

Questions – Joint Board/MC Meeting – June 15, 2009

Eastern Interconnect Planning Collaborative

- What should be the appropriate role for market participants in the Eastern Interconnect Planning Collaborative?
- Are there existing models for the governance structure for such a collaborative ?
- Should there be a distinct role for Transmission Owners--within ISO/RTO regions?
- Should there be a distinct role for State and federal regulators/agencies?
- Do you support the proposed "bottom up" approach starting with existing regional plans?
- What "product" to you believe would be appropriate for the collaborative to provide - an interconnection-wide "plan" to be followed by each region, an overall direction which will be referred to the regions for implementation, or simply broad scenarios to be used for information?
- The Collaborative , as proposed, will develop interconnection-wide planning analyses--and will not deal with cost allocation, siting or permitting issues and will not set energy policy. Do you agree with this scope?

Developing Broader Regional Markets

- A broader regional market promises to be beneficial for the northeast region as well as New York. What specific actions should the NYISO take to promote a broader regional market ?
- The NYISO is working on improving transaction and interchange scheduling as well as congestion management with neighboring ISOs. What other items should the NYISO be looking at ? Should the NYISO be considering a Virtual Regional Dispatch (VRD) with neighboring ISO/RTOs ?
- Should the NYISO and other system operators explicitly manage flows to minimize loop flows, or focus on changing the market incentives?

Renewable Resource Integration

- Much of New York's wind generation is locating far from load centers. Should New York consider a Texas or California style model for funding transmission from wind generation zones to load zones?
- The NYISO recently developed rules for Limited Energy Storage Devices to create market opportunity for new storage devices. What more should the NYISO be doing to create market rules or communications infrastructure to create incentives for the right amount of storage, load management, etc., to integrate?
- Is Dynamic pricing a prerequisite for effective integration of renewables and PHEVs to the grid ?
- What strategies can be employed to cost effectively communicate with demand resources and/or plug in hybrid electric vehicles (PHEVs) to incorporate their participation into the markets and system management while delivering the same robustness and security of today's system?
- What role should the NYISO have in defining Smart Grid capabilities and installations?



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To: New York Independent System Operator Board of Directors
From: Chris LaRoe, Managing Director, Market Policy and Regulatory Affairs
Independent Power Producers of New York, Inc.
Date: 6-4-09
Re: Response to Questions – Joint Board/Management Committee Meeting

The Independent Power Producers of New York (IPPNY) thanks the NYISO Board of Directors for the opportunity to provide feedback on those issues deemed important by the Board. Although we are happy to address these issues, we would be remiss if we did not communicate the fact that, although important, the topics provided by the Board would not be considered the highest priorities for the NYISO by IPPNY and many of our members. Instead, we believe that the most important role to be served by the NYISO Board is ensuring the reliable, efficient and error-free operations of our energy markets. To that end, we believe that the upcoming process to reset the Installed Capacity Demand Curves, the implementation of appropriate revisions to the NYISO's credit policies, and significant involvement by the NYISO within the State Energy Planning Process are much more important endeavors, and we hope that they are given sufficient priority status by the NYISO's leadership.

Eastern Interconnect Planning Collaborative

IPPNY appreciates the efforts made by the NYISO to provide meaningful guidance within the Joint Coordinated System Plan development process and the NYISO's ultimate withdrawal of support of that plan. That experience clarified the value of being involved in such a planning process from its inception, and we recognize the value of NYISO's participation in the Eastern Interconnect Planning Collaborative. Indeed, as far as any such planning can impact policy or decisions made within New York State, it is imperative that New York is represented fairly within the process. With that concept in mind, it is equally important that the positions advanced, the assumptions made, and the scenarios accepted by the NYISO are subject to review and comment by market participants. We encourage the NYISO to provide frequent updates to market participants within the appropriate NYISO committees (such as ESPWG) and to solicit input on items

of importance. A “bottom-up approach” seems appropriate for the planning process, and the product should be broad scenarios used for informational purposes.

Developing Broader Regional Markets

There is a sense of frustration among IPPNY members who believe that the NYISO has not been sufficiently aggressive in improving opportunities for Market Participants to schedule interregional transactions in the Real-Time market. The principle barrier to this has been the current rules requiring real-time bids to be submitted 75 minutes before the hour, so that import and export decisions could be economically evaluated. However, sufficient data has been presented during NYISO committee meetings that shows the NYISO’s 75-minute ahead-of the hour projections of real-time costs have not been very accurate. Reducing this time constraint should be the first solution undertaken to enhance broader regional markets. In particular, the NYISO should not implement a system where it schedules real-time transactions without also providing increased opportunities for MPs to revise schedules in real-time. The focus should be on changing market incentives rather than system operators explicitly controlling flows, as the latter simply serves as a band-aid approach to the problem.

