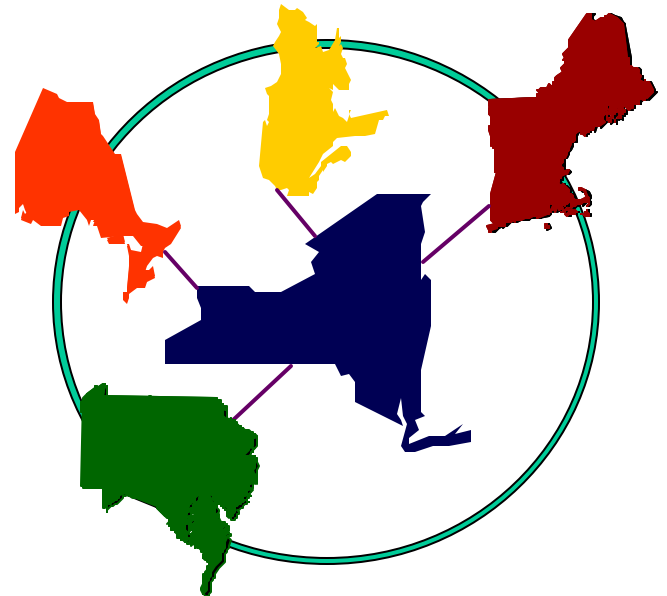
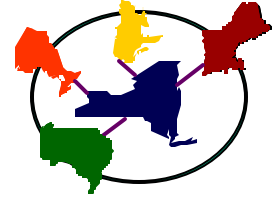


Northeast Seams Report

Update on Northeast Seams Issues

February 4, 2004
Management Committee

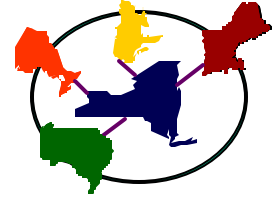




Status of Seams Projects

Current Quarter Deliverables

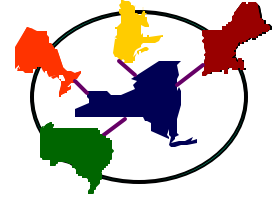
Project	Due Date	Status
1. Facilitated Checkout (FCO)	<ul style="list-style-type: none"> 1Q 2004 	<ul style="list-style-type: none"> NYISO, ISO-NE, PJM, IMO, HQ & MISO - IMO now able to access NYISO transaction data in real-time and they are working on implementation of the software, with expected completion in Q1 of 2004.
2. Harmonize New York Demand Response Programs With ISO-NE	<ul style="list-style-type: none"> 1Q 2004 	<ul style="list-style-type: none"> NYISO, ISO-NE - ISO-NE is developing a proposed schedule for implementation of a Day-Ahead Demand Response Program within the context of a comprehensive market enhancement plan and consistent with FERC's directives on this matter. NYISO plans to meet w/ISO-NE and PJM to review each ISO's programs and will bring back any suggested modifications to MPs prior to summer 2004.
3. Regional Resource Adequacy Model (RAM)	<ul style="list-style-type: none"> 1Q 2004 	<ul style="list-style-type: none"> NYISO, ISO-NE & PJM - A NYISO status report is due to FERC in February 2004. NERA's final report will be available in January and will be discussed at a regional RAM meeting scheduled for February 26th in Connecticut.



Other Seams Related Activity

Recent Initiatives

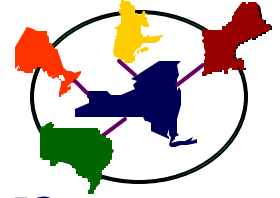
Issue	Activity Description
1. Elimination of Rate Pancaking	<ul style="list-style-type: none"> ▪ PJM, NYISO and ISO-NE – In June, the NYISO and New York TOs presented a proposal for the elimination of export fees to stakeholders in NY. ▪ Several meetings have been held between ISO-NE, NYISO and the NY and NE TOs during the 4th Quarter '03. ▪ FERC held a meeting with NY, MACRUC and NECPUC representatives in January to discuss the elimination of export fees in the Northeast. ▪ A meeting is being scheduled with NE regulators to discuss the schedule for the elimination of export fees between the regions.
2. Virtual Regional Dispatch	<ul style="list-style-type: none"> ▪ NYISO and ISO-NE – A draft working paper has been distributed for market participant review. ▪ Overall technical definition and stakeholder approval slated for completion in 2004 with a mid-2005 target for implementation subject to stakeholder approval and prioritization. ▪ IMO and PJM are being kept informed of progress.
3. Regional Resource Adequacy Model (RAM)	<ul style="list-style-type: none"> ▪ ISO-NE, PJM and NYISO – NERA has completed the basic design tasks and is considering the need for and implications of a spot market, variable resource requirement (demand curve), and treatment of demand response. ▪ The next meeting is scheduled for February 26th in Connecticut.



Other Seams Related Activity

Recent Initiatives (continued)

Issue	Activity Description
4. Multiple Proxy Buses	<ul style="list-style-type: none"> ▪ NYISO and ISO-NE – A draft white paper was distributed and discussed at a joint meeting between NY and ISO-NE Market Participants on May 29th in Albany.
5. E-Tagging Integration	<ul style="list-style-type: none"> ▪ NYISO – Will implement 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 testing is underway. ▪ Phase II will provide enhanced tools for Market Participants to create NYISO bids from E-Tag profiles or vice-versa.
6. ISO-NE Phase II HVDC Evaluation	<ul style="list-style-type: none"> ▪ ISO-NE, NYISO, PJM and HQ - Joint project to update the PJM/NY/NE methodologies and procedures for operation of the Phase II HVDC interconnection between New England and Quebec.



Issues Pending Further Discussion

Issue	Activity Description
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.
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.