

NYISO/PJM Seams Issues
Submitted by NYSEG
~~June~~Month xx 27, 2002

There was an extensive effort made in the first quarter of 2001 to address the high priority Seams Issues between NYISO, ISO New England, and PJM under the then ISO MOU process. Each ISO's management committee agreed to a "Best Practices" proposal to resolve each Seams Issue. The ISO MOU process was side tracked as a result of the FERC Technical Conference on RTO Regional Coordination. Although the ISO MOU process was halted, there has been some effort to progress the resolution of the Seams Issues between the Northeast ISOs. The list of the seams issues below includes consideration on the progress that has resulted since the 1st Qtr of 2001.

For each item on this list, it is requested that PJM and NYISO describe your plans to vet the issues with stakeholder committees, the process you intend to use to resolve any issues, the time frame for resolution, action items or milestones, and the schedule for these steps through implementation of any improvements. In particular, please identify those items that will be subject to the March 2002 NYISO-PJM Seams Agreement's Fast Track Resolution process and periodic reporting to FERC.

- **TTC/ATC (Original High Priority Seams Issue):** Because PJM allocates transmission service using a reservation-based system and NYISO allocates transmission using a financial system, it is difficult to determine the firm ATC available for market participants' use at any given time. While this may be a fundamental difference in the market models that has no good solution, it is still reasonable for the market to expect the ISO's to post accurate TTC data for the interface, PJM and NYISO were requested to provide a single ISO website where each RTO or ISO's TTC/ATC information are posted side by side. This information would be useful to Market Participants, but ultimately PJM/NYISO must resolve differences between the interface values and reconcile these differences prior to posting to the market place. As values change throughout the day or for various periods the values need to be updated and reconciled as soon as practical.

- **Transaction Scheduling/Common Interface Tool (Originally High Priority Seams Issue "Checkout"):** The NYISO needs to update the market on the status of the OSS project and coordinate its implementation with the PJM system. Agreement should be reached between PJM and NYISO on the capabilities of the interface tool and how the market will coordinate the information provided by the tool. The OSS as currently planned (to NYSEG's understanding) will simply provide a different method of entering bid information, and although it may be more convenient, it will not cure the fundamental market differences between PJM and NY such as pricing at the borders and providing physically firm transmission service.

- **ICAP Market Design/ICAP Deliverability (Originally High Priority Seams Issues "Capacity Market" & "ICAP Recall"):** Both PJM and NYISO have commented that the resolution of the issues in the ICAP deliverability between the markets are almost complete. Both markets need to bring the arrangement to their market committees for review as soon as possible. Also, PJM, NYISO and NEPOOL have been aggressive in getting stakeholder support for a Joint Capacity Adequacy Proposal and should continue to support the development of a standard design that can be applied to any ICAP market design.

[The Joint Capacity Adequacy Group has developed a number of Near-Term and Long Term Enhancements to improve the ICAP Market design. These are listed below:](#)

[Near Term](#)

Common Planning/Capability/Power Year (recommend June 1 – May 31)
Develop common unit summer maintenance period from June 1 to Sept 30
Standardize the UCAP product to be based on the summer capability for the for uniform market design and eliminate seams issue

Long Term

Common set of unit testing criteria should be developed and a working group established to address the issue

Differences in wind and solar UCAP valuation should be standardized and a working group established

A working group should be formed to determine if common market rules and operating and scheduling procedures can be developed for DSM

Develop uniform deficiency charges for all of the control areas

In addition to the above at the June 25th MSWG, a market participant (Howard Fromer –PSEG Energy Resources) suggested that special case capacity requirements such as those imposed for NYC be addresses consistently across regions if similar situations develop. Ex: Boston Area

The NYISO through stakeholder support should review the recommendations of the JCAG and comment on how and when the NYISO will address the recommendations.

In addition, a comment was received from Mirant (Marty Matijasich) “...This item deals with the long standing request to certify NY generation as PJM ICAP. NYISO has made a filing at FERC with a proposed July 1 start date (1 week away)that would resolve this seam. Do we have any business rules yet ???”

- **Transaction Checkout (Originally High Priority Seams Issue “Transaction Scheduling”**: See Scheduling /Closing /and Market Posting Times issue below.

- **Ramping (Original High Priority Seams Issue)**: This is still a major issue for improving liquidity, ensuring efficient control area to control area transfers, and converging prices. NYISO must move to 15 minutes ramps with a shorter scheduling window. NYISO needs to move towards the PJM system capability. Although the NYISO RTS design will eliminate many of the problems associated with the existing BME and SCD systems, the RTS is a long way from being in place and needs to have the proper resources and priority assignment to insure it is in place by the proposed May 1, 2003 implementation date.