Renewable Resource Integration

Detailed discussion on this topic is pre-mature, at least until the NYISO’s wind study results have been provided to market participants and examined. Generally speaking, the NYISO has a system that provides appropriate price signals. To the degree that resources are developed through competitive procurement within the state’s Renewable Portfolio Standard, the cost of power, including transmission upgrades, should be reflected in responders’ bids.



**RESPONSES TO QUESTIONS ON THE
JOINT NYISO BOARD OF DIRECTORS/MC MEETING AGENDA TOPICS**

Eastern Interconnection Planning Collaborative

- No matter how compelling the case may be for a particular transmission project in the planning process, projects are likely to face substantial resistance and delay if the rules for how and which consumers will pay for these investments are not clearly defined. The tariffs applicable to interconnection-wide plans should include upfront practical cost allocation rules for transmission built pursuant to the interconnection-wide plan, providing a certain and clear path to cost recovery.
- Cost allocation rules should recognize the broad benefits that are associated with the facility, and may incorporate a mix Interconnection-wide allocation (“postage stamp”), allocation by region, and participant funding.
- Transmission planning must start with assessing and addressing local needs on the system. This must fit into a robust regional planning process to ensure that optimal solutions are achieved for the benefit of consumers.
- To meet national and state energy policy priorities, it is appropriate that regional plans are coordinated and fit into wider inter-regional planning processes. The Eastern Interconnection Planning Collaborative can serve this role.
- Once a robust regional plan is developed, interconnection-wide planners can coordinate the results of these regional plans and identify opportunities for optimizing solutions. Transmission Owners are the parties in the best position to develop, own and maintain transmission solutions to meet the needs identified in both regional and interconnection-wide plans, and thus must be included in the developed of plans.
- Interconnection-wide plans must serve more than an “informational” purpose to be useful. These plans should identify gaps and solutions needed to achieve both national and state priorities. Transmission Owners must be able to carryout the solutions identified in the plans.

Renewable Resource Integration

- New York could benefit from a Texas or California model for identifying locations where wind generation (and other renewables) development is likely to occur. Both Texas and California have created Renewable Energy Zone (“REZ”). The creation of a REZ allows for greater proliferation of and in areas where an abundant generating potential exists (e.g., prevailing wind). The creation of a REZ has allowed transmission planners to avoid inefficiencies that may be encountered with piece meal interconnection processes and allows planners to develop sufficient transmission capability needed to integrate wind to load centers in a timelier manner.
- The current generator interconnection approach is based on an as needed approach to the construction of new facilities. Because the standard for interconnection is the minimum necessary to interconnect there may not be sufficient transmission capability beyond the interconnection causing the potential for energy curtailment to increase. Creation of REZs will allow transmission to be developed and sized to the appropriate amount of wind development that is likely to occur within an area.
- Transmission has largely been developed and constructed in both Texas and California due to the certainty that Transmission Owners will be able to recover their costs from all the identified beneficiaries. Cost recovery and determination of beneficiaries through the NYISO tariff is necessary to give Transmission Owners a clear roadmap for which investments can be made.

For questions, please contact:

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**RESPONSES TO QUESTIONS ON THE
JOINT BOARD/MC MEETING AGENDA TOPICS**

**SUBMITTED ON BEHALF OF THE NEW YORK TRANSMISSION OWNERS,
LIPA AND NYPA (THE "TOS")**

Eastern Interconnect Planning Collaborative

• What should be the appropriate role for market participants in the Eastern Interconnect Planning Collaborative?

All market participants at each planning entity would be members of the Eastern Interconnection Planning Collaborative ("EIPC") and accordingly should be provided periodic updates on the study efforts and be asked for input during each phase of the analysis --- assumptions phase, study development phase, results phase and conclusions/recommendations phase.

• Are there existing models for the governance structure for such a collaborative?

We are not aware of any specific existing models for the collaborative but note that the New York State PSC has used the collaborative model on numerous occasions. These collaborative processes have not used a formal governance structure with voting rights as these processes are not decisional in nature. Instead, these collaborative processes have produced reports that require that dissenting or alternative views be included in the final report. As proposed herein, the EIPC would have a steering committee that would be responsible for the production of the report, while other members of the collaborative would have the opportunity to have their views expressed in their reports.

