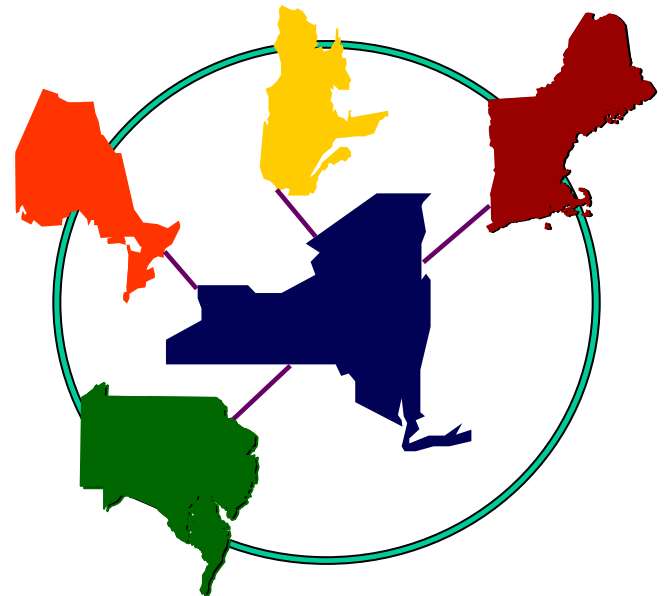


Northeast Seams Report

Update on Northeast Seams Issues

September 22, 2004

Business Issues Committee - Agenda 5





Status of Seams Projects

Current Quarter Deliverables

Project	Due Date	Status
1. Real-Time Scheduling (RTS)	<ul style="list-style-type: none"> September 2004 	<ul style="list-style-type: none"> NYISO - LECG reported on the results of Market Exercise 5 at the Sept. 17 Market Structures WG meeting. A Market Simulation Benchmark Exercise is scheduled for the week of Sept. 20.
2. Regional Resource Adequacy (RAM)	<ul style="list-style-type: none"> September 2004 	<ul style="list-style-type: none"> NYISO - The NYISO has submitted a hybrid proposal to its stakeholders for consideration which incorporates a forward capacity market for procurement of a portion of its future resource requirements. The NYISO plans to further develop this hybrid proposal with its stakeholders during the first quarter of 2005 and will coordinate with the PJM and ISO-NE efforts in their respective regions.

Note: The complete list and description of seams issues is posted on the NYISO website and updated each quarter for FERC. This presentation is only a summary of recent activities and near term deliverables.



Other Seams Related Activity

Recent Initiatives

Issue	Activity Description
<p>1. Elimination of Rate Pancaking</p>	<ul style="list-style-type: none"> ▪ PJM, NYISO and ISO-NE –ISO-NE made a compliance filing with the FERC on June 22, 2004 wherein ISO-NE commits to complying with the directive to eliminate Through and Out charges between New England and New York by December 22, 2004. On September 10, 2004 the NEPOOL Participants Committee approved tariff changes to eliminate the export charges to New York with an effective date of December 1, 2004. ▪ NYISO filed tariff modifications with FERC on June 21, 2004 for the elimination of export fees on transactions to New England, subject to reciprocity, on the same date that FERC approves equivalent tariff provisions for New England eliminating export fees to New York. ▪ PJM and MISO posted the transmission owners' four long-term pricing proposals. Stakeholder meetings on the proposals were held on July 12, August 12, and September 13, 2004, in preparation for filings on regional pricing by October 1, 2004.
<p>2. Virtual Regional Dispatch</p>	<ul style="list-style-type: none"> ▪ NYISO and ISO-NE – As part of the Phase 1 goal, NYISO and ISO-NE staffs are currently developing a pilot program proposal for stakeholder review to test VRD in 2004. On September 1, 2004, the NYISO Management Committee approved tariff changes required to settle VRD Pilot transactions. The NEPOOL Markets Committee is considering market rule changes authorizing the VRD Pilot Program at its September 20, 2004 meeting. ▪ Following a review of the pilot results, and assessment of alternative proposals for improving the efficiency of the NYISO/ISO-NE interface, further phases of this work will be developed. These efforts may focus on further testing of intra-hour transaction scheduling processes during shortage conditions, or other alternatives to improve the efficiency of the interface.