- **Curtailed Management (Originally High Priority Seams Issue “Transaction Curtailment”)**: The NYISO continues to curtail import and export transactions to solve congestion problems within the NYISO, which it calls "locational curtailment." NYSEG has concerns that locational curtailments do not make good economic sense in many instances and are implemented simply for expediency. Any unnecessary curtailments further disrupt predetermined schedules and cause unnecessary uncertainty in the market. Financial losses can be experienced if market participants hedge against a transaction and then find it cut in the real time. Better planning and inter market coordination can minimize the curtailments and foster greater liquidity in the markets.

- **Scheduling/Closing/ and Market Posting times**: NYISO must strive for a shorter scheduling window, preferably consistent with PJM. Also, market posting and closing times for both systems should be reviewed for consistency, if appropriate.

- **PAR Modeling and Operation:** This issue should be examined by qualified specialists to determine if liquidity can be enhanced while avoiding any gaming opportunities.
- **BME Proxy Bus Pricing:** Needs to be thoroughly examined and re-designed. Prices that are set to \$1000 at the interfaces for administrative expedience are costing NY ratepayers millions of dollars and providing inefficient price signals.
- **Multi-area Dispatch/Congestion Management:** Multi-area dispatch and congestion management would resolve the inefficient pricing at the proxy buses. The interregional congestion management pilot program established a good foundation to move to a more permanent solution and should be pursued further
- **MMU Coordination:** PJM and NYISO should communicate regularly on regional matters that relate to market manipulation and market power issues. Also, a process should be established to routinely review the ability for some market participants to manipulate the markets across the interfaces.
- **NERC tagging and transaction reservations:** The NYISO essentially ignores NERC tag information. PJM uses the NERC tag information and when necessary will call TLRs to solve a problem. NYISO generally pays its way out of a problem and doesn't call a TLR resulting in a higher cost of operation to the LSEs in NY. This issue needs to be discussed to provide consistency between the markets.
- **MAAC/NPCC coordination Issues:** The differences between the requirements of these two organizations needs to be documented and the differences that would impact system operation or the market design in either region should be addressed.
- **East and West Proxy Buses:** PJM and NYISO should jointly review the market advantages of establishing proxy buses for the eastern regions which tend to be dominated by supply problems and the western regions which have adequate supply. Proper interconnection modeling would more accurately price loop flow from west to east through PJM and send correct location price signals to both east and west regions.

The NYISO explained how the above could not be accomplished unless separate control areas were developed internal to the NYCA and PJM. A market participant (Marty Matijasich – Mirant) stated “For example, in Ken Laughlin's "report" to the PJM EMC last week, under the "History of Seams Resolution" item 14 states that in Jan 2002 PJM implemented the NYIS Interface LMP. I commented at the meeting that this was a step in the wrong direction. That NYISO should have created a PJM West and a PJM East interface node. In your writeup you also correctly observe that there should be a West and an East interface node between PJM and NY.”
It appears the market place could use a white paper on the problems associated with establishing East and West Proxy buses.

- **Investigation into the Lack of Arbitrage:** It has been commented that arbitrage opportunities exist between the PJM & NYISO markets yet market participants don't take advantage of these situations and in many cases react in a counter intuitive manner to the market signals. The PJM and NYISO should track when the market between the systems are operating efficiently and when they are not and why. The study should be more detailed than simply calculating average price spreads, since averages over longer periods of time can obscure the hour to hour spreads as well as the reactions of the market participants.

- **TSC Billing by NYISO:** Companies that conduct business across the CA borders are faced with receiving a TSC bill from each TO. The NYISO should provide a single charge for each transaction to the appropriate parties and allocate the revenues to the TOs according to the appropriate usage formulas. [\(Howard Fromer\)](#)

- **In-hour transaction Cuts made by NY:** Additional payments are made to import transactions to protect them against high real time prices if they are curtailed and have to buy back at their day-ahead obligation. Reference MSWG June 12th meeting the very draft document “Real Time Settlement of Transactions”. [\(Jim Schiedrich\)](#)

- **Transmission Interconnection: how we treat merchant transmission interconnection agreement and procedures among the ISOs?** [\(Marji Phillips – Williams\)](#)

Several other issues warrant coordination between PJM and NYISO for several reasons: 1. to avoid creating new seams problems; 2. to avoid impediments to future common market development; and 3. to foster common market rules and platforms wherever efficiency and competition will be served without degrading reliability. Included on this list are the following issues:

- Operating Reserves/Sharing
- Demand Response Program Standards
- Transmission Expansion Planning
- Emergency procedures and purchases standards
- Load Forecasting Methodology and Performance Standards
- Generator Interconnection Standards
- *Physical Transmission vs Financial*
- Etc.