• Should there be a distinct role for Transmission Owners within ISO/RTO regions?

Yes. The process involves the planning of their systems and they should accordingly have a prominent role in the EIPC process. TOs have the responsibility and obligation to maintain reliability and provide energy to customers at just and reasonable rates. As the entities that would work with the local planning regions to carry out the

EIPC recommendations, TOs must have the ability to make sure that these obligations are carefully considered as recommendations are developed. Additionally, TOs must have the ability to confirm that recommendations from the EIPC are compatible with and can be integrated into their local reliability plans and can ensure an overall seamless interconnection-wide planning effort. The goal should be to maintain balanced TO representation. The EIPC steering committee should include an equal number of TO representatives from each ISO/RTO region that would serve on a rotating basis and comparable representation from non ISO/RTO regions.

● **Should there be a distinct role for State and federal regulators/agencies?**

Yes. They should have representation on the collaborative steering committee.

● **Do you support the proposed “bottom up” approach starting with existing regional plans?**

Yes. We support a bottom up approach where the local transmission plans of each transmission district is rolled up into the regional plans, and then aggregated and rolled-up into the EIPC plan.

● **What “product” do you believe would be appropriate for the collaborative to provide -- an interconnection-wide “plan” to be followed by each region, an overall direction which will be referred to the regions for implementation, or simply broad scenarios to be used for information?**

The product will be a “plan” that will aggregate the regional plans and identify gaps and propose alternatives that will be considered by the regions.

● **The Collaborative, as proposed, will develop interconnection-wide planning analyses-- and will not deal with cost allocation, siting or permitting issues and will not set energy policy. Do you agree with this scope?**

The TOs agree that siting, permitting and setting energy policy will not be part of the Collaborative’s scope. However, the TOs do not agree on whether cost allocation should be considered by the Collaborative.

Developing Broader Regional Markets

● A broader regional market promises to be beneficial for the northeast region as well as New York. What specific actions should the NYISO take to promote a broader regional market?

While there has been significant internal advancement in the ISO/RTO markets since the NYISO began operations in 1999, there has been little improvement in creating market changes that in practice advance a broader and more efficient regional market in the Northeast and beyond. The lack of success to date can be attributed to at least two related factors, the focus on addressing internal market needs and the lack of incentive for regional system operators to more fully integrate their systems.

One stark example is the recent changes in capacity markets where previous attempts to address Northeast regional market coordination faltered and was instead replaced by individual ISO/RTO capacity market development. This independent approach has resulted in significantly different capacity market designs in each of the regions (including the NYISO's lack of a forward capacity market) and significant duplication of ISO/RTO and stakeholder market development resources. The market inefficiencies that this approach has institutionalized have created barriers to even small steps forward, such as aligning Capability Years between the regions (New York's year begins in May while PJM and ISO-NE start in June) which are not being resolved at this time given the inflexibility of NYISO ICAP market software.

Similar issues exist in the energy and ancillary service markets where there has been little progress in enhancing interregional real-time scheduling flexibility or allowing the sale of operating reserves between regions.

There should be more coordination and collaboration in market development between the regions and the NYISO should take a leadership role in this area and regularly report to stakeholders on the progress being made.

- **The NYISO is working on improving transaction and interchange scheduling as well as congestion management with neighboring ISOs. What other items should the NYISO be looking at? Should the NYISO be considering a Virtual Regional Dispatch (“VRD”) with neighboring ISO/RTOs?**

Progress has been delayed in improving transaction and interchange scheduling to date. Shortening scheduling lead times and allowing more frequent schedule changes should be short-term priorities with VRD utilized as a supplemental approach to account for any significant remaining inefficiencies. Congestion management approaches with neighboring regions should continue to be investigated to determine if they can achieve more efficient market outcomes but it is not yet clear whether this approach will prove beneficial to New York. Where possible, longer-term approaches should be focused on enhancing broader regional market coordination and efficiency as opposed to overcoming barriers from individual and inconsistent market designs.

- **Should the NYISO and other system operators explicitly manage flows to minimize loop flows, or focus on changing the market incentives?**

A primary approach should be to ensure that physical system changes are implemented as solutions when available such as the long delayed commissioning of the MISO/IESO PARs that have aggravated the current loop flow problem. Aligning market incentives to more appropriately promote efficient market outcomes should also be a priority. Finally, explicitly managing loop flows as well as prohibiting specific transactions should be utilized to manage unintended costs to NYISO customers.

