Two Concerns with Proposal to Auction Import Rights

<u>Amount of available Import Rights is relatively small and interest is likely to decrease with implementation of LICAP in New England in January 2006.</u>

According to the NYISO, NYSEG has rights to 1080 MW of import rights and Ontario has 55 MW of Grandfathered Rights. This leaves 1620 MW of remaining import capability, of which no more than 220 MW can come from PJM, 950 MW can come from NEPOOL and 1200 MW can come from HQ. Traditionally, PJM has fully utilized their remaining import capability, New England has fully utilized their import capability in the winter, and New England and HQ have competed with each other to fully utilize the available summer capability. However, with the planned implementation of a demand curve in New England in January 2006, the interest in import rights from New England suppliers is likely to decrease. This means the proposed auction may only impact those PJM suppliers competing for the 220 MW of PJM capability as absent interest from competing New England suppliers, HQUS would presumably be free to fully utilize the 1200 MW of available imports from Quebec.

<u>Auction would impose an "Import Fee" and may deter cross border trades.</u>

Creating an auction process to sell capacity import rights is equivalent to imposing an import fee and runs counter to current efforts to eliminate export fees and improve cross boarder trading. Furthermore, if the auction fee results in less than full utilization of an interface, the cost of installed capacity in the NYCA will increase.

<u>Recommendation</u>

If the current fax process is unduely burdensome to the NYISO, investigate alternates such as the internet (that's how we used to reserve transmission on OASIS) or an allocation approach. However, before spending time and money on implementation, wait until New England implements its LICAP proposal to see if the interest declines next year.

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