

NYISO Electric System Planning Working Group Meeting

December 20, 2005
NYISO Washington Ave Ext, Albany, NY

Of the 38th meeting of the New York Independent System Operator Electric System Planning Working Group held December 20, 2005 at NYISO in Albany, NY.

In attendance:

Tariq Niazi - NYSCPB	Larry Eng - NYISO
Ernie Cardone - NYISO	Howard Fromer - PSEG
Carl Patka - NYISO	Penny Rubin - PSC
Leigh Bullock - NYISO	Tim Foxen - NRG
Bill Lamanna - NYISO	Deidre Facendola – Con Edison
John Adams - NYISO	Ray Kinney - NYSEG
Stu Nachmias – Con Edison	Mike Mager – Multiple Intervenors
Doreen Saia - Mirant	Glen McCartney - Constellation
Mark Younger – Slater Consulting	Joe Langan - PPL
Ken Lotterhos – Navigant Consulting	Jim Schedierich – Select Energy
Paul Gioia	John Watzka – Central Hudson
Kevin Jones - LIPA	Liam Baker - Reliant
Tom Payntor - PSC	Barry Huddleston
Ralph Rufrano - NYPA	Bart Franey – National Grid
Chris Hall - NYSERDA	David Allen
Jerry Ancona – National Grid	Ed Kichline – Keyspan
Tom Simpson - NYC	
Rich Felak - Calpine	

Welcome and Introductions

Mr. Tariq Niazi, Chair of the Electric System Planning Working Group welcomed the ESPWG members to the meeting and stated the agenda.

Review Meeting Notes: October 18, 2005 and November 21, 2005

The October 18, 2005 meeting notes were approved. The November 21, 2005 meeting notes were approved with revisions (change to page 3, add “backstop and market based proposals”). Both will be posted on the NYISO website.

Comprehensive Reliability Planning Process

RNA Status – Carl Patka

Mr. Patka reported that the Board approved the 2005 RNA on December 15, 2005. A press release will go out later today with the approved document. In order to provide ample exposure for the marketplace to understand the identified reliability needs, the NYISO will provide various opportunities for Market Participants and other potentially interested parties to discuss the final RNA. Such opportunities may include presentations at various NYISO Market Participant committees, focused discussions with various industry sectors, and/or presentations in public venues.

NYISO will solicit in a letter both market based and regulated backstop solutions, simultaneously, as called for in the tariff. This letter will be distributed to all NYISO Market Participants and will be posted on the NYISO website. A timeline for responses will be included in the letter (45-60 days for MPs to put in market based and regulatory solutions).

NYISO's role will be a neutral evaluation on whether the proposals meet the reliability need. David Patton will be reviewing the RNA and will provide a report/input as to whether market failures have driven reliability needs. This report will be distributed to MSWG and ESPWG members,.

CRPP – Schedule and Implementation – Bill Lamanna

Mr. Lamanna walked ESPWG members through the CRPP proposed timeline. The initial phase of the RNA has been completed. NYISO Staff will perform a Reliability Needs Assessment over the 10-year planning horizon based upon existing reliability criteria. Scenario analysis will be employed to test the robustness of the base case assumptions. The RNA will identify violations of reliability criteria, but will not identify specific facilities to meet the identified needs. There will be provisions for MP input & review of RNA through ESPWG & TPAS. In addition there will be provision for coordination with adjacent regions. The final approved RNA will be widely distributed.

The group discussed timeframe for proposed solutions; what dates should the window be open for alternate regulated solutions.

NYISO will evaluate all proposals to determine if they will meet the identified reliability needs. Regulated backstop proposals by TOs will establish the lead time for non-TO proposals. If Market-based proposals are judged sufficient to meet the identified needs in a timely manner, the CRPP will so state. NYISO will not select from among the market-based responses and will monitor status of market-based projects to ensure needs will continue to be met as part of its annual update process. If market proposals are judged insufficient, NYISO will indicate that a regulated solution is needed in the CRP.

