

REVISED NYISO DRAFT FOR DISCUSSION PURPOSES

“STRAWMAN PROPOSAL” FOR A NYISO ECONOMIC PLANNING PROCESS

National Grid Comments Superimposed on Con Ed’s

OVERVIEW AND PURPOSE

It is intended that this strawman will provide a potentially viable process in response to FERC’s policies which have indicated that ISOs/RTOs’ planning processes should address both reliability and economic needs. It is structured in the context of the NYISO’s preference for market-driven solutions, which is consistent with the recently filed Comprehensive Reliability Planning Process. This strawman recognizes the views of most of the NYISO’s market participants and stakeholders that NYISO intervention in economic matters is to be minimized so as not to interfere with the operation of the market. In this context, the role of the NYISO with regard to economic needs is primarily one of providing information in a transparent manner to the marketplace so that appropriately informed decisions can be made, and actions taken, by market participants and other stakeholders. The proposed process will provide an opportunity—but not an obligation—for NYISO market participants to better assess and voluntarily respond to such economic issues.

The overall Comprehensive Economic Planning Process should be well enough defined so that potential project proponents: (a) have enough information to make decisions about going forward, and (b) understand the general principles/mechanism by which they will get cost recovery.

The degree of definition at this point should reflect a balance between a relatively unambiguous framework sufficiently defined to constitute an economic planning process, and the expenditure of resources to develop a level of detail (with its associated complexity and potential for contentious debate) that may not be needed in the near term.

OUTLINE OF NYISO ECONOMIC PLANNING PROCESS

NYISO ROLE

Historical Analysis

- With stakeholder participation/transparent process
- Use approved “congestion matrix” format for reporting
- Identify additional reporting formats
- Post on NYISO website on a monthly basis
 - Include both daily and monthly data
 - Include appropriate definitions, assumptions & caveats
 - Post in a usable format
- Adjust for “unusual day” events
- Perform “What if” analyses
 - Estimate potential savings and costs when specific constraints are reduced or eliminated
 - Identify zonal impacts
 - Identify next binding constraint
- Track congestion by key constraints
- Post other economic parameters
 - ICAP prices by location
 - Ancillary services costs
 - Losses
 - Post in a usable format

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Market-Based Initiatives

- Analyze market performance
 - Include all NYISO markets
 - Transmission
 - Generation (energy, capacity and ancillary services)
 - Demand Response
 - Identify key drivers which have a major impact on the markets
 - Identify potential market design problems
- Identify areas for improvement in market design
 - To produce correct price signals
 - To encourage market-based solutions
- Consider qualitative (and, where possible, quantitative) impact of intangibles, e.g.:
 - Widened markets
 - Barriers to market entry
 - Fuel diversity
 - Environmental implication
- Pursue market enhancements through NYISO committee process

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Future Estimates of Congestion & Other Costs

- With stