



Building the Energy Markets of Tomorrow . . . Today

The NYISO's Vision for a Northeast RTO

*William J. Museler
President and CEO*

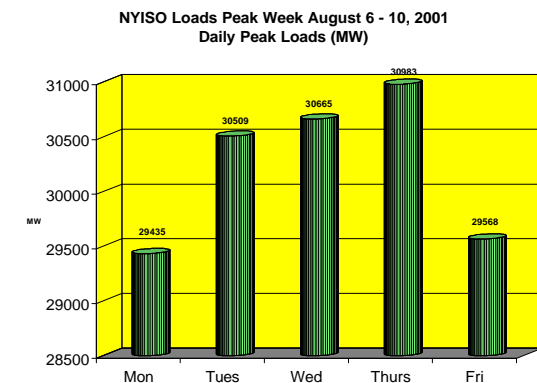
NYPA Corporate Strategic Planning Conference
January 30, 2002

Review of 2001

The Situation

- **Power Alert**
 - ✓ *March 14, 2001 Press Conference and Report projected tight supplies for summer and need to significantly increase supplies through 2005*

- **Record Summer Peaks**
 - ✓ *Power Alert's forecast were realized the week of August 6 – 10, 2001 when NYCA set three consecutive all-time peak consumption records*



Review of 2001

The Solutions

- **NYPA Turbines**

- ✓ *Provided 400-plus megawatts during crucial periods*

- **Marcy CPC**

- ✓ *Enhanced ability to transfer power at east-west interface*

- **Demand Response Programs**

- ✓ *Shaved 1,500 megawatts during peak period*

- **Article X**

- ✓ *Moving in the right direction with approximately 3,450 megawatts approved during 2001*



RTO History

- **January RTO Filings**
 - ✓ *ISO - New England, New York ISO, PJM all filed for RTO status*
- **July 11, 2001 FERC Order**
 - ✓ *Conveyed a new vision for larger regional markets: the four RTO model*
- **Mediation Process**
 - ✓ *Largely a forum for individual interests*
- **State and Congressional Involvement**
 - ✓ *Began turning the tide on FERC's July 11, 2001 Order*
- **Northeast RTO Discussions**
 - ✓ *Three Boards unable to reach common vision for NERTO despite good faith efforts, ISO-NE, NYISO forge ahead with common market design*



Northeast RTO –

New England and New York Initiate Proposed Agreement to Develop Common Markets and NERTO

- **Proposed Agreement provisions:**

- ✓ *ISO-NE AND NYISO agree to:*

- ◆ Develop a common electricity market, and
- ◆ Evaluate the feasibility of an RTO composed of NE and NY by developing an RTO plan. The planning process allows both parties to conduct due diligence and seek market participants' input.



- ✓ *Any RTO may accommodate one or more independent transmission companies.*

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Northeast RTO – (continued)

New England and New York Initiate Proposed Agreement to Develop Common Markets and NERTO

- **Proposed Agreement provisions:**

- ✓ *The development of the common electricity market will provide for the participation of IMO Ontario, Quebec and New Brunswick and Nova Scotia to the extent they elect to participate.*
- ✓ *The plan for the RTO will address, among other issues, market standardization and consolidation, security, and coordination with neighboring control areas.*
- ✓ *The Agreement will accommodate any other entity or control area which may want to join the initiative.*



Northeast RTO

Why does it make sense?

- Meets FERC's objectives for NERTO in scope and characteristics, as well as FERC's intent for single electricity marketplace
- Long-standing history of bulk power system coordination between NE and NY, and within the NPCC
- Similar stages of restructuring and generation divestiture exist in NY and NE
- Natural marketplace already exists with potential synergies
- Does not preclude coordination with other markets. NY and NE will continue to work cooperatively with PJM to resolve seams issues and increase market efficiency



Combining New England and New York: *Operational and Economic Benefits*

- **Operational benefits include:**

- ✓ *Inter-regional dispatch leads to efficiency, e.g.:*

- ◆ New England = Substantial Baseload Units
- ◆ New York = Substantial Peaking Units



- ✓ *Increases reliability by combining the two regions' reserve margins*
- ✓ *Facilitates long-term transmission planning*
- ✓ *Coordination of system dispatch can result in additional savings*

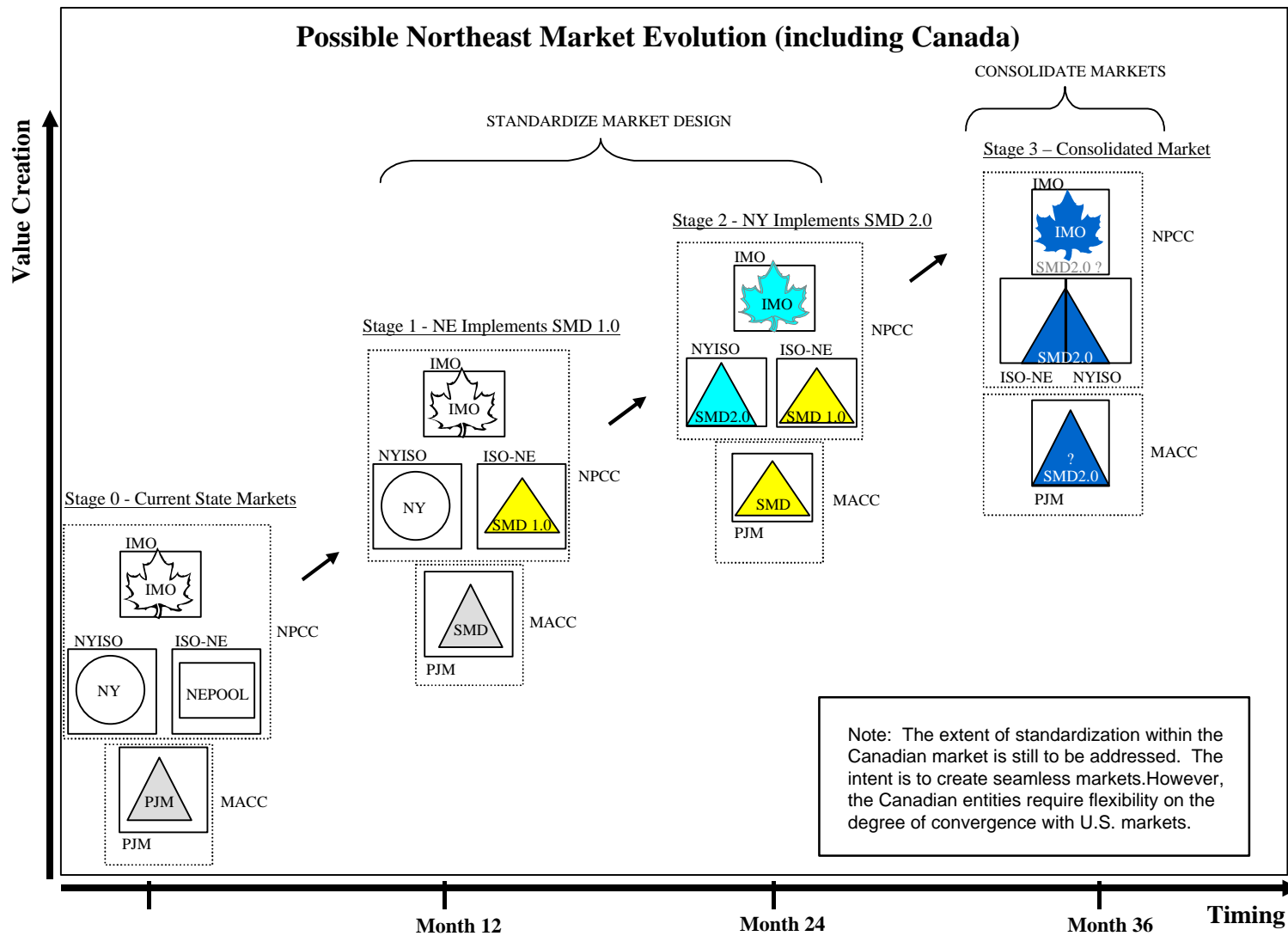
Combining New England and New York: *Operational and Economic Benefits*

- **Common marketplace -- economic benefits include:**
 - ✓ *Reduction in operating costs for market participants*
 - ✓ *One-stop-shopping for the transmission reservation system (OASIS)*
 - ✓ *Elimination of “pancaking” leading to reduced costs*
 - ✓ *Stable industry framework to encourage financial investment in new generation and transmission expansion*

- **Broader Northeast market would:**
 - ✓ *increase liquidity in wholesale markets*
 - ✓ *encourage retail competition*



Northeast Market Evolution



Where We are Headed

- **Summer 2002 Assessment**
 - ✓ *Power Alert II – early March 2002*
 - ✓ *Transmission Study – April/May 2002*
- **Continued Seams Resolution**
 - ✓ *Summer 2002 projects on track and remain a priority*
- **RTO Filing June 2002**
 - ✓ *Pending positive evaluation, joint filing to be made with intensive stakeholder involvement*

