built when needed to maintain reliability.

After the needs assessment has been completed and approved, it will be widely distributed to all Market Participants with request for solutions. If Market proposals are judged insufficient, the NYISO will turn to regulated proposals. Questions were raised on the appropriate time frame for market based responses. The group will have to determine a time frame. For the initial round, the regulated solution will likely serve as the benchmark and will be looked to in the first round of the planning process. Mr. Howard Fromer asked for clarification on what is anticipated as "market response".

Also discussed was PSC's role in the process and the need for them to intervene to protect reliability. If intervention is necessary by means of a regulated response this will be determined during the needs assessment process. Mr. Garry Brown stated the need to start a regulated process to allow time for all options to be considered with ability to shift gears to determine the better option.

Mr. Buechler stated that the NYISO will be looking at all proposed solutions, including both market-based and regulated responses, and will evaluate whether or not the proposed solution addresses the identified needs. The NYISO will not choose between market-based solutions. Regarding the approvals process, the issue of what path would be taken in the event of a negative committee vote will be explored further at future meetings. Staff may be required to review alternate proposal.

The group discussed the necessity of project milestones and agreed that milestones should be soft to reflect realities. A question on criteria for halting a regulated project was raised, and Mr.

Buechler stated that this would depend on the status of the project. Mr. Stuart Nachmias recommended (and the group agreed upon) revising slide 12 of the presentation "Request for Solutions – Regulated Responses to read: "TO's would assume, considering all feasible alternatives, the obligation to prepare a regulated transmission proposal to meet identified needs".

Mr. Buechler stated that more time would need to be devoted to Gap Solutions and cost recovery – cost allocation issues. He requested that all comments on the presentation, as well as proposals dealing with cost recovery and cost allocation be sent to him for discussion at the next ESPWG meeting.

Next Meeting

The ESPWG is scheduled to meet December 16 at the NYISO, 290 Washington Avenue Extension, Albany, NY at 9:30 a.m.