If a solution comes in and helps alleviate the need it this should be pointed out in the final report. NYISO will evaluate non-TO regulated alternatives to determine whether they will meet the identified need, and will report its evaluation in the CRP.

If market-based proposals are not forthcoming, the NYISO and its Independent Market Advisor will investigate whether that is due to market failure in one of its markets. If so, NYISO and its IMA will examine appropriate modifications to its market rules with MPs.

The CRP review and approval process and gap solution was discussed. Cost allocation methodology to be developed by the NYISO/ESPGWG.

Criteria for market based solutions.

ESPGWG members reviewed the “Criteria for Market Based Solution” document.

- Page 1 - last bullet: wording change: “will” changed to “may”
- Section 6.3 – procedure only – will not require a tariff filing.

NYCA LOLE Violations Cost Allocation – Jerry Ancona

Mr. Ancona presented NYCA LOLE Violations Cost Allocation - The Need to Modify the 6/3/2005 Proposed Resource Adequacy Cost Allocation.

The cost allocation methodologies presented to ESGPWG on June 3, 2005 (pertaining to a regulated solution to a resource adequacy violation) presumed that reliability needs would be stated in terms of LICAP deficiencies in Localities or in ICAP deficiencies for the NYCA. In actuality, the resource adequacy reliability needs in the latest approved Reliability Needs Assessment (RNA) were stated in terms of the NYCA LOLE exceeding 0.1 along with associated the LOLEs for each Zone. Consequently, the original cost allocation methodologies proposed for resource adequacy reliability violations lack the information needed.

Mr. Ancona discussed the three methods which can be computed using information and/or methods from the RNA, and that are proposed as potential alternatives that could replace both the LICAP and the ICAP Deficiency sections in the June 3 proposal:

Potential Cost Allocation Methods for NYCA LOLE Deficiencies

- Method A: All loads in NYCA cost allocated on a load ratio share
- Method B: Loads in Rest-of-State (ROS)¹, Zone J or Zone K with the highest LOLE are allocated all of the cost
- Method C. Loads in ROS, Zone J and Zone K pay on a proportional basis based upon their individual impacts on LOLE

Examples of each of these methods was provided.

A fourth method, (Method D), was also discussed,.

Cost Allocation under the NYISO CRPP – presented by LIPA/Con Edison

Mr. Ken Lotterhos presented the LIPA/Con Edison cost allocation proposal. Their view is that the cost allocation process should reflect how reliability violations are traditionally identified and addressed in planning and operating studies. Cost allocation for backstop reliability projects should be determined separately for: (1) voltage violations, (2) thermal violations, and (3) capacity deficiencies.

First: eliminate voltage and thermal violations and restore system transfer limits to their accepted pre-CRPP RNA levels. Once cost allocation to restore system transfer limits to their pre-RNA levels has been completed, cost to resolve capacity deficiencies may be calculated. Total cost allocation to an entity will be the cost allocated to address each category of violation.

Mr. Lotterhos stated that cost allocation is not just based on beneficiary pays, because Attachment Y states that primary beneficiaries shall initially be those Transmission Districts identified as contributing to the reliability violation. He said that order does matter, since the RNA translates all violations into capacity deficiencies which may not properly indicate the initial cause of the violation. Mr. Lotterhos provided an example for the group.

Mr. Niazi asked that additional proposals be submitted to the NYISO. The NYISO and PSC were asked to weigh in on all the proposals. The next two ESPWG meetings will be spent on resolving the cost allocation issue so that the final proposal can be brought to the OC in February.

Action Items:

1. NYISO to post solicitation notice for Mb and regulated backstop solutions on the website with notice on homepage. Look into putting a link from letter to RNA and visa versa.
2. When David Patton finishes his review of the RNA, distribute his report to MSWG and ESPWG. (January?)
3. PSC and NYISO to weigh in on their proposal.
4. Dispute Resolution to be discussed at the next ESPWG meeting.