

NYISO Electric System Planning Working Group Meeting

October 10, 2003

9:00 a.m.

The Desmond
660 Albany Shaker Road
Albany, NY 12110

Minutes

Of the eighth meeting of the New York Independent System Operator Electric System Planning Working Group held October 10, 2003 at The Desmond, 660 Albany Shaker Road, Albany, NY.

Welcome and Introductions

Mr. Bill Palazzo, Chairman of the Electric System Planning Working Group welcomed members of the group and stated the agenda for the day.

Review of the Meeting Minutes

The meeting notes for September 19 were reviewed and accepted. .

Initial Planning Process Implementation Issues

- Elements of Historic Congestion Costs

Mr. John Adams presented "Proposed Elements of Congestion Cost". Mr. Adams discussed the Normalized Congestion Costs. The NYISO will use the PROBE simulation with all facilities in. Mr. Bob Reed suggested focusing on just one definition of congestion, which could be inclusive of the categories that were listed in the presentation. Mr. Adams stated the NYISO is trying to show all the components and work toward one definition. Ms. Saia indicated that she thought that that the group had decided at the last meeting to focus only on societal costs. Mr. Buechler stated that he thought the group agreed to consider costs to the individual customer as well. Mr. Younger also thought that societal was the consensus and referred to a definition the group had agreed upon. Mr. Buechler then read the definition proposed by Mr. Younger "the increase in total least cost bid production costs that results from one or more transmission constraints in the New York transmission system". Mr. Younger stated that from a planning perspective, this is what should be looked at as this is the cost that would be saved by adding transmission. Mr. Stuart Nachmias agreed that this a prime measure of congestion, but added that other definitions would be useful to show the impact down to customers. Mr. Mitsche asked if all facilities in should be all transmission and generation in for the PROBE simulation.

Mr. Ed Kremzier suggested using the following definition that had been discussed at a previous meeting: “Congestion costs would be defined as the net difference in payments of load, exclusive of congestion payments without shortfall makeup to TCC holders, with and without constrained system operation”.

Mr. Bob Reed stated that when people use congestion costs, it’s identified as extra costs paid by consumers, over and above what they would pay absent transmission constraints. Ms. Saia indicated that we need to identify what these extra costs include, and that should include all the load payments. Mr. Kremzier suggested we do a cost benefit based on the cost that you have versus what the cost of relief would be. Mr. Younger added that we need to consider the TSC payments.

Members discussed a PROBE simulation that showed when transmission was increased across total east, the price in the west increased. Mr. Younger asked if the reference bus also increased. Mr. Adams indicated that it did. Mr. Younger stated that we should correct for the reference bus increases. Mr. Buechler stated that most people want to know what the cost is to them, to the consumer, and are not focused on the societal costs. Mr. Younger suggested defining it as impact on load payments.

Mr. Palazzo asked members which of the two definitions they most agreed with. Most members indicated the first definition was best; National Grid was opposed to either as they support their own proposal. Mr. Palazzo suggested the group focus on one definition and the other definitions would be components of this. Mr. Reed suggested using a base definition with sub-categories under it. *There was a suggestion to take each of the types of congestion impacts, do a calculation of each one, and distribute to the group for better understanding. NYISO staff agreed to address this.*

Mr. Adams discussed the definitions for hedged, net hedged, and unhedged congestion costs. Mr. Younger disagreed with the formulas for these and stated that they contradicted what was in the tariff. Mr. Buechler responded that we need to consider other players in the TCC market such as financial institutions. Mr. Rufrano suggested that we determine what the congestion numbers will be used for and this would help determine the definition. Mr. Adams replied that there are many uses for the numbers depending on who is using the numbers. There was a suggestion made to use “payments by load” instead of “congestion costs”. Members agreed that this would be a more descriptive term.

- Proposed Scenarios

Mr. Adams presented “Initial Planning Process Proposed Scenarios and Related Issues”. The proposed scenario list has been updated with suggestions from the last meeting, as well as input from TPAS. Members agreed with scenarios 1 and 2 as proposed by the NYISO. There was a suggestion to consider CO2 requirements under Scenario Three. During discussion of Scenario four, it was suggested to include a place holder to include compliance with recommendations that may result from the NYSERDA-NYISO Wind/Intermittent Generation Study. It was asked if the NYISO is considering the Governor’s initiative to have state offices using 25% renewables in 10 years. Mr. Adams stated that some of the wind penetration scenarios from the wind study

would be included in Phase I of the planning process. Mr. Fromer asked if the NYISO was planning on doing any analysis related to 9/11; Con Ed had done a study that indicated there should be some upgrades in the New York City system. Mr. Buechler indicated that this had not been considered. Mr. Francesco Elmi referred back to Scenario two and asked if we will be determining what criteria are used. Mr. Buechler responded that this would need to be done for the second five-year period. Mr. Elmi indicated that a reliability problem may go unidentified if more resource adequacy studies are not done in the first five years. Mr. Buechler stated that the first five year analysis includes this type of study.