Renewable Resource Integration

- **Much of New York’s wind generation is locating far from load centers. Should New York consider a Texas or California style model for funding transmission from wind generation zones to load zones?**

New York stakeholders should review in the working group process the Texas and California models of identifying “Renewable Energy Zones” as well as other alternatives to addressing transmission upgrades specifically for renewable. The NYISO should facilitate the integration of wind and other renewable generation into the grid. We note that if the current NYISO wind integration study identifies transmission system constraints causing limitations on energy output of renewable resources, then our STARS

transmission study will review those results and identify transmission fixes that may alleviate the problem.

- **The NYISO recently developed rules for Limited Energy Storage Devices to create market opportunity for new storage devices. What more should the NYISO be doing to create market rules or communication infrastructure to create incentives for the right of amount of storage, load management, etc., to integrate?**

The NYISO should be open to new technologies and the need for implementation of market rules to accommodate new technologies that improve the operating flexibility and efficiency of the NYISO markets. Any such tariff modifications need to allow new technologies to participate in the NYISO markets on an equal basis with existing technologies. The development of new rules for Limited Energy Storage Devices is a clear example of the NYISO market accommodating new technologies that are new entrants in NYISO markets. The TOs believe that the NYISO market participants should continue to be open to new technologies entering the NYISO markets and to changes to the NYISO tariffs when appropriate.

We must also take a fresh look at the current design of the markets to identify any rule changes or additional modeling flexibility that would improve the ability of existing storage resources to respond to the unique operating issues resulting from wind integration. For example, more efficient use of existing storage facilities during low load hours may be achieved by enhancing the market design to allow for the designation of multiple ramp rates rather than the single rate allowed in the current design. Such an enhancement will allow the NYISO to better utilize the flexibility of such resources to help manage the variability of generation. The added flexibility of the model to permit multiple ramp rates will enhance the ability of the NYISO to absorb wind energy, particularly during light load periods. It is important that we utilize the maximum value of those resources that already exist through appropriate modeling and rules changes.

- **Is Dynamic Pricing a prerequisite for effective integration or renewables and PHEVs to the grid?**

Dynamic Pricing is largely a retail issue and the NYISO currently facilitates this with Real Time and Day Ahead LBMP.

- **What role should the NYISO have in defining Smart Grid capabilities and installations?**

New York should continue to play an active role in the development of Smart Grid technologies on the electric system. The NYISO should support the TOs as they develop Smart Grid platforms, as well as the development of federal and state standards and protocols. Moreover, the NYISO should join in collaborative efforts as appropriate, such as the active role the NYISO has taken with wider Phasor Measurement Unit (“PMU”) deployments on the grid.



Transmission Planning

Goals

Historically transmission planning was conducted based upon a view as to the need for resources to meet a one day in ten year standard of reliability given a probable load forecast. Today, we must look at planning differently. Demand is no longer a simple input but is rapidly becoming more and more price responsive, making reliance upon a static forecast much less useful. In addition, meeting a reliability target at the least cost is no longer the only objective. Environmental policies to reduce emissions are not just a minor input or afterthought. They have become as dominant an objective for the process as reliability itself. Resource planning must therefore evolve beyond the oversimplification of categorizing system enhancements as being either “reliability” or “economic” in nature. The system no longer needs to be designed to meet forecast demand at all times. Rather, it needs to be economically efficient in clearing supply and demand at the least total cost. In other words, at some price level there will always be enough demand willing to interrupt that the system can meet the needs of those who remain on. The question becomes whether it is less expensive to expand supply or to pay for reduced demand. This problem is easy enough to solve in real time with supply and demand bids. It is much more difficult to solve across a planning horizon and will require the exercise of some reasonable judgment as to whether resource additions are efficient as opposed to “needed.” So my first recommendation to the Board is to get away from the “needs” versus “economics” dichotomy and to begin thinking about how to compare the relative value of supply and demand resource options across a planning horizon and to include in the plan additions that are efficient.

Process

To make informed decisions the planning process must necessarily include input from stakeholders. Transmission owners, generators and developers all possess knowledge and insights that can and should inform the planning process. Without their input any regional plan is likely to meet with extensive and legitimate criticisms when issued. The problem, however, is that inclusion or exclusion of resources in a plan will impact the business interests of incumbent generators and transmitters as well as the plans and proposals of developers. Too much deference to stakeholder input invites tactics of delay, obfuscation and attack to advantage one business interest over another. In this regard, the NYISO must bound its planning process with a finite timeline for taking input and must reserve to itself the exercise of independent and informed judgment in issuing a final plan.

