

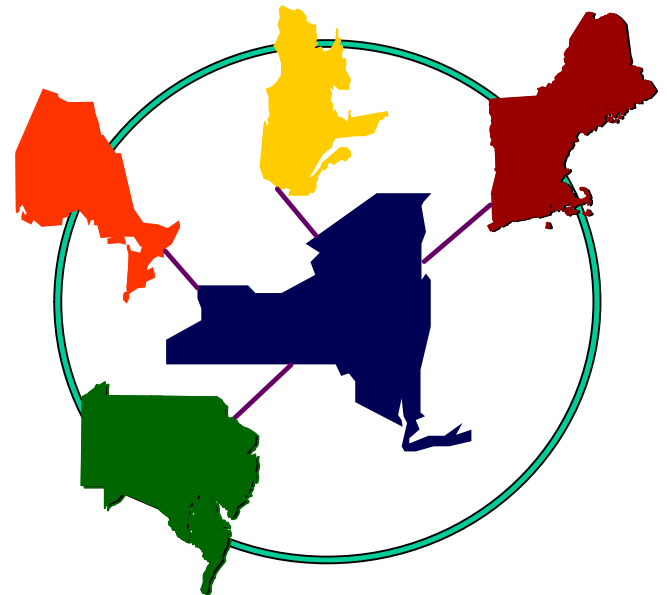
AGENDA #4

Northeast Seams Report

Update on Northeast Seams Issues

Management Committee

March 20, 2003





Status of Seams Projects

Current Quarter Deliverables

Project	Due Date	Status
1. Controllable Line Scheduling	<ul style="list-style-type: none"> ▪ January 28th ▪ Complete 	<ul style="list-style-type: none"> ▪ SCUC changes implemented to optimize scheduling of controllable lines with IMO to better reflect available real-time control actions
2. Open Scheduling System (OSS)	<ul style="list-style-type: none"> ▪ Oracle 9i - March 9th ▪ Complete ▪ OSS - Week of April 7th 	<ul style="list-style-type: none"> ▪ OSS Delivery dependent on Oracle 9i deployment and subsequent testing of OSS application with the new version
3. ISO-NE - SMD 1.0	<ul style="list-style-type: none"> ▪ March 1st ▪ Complete 	<ul style="list-style-type: none"> ▪ SMD markets operational as of March 1st
4. ISO-NE - ICAP Market	<ul style="list-style-type: none"> ▪ March deployment 	<ul style="list-style-type: none"> ▪ ICAP auctions to be initiated for an effective date of April 1st



Other Seams Related Activity

Recent Initiatives

Issue	Activity Description
1. Elimination of Rate Pancaking	<ul style="list-style-type: none"> ■ Initial meetings have been held with NYS PSC and NYTOs. ■ Initial contacts have been made with PJM, ISO-NE, and the IMO on this issue
2. Regional Dispatch Coordination	<ul style="list-style-type: none"> ■ Presentation and discussion with NY Stakeholders on concept on Jan 14th ■ LECG presentation on concept to ISO-NE Markets Committee on Feb 11th ■ Work is underway to further revise the concept and report back to stakeholders
3. Scarcity Pricing	<ul style="list-style-type: none"> ■ NYISO Implementation underway for 2003 ■ ISONE staff presentation to Markets Committee proposing \$1000 10-min reserve shortage pricing based on David Patton proposal on Feb 11th ■ New England is further investigating potential implementation for Summer '03 consistent with NYISO plans



Other Seams Related Activity

Recent Initiatives (continued)

Issue	Activity Description
4. Regional Resource Adequacy Model (RAM)	<ul style="list-style-type: none"> ▪ ISONE-PJM-NYISO submitted joint comments to FERC in response to the SMD NOPR supporting central market framework on Jan 10th ▪ Draft RFP has been developed for a consultant to develop the central resource market design ▪ RAM Group, all-stakeholder meeting to present schedule for development and solicit stakeholder input on the draft RFP tentatively scheduled for March 14th
5. Open Scheduling System (OSS)	<ul style="list-style-type: none"> ▪ Meeting w/ISO-NE to discuss OSS integration options on Jan 7th ▪ Presentation and discussions with NY Stakeholders on potential Phase II deliverables on Feb 18th ▪ Development efforts under way with PJM to provide PJM Ramp Data ▪ Anticipate delivery of PJM ramp data shortly after Phase I deployment
6. Seams (General)	<ul style="list-style-type: none"> ▪ Joint meeting of Northeast ISO VPs to review objectives for the upcoming year, held on Jan 28th ▪ Next ISO/Stakeholder meeting scheduled for March 28th



Estimated Value of Seams Improvements for 2001-2002

- ✓ The Market Advisor has evaluated efficiency improvements for 2001 and 2002 relative to a year 2000 base
- ✓ The cumulative efficiency savings on a regional basis each year, relative to 2000 are:
 - 2001, \$21 million
 - 2002, \$56 million
- ✓ The cumulative savings above represents production cost savings in the northeast...
 - *Through displacement of high cost generation in one area with low cost generation in an adjacent area*
 - *And represents approximately 1/2 of the savings that could be achieved through perfect arbitrage*