- PROBE Model Analysis

Mr. Mitsche reported that has been working on the discrepancies between SCUC and PROBE for Zones J and K. Optimization was done on the Dunwoodie-Shore Road and the error has gone down to .8%. The discrepancy for the 79th St. – Hellgate has been brought down to 9%; the error is related to GT dispatch and work continues on this. Work on the Incremental Unit Commitment being added to PROBE, should be implemented by the end of the year. Mr. Nachmias asked if the issue for Zone J was only GT modeling. Mr. Mitsche stated that the problem is with GT modeling, but more specifically, it is not clear as to when they set pricing. Mr. Younger asked if this was related to the hybrid pricing rules. Mr. Mitsche stated that he needed to know exactly how SCUC handles hybrid pricing rules. Mr. Younger was concerned that this tool, which is used for mitigation, would handle hybrid pricing rules. Mr. Adams stated that PROBE flags something that needs to be looked at, the NYISO would then go back to SCUC to look at details and identify problems. Mr. Mitsches reported that he is in the process of getting data for September 22 to use for a benchmark case. Mr. Younger suggested using the Con Ed outages for system upgrades for benchmark cases. Mr. Mitsche will check the OASIS site for dates of the outages. Mr. Palazzo asked if a report on Zone J could be provided by the next meeting. Mr. Mitsche stated that he would try to complete the work by the next meeting.

Phase II: Comprehensive Planning Process Development

Mr. Buechler presented “Phase II: NYISO Comprehensive Transmission Planning Process, Reliability Process Issues”. Mr. Buechler reviewed the steps of the initial planning process and parts of the process that are expected to change. There was a question if Phase I would consider fuel diversity and fuel costs. Mr. Buechler responded that it was not part of the initial phase. Mr. Larry Dewitt suggested including energy shortages and how this affects reliability. Mr. Buechler reviewed the reliability planning process; the NYISO goal is to ensure that upgrades are built when needed to maintain reliability. Mr. Buechler discussed the phase II Needs Assessment issues. Ms. Mary Ellen Paravalos asked if a plan is established in Phase II based on the Needs Assessment. Mr. Buechler clarified that the needs assessment is done during Phase I, and Phase II should go beyond the identification of needs. Ms. Paravalos suggested the needs assessment should only focus on the needs and not how to address the needs. Mr. Younger stated that if the NYISO is identifying the solution, then it should be done so broadly. Mr. Buechler stated that solutions would be open to market based proposals for all resources. Mr. Fromer asked how the market based proposals process would work. Mr. Buechler indicated a process would need to be developed; he expected the process would involve the NYISO announcing the reliability needs that have been identified and a certain amount of time would be allowed for MPs to submit

proposals that would address the identified needs. Mr. Younger suggested the process should include factors such as how far into the future the problem is expected to occur. Ms. Saia asked what would happen if there are several responses; how is it decided which proposal is accepted. Mr. Buechler stated that if there is sufficient time, the market would determine which proposal is used and if there is not enough time, the NYISO would need to make a decision of what the best solution is. Some MPs suggested the PSC would get involved if there were no proposals. Ms. Diane Barney indicated she was hopeful the market would respond to identified needs. There was discussion on whether TOs should be obligated to prepare regulated transmission proposals to meet reliability needs in parallel with the development of market solutions, as well as the TO's obligation to build as the POLR. Members were concerned with using just the consideration of transmission as a solution for TOs. There was also a question on the legality of using regulated cost treatment for generation.

Mr. Palazzo requested MPs submit comments on the questions and issues discussed during the Phase II presentation to the NYISO by October 24. These comments should address the planning process issues for reliability needs.

Next Meeting

The ESPWG is scheduled to meet at the NYISO, 290 Washington Avenue Extension, Albany, NY on Thursday, October 30 at 9:00 a.m.

Action Items

1. There was a suggestion to take each of the types of congestion impacts, do a calculation of each one, and distribute to the group for better understanding. NYISO staff agreed to do this.
2. Mr. Palazzo requested that all MPs submit comments on the questions and issues raised by the NYISO regarding the planning process for reliability needs during the Phase II presentation to the NYISO by October 24.
3. PowerGem to address the PROBE/SCUC benchmark comparison

**Electric System Planning Working Group
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Adams, John	New York Independent System Operator
Barney, Diane	New York Public Service Commission
Buechler, John P.	New York Independent System Operator
Caputo, Valerie	New York Independent System Operator
Cardone, Ernie	New York Independent System Operator
Foxen, Tim	NRG Energy, Inc.
Fromer, Howard	PSEG
Gioia, Paul	LeBouf, Lamb
Mitsche, James	Power Gem
Nachmias, Stuart	Consolidated Edison
Niazi, Tariq	CPB
Oppel, Laurie	Navigant/LIPA
<i>Palazzo, Bill, Chair</i>	New York Power Authority
Reed, Bob	New York State Gas & Electric
Reeder, Mark	NY PSC
Rufrano, Ralph A.	New York Power Authority
Saia, Doreen	Mirant
Younger, Mark	Slater Consulting
<i>Via Conference Call:</i>	
Elmi, Francesco	Consolidated Edison
Paravalos, Mary Ellen	National Grid