In my opinion the NYISO is at great risk of losing control over its planning process. Apart from the NYISO’s CARIS plan we also have a transmission owner planning effort, STARS, a statewide energy planning effort and a separate planning analysis by the City of New York. All these efforts can be

complimentary and informative to the CARIS effort. The NYISO must, however, defend its plan before the FERC and the State as being the final word for purposes of the NYISO tariff and the recovery of FERC jurisdictional costs thereunder.

Eastern Interconnection Planning Collaborative

Some inter-regional projects will clearly require a joint planning effort by the NYISO and neighboring RTOs or control areas. This is not necessarily the case, however, for each and every project that crosses into or out of the NYISO footprint. For some projects, particularly those supported on a contract or merchant model rather than a regional tariff, a loose and informal coordination and information sharing may be sufficient to work within the existing regional plans without the need for a more formal coordination process. Larger projects, however, will require something more structured. Reaching consensus is always desirable but difficult. Without all affected participants “in the room” it is hard to work through the issues. Bringing in more than the affected stakeholders, however, can slow the process down and impede progress. For this reason we favor allowing the applicant developer to decide as part of the interconnection process whether to work through the existing process or invoke an inter-regional collaborative to push coordination to a higher level.

In our experience regional system planners and local transmission owners often overlook inter-regional needs and solutions because they are outside the mandate. Independent transmission providers, such as ourselves, however, are well positioned to identify and offer solutions across service territories, state boundaries and RTO borders. What is needed is less of an effort to tie together a series of regional plans into a mega-plan but rather a means to line up the study efforts, work plans and timelines for processing cross-border proposals in order to avoid delays in development due to lack of coordination.

Renewable Resource Integration

The implementation of locational prices for energy and capacity provides a market-based mechanism to promote the development of generation resources where they are most desirable from a transmission perspective. Recently, however, environmental policy has driven investment away from natural gas turbines and toward the development of wind generation and other renewable resources. These latter resources are much more dependent upon the natural landscape and are in most cases unable to locate in response to locational prices. The upshot of this shift is that the transmission system must now be expanded in tandem with the development of these resources to accommodate delivery of renewable energy from northern and western New York to the load centers in southeastern New York. As noted above, a traditional “reliability” based model of planning is simply not suited to identifying this needed transmission. Similarly, the NYISO tariff does not include any mechanism for accommodating transmission investments which neither address a “reliability” shortfall nor produce a net cost reduction across all zones. We believe that New York is and will remain incapable of meeting its renewable resource targets unless both the planning process and the tariff cost recovery mechanisms are modified to fully incorporate state environmental policy alongside cost and reliability.



Questions – NYISO Joint Board/MC Meeting – June 15, 2009:
Responses of the Alliance for Clean Energy New York (ACE NY)

Eastern Interconnect Planning Collaborative

Regional planning efforts are definitely important and worthwhile undertakings. We believe these efforts should be open to all parties with perhaps distinct roles for TOs and state and federal agencies, but it is important to acknowledge that given time and expertise constraints, actual participation by some important stakeholders will be limited. We also believe that the products will, by necessity, need to be informational rather than policy determining. However, they should be developed in such a way as to make it as easy as possible for decision makers to use the products for policy. Therefore, topics such as siting policy and cost allocation should be addressed with possible scenarios and the impacts of each identified.

Developing Broader Regional Markets

Broader, regional markets can provide benefits. However, ACE NY believes that development of in-state renewable resources can be more beneficial than additional imports of energy from our neighbors. The NYISO declined to support the findings of the JSCP because it did not adequately include NY resource potential and involved new coal capacity. A balance must be struck between the market benefits of imports – in terms of reliability and cost – and the environmental and economic development benefits provided by in-state renewable resources. Additional imports from our neighbor to the north may very well depend on controversial new hydropower developments there that would not be considered appropriate if developed here (i.e., new impoundment facilities), and imports from PJM or MISO may very well be from polluting fossil plants rather than the renewable resources that should be given priority based on the need to combat climate change and further diversify our energy portfolio.

The NYISO should make working with other governmental entities to ensure development of the transmission capacity needed to promote development

on New York's clean energy resources the priority, over bringing in additional power from our neighbors.