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Other Seams Related Activity

Recent Initiatives (continued)

Issue	Activity Description
3. Cross-Border Controllable Line Scheduling	<ul style="list-style-type: none"> ▪ NYISO and ISO-NE - The end state project (A-619) will provide an external proxy bus representation for controllable tie lines (HVDC and/or PAR) which span two control areas. The project addresses both the external node pricing calculations as well as scheduling of primary and secondary party transactions. ▪ This project includes additional changes necessary for NY-NE coordination for the Cross Sound Cable (CSC) project. ▪ <i>The ISOs are discussing the implementation schedule for the application of this software to the 1385 (Northport to Norwalk Harbor) cable with LIPA and NUSCO.</i>
4. E-Tagging Integration	<ul style="list-style-type: none"> ▪ NYISO – Has implemented automated tools to improve communication and updates of NYISO transaction bids and schedules with the E-Tag system. ▪ Automation provides direct benefits to other control areas, such as PJM, that are linking their systems to the E-Tag system for transaction scheduling inputs. ▪ Allows automated response on incoming E-Tag requests and automated updates for bid / schedule changes to the E-tag system resulting from the hour-ahead evaluation, checkout and curtailments. ▪ Phase I development (operations automation) is complete and was deployed on April 25, 2004. ▪ Phase II will provide enhanced tools for Market Participants to compare NYISO bids and E-Tag profiles, and also more automated integration of this data.

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Other Seams Related Activity

Recent Initiatives (continued)

Issue	Activity Description
<p>5. Facilitated Checkout</p>	<ul style="list-style-type: none"> ▪ NYISO, ISO-NE, PJM, IMO, HQ & MISO – - NYISO and ISO-NE have implemented the facilitated checkout service, allowing other control areas to programmatically obtain transaction data to assist with the checkout process. ▪ - ISO-NE has implemented an operator checkout display to retrieve data via the checkout service from neighboring control areas. Currently in production use with NYISO checkout service (ISO-NE Operations reports substantial benefits from the new tools). ▪ - NYISO has developed an operator checkout display to retrieve data via the checkout service from neighboring control areas. Implementation pending - will be subject to the constraints of the SMD2 project. ▪ - IMO and HQ are targeting a Summer 2005 implementation of the checkout service and operator checkout displays. ▪ - NPCC sub-committee (FTCWG - Facilitated Transaction Checkout Working Group) meetings continue to checkpoint status and collaborate on implementation details. NPCC is planning a series of presentations on Facilitated Checkout in the Northeast in September/October timeframe.

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Other Seams Related Activity

Recent Initiatives (continued)

Issue	Activity Description
6. ISO-NE Phase II HVDC Evaluation	<ul style="list-style-type: none">▪ ISO-NE, NYISO, PJM and HQ – This is a joint project lead by ISO-NE and HQ TransÉnergie to update the methodology and procedures for scheduling of the Phase II HVDC interconnection between New England and Quebec.▪ Initial efforts were focused on use of the IDC as a possible tool to forecast availability of Phase II above the 1200 MW limit, however the parties have concluded that the IDC in it's current form would not be suitable.▪ ISO-NE is continuing to evaluate current data available from NY and PJM for forecasting availability of Phase II.▪ PJM and NYISO staffs have been participating in monthly conference call meetings and continue to support this effort.

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Issues Pending Further Discussion

Issue	Activity Description
1. External Reserve Supply from NY to ISO-NE	<ul style="list-style-type: none">A desire has been expressed by market participants to sell reserves into the New England reserve markets from suppliers located in New York. MPs suggest protocols be developed to allow reserves to be sold across the border coincident with the implementation of the Forward Reserves Market in ISO-NE.
2. NY MS-7040 Transfer Study	<ul style="list-style-type: none">NY study on the impact of MS-7040 transfers above the current 1500 MW limit is complete and recommended no change in the current limit but did recommend developing a process to assess available margins to support HAM scheduling above current MW limits.

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Quarterly FERC Seams Update Schedule

- ✓ September 22 - Post updated Seams Report for Market Participant Review
- ✓ October 1 – Comments from Market Participants due
- ✓ Week of October 4 – meeting of Northeast ISOs and MP seams sector reps (likely in NYC w/dial-in capability)
- ✓ Post final Seams Report by October 15

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