Renewable (Clean) Resource Integration

Q: Much of New York's wind generation is located far from load centers. Should New York consider a Texas or California style model for funding transmission from wind generation zones to load zones?

Yes, New York should consider alternative models for funding needed transmission investments. There are many arguments to be made for new transmission in New York after years of insufficient investment in this crucial infrastructure. Continual debates and decisions on how to allocate costs for upgrades have not spurred the investment needed to facilitate renewable generation.

The numerous studies and proposals for increasing renewable generation across the country all involve major transmission upgrades. New York must take a leadership role in ensuring transmission lines are built to facilitate in-state development of renewable generation. Without that initiative, New York may very well find itself importing energy from out-of-state – and therefore not receive the in-state economic development benefits clearly identified in the KEMA and Summit Blue Reports on the RPS - and may find its jurisdiction over transmission upgrades usurped by federal authority.

The Texas model could be very useful for New York, although our system is obviously quite different. The identification of transmission needed specifically to allow for renewable generation is a smart approach. We suggest the NYISO work with the Public Service Commission, the Governor's office and/or State legislators to craft a transmission investment proposal that will allow New York to build the renewable generation now in the NYISO queue. We believe the benefits of clean power accrue to all New Yorkers and support broad based cost recovery for the needed investment (a "postage stamp" approach to cost recovery should be considered) while also understanding that there may be reasons to allocate costs differently to respect the concerns and needs of different load populations.

Q: The NYISO recently developed rules for Limited Energy Storage Devices (LESD) to create market opportunity for new storage devices. What more should the NYISO be doing to create market rules or communications infrastructure to create incentives for the right amount of storage, load management, etc. to integrate?

The NYISO should be commended for its actions to develop rules for LESD as well as for renewable resources such as wind energy and landfill gas. It is important for the NYISO to adopt new rules or modify existing rules in a timely manner to ensure development of these beneficial technologies. We believe the

NYISO's processes for doing so are decent although there may room for more rapid consideration and action in this area.

In addition, we believe that market participant's have behaved responsibly and contributed substantial insights during recent rule change discussions. Transparency and open discussion among market participants is crucial to ensure all parties have access to needed information and can contribute their expertise to development of new rules. However, voting by market participants (because of the weighted votes) may not always result in decisions that further the public interest, and in the future the NYISO Board must be cognizant of this fact and be ready and willing to intercede if and when necessary.

Q: Is dynamic pricing a prerequisite for effective integration of renewables and PHEVs to the grid?

We are assuming that dynamic pricing means real time pricing, which we do support in principle as a mechanism to encourage more efficient energy use. However, we do not believe it is *necessary* for the integration of renewables to the grid. Neither do we believe it is essential for the integration of PHEVs although it would certainly be beneficial. Dynamic pricing coupled with a "smart grid" can help manage supply and demand and assist customers with controlling their energy expenditures.

We do believe that the successful integration of PHEVs **must** be accompanied by new renewable project development in NY. The development and adoption of PHEVs WILL continue regardless of action by the NYISO. The first generation of PHEVs most likely will not be "smart" enough to start charging themselves when prices are lowest but will need to be controlled externally by their owners. They undoubtedly will be primarily charged in the evenings.

It is crucial that new renewable generation, such as wind energy, be placed into service to meet this demand. If it is not, these cars will be charged with polluting fossil fuels, which will undercut some of the environmental benefits they provide and increase pollutant emissions from the electric power sector in NY as well as raise power prices because of increased demand not matched by an increase in clean energy supplies.

Q: What strategies can be employed to cost effectively communicate with demand resources and/or plug in hybrid vehicles to incorporate their participation into the markets and systems management while delivering the same robustness and security of today's system?

Demand response providers already use communication protocols that allow DR to participate in the markets. We believe there will be continued progress in communication protocols, especially given the emphasis being placed on smart grid applications. The NYISO will need to monitor developments in this area and should remain open to adopting the changes necessary to accommodate new communication and demand management tools.

Q: What role should the NYISO have in defining Smart Grid capabilities and installations?

The NYISO should monitor smart grid developments and move quickly to facilitate their adoption and integration into the markets as long as they do not adversely impact system reliability. As is the case on other issues within the NYISO's domain, the NYISO must act in the public interest and not in support of particular market participants. Once again, transparency and open discussion among participants is crucial to ensure all parties have access to needed information. As stated above, however, voting by market participants may not always result in decisions that further the public interest and the NYISO Board must be cognizant of this fact and ready and willing to intercede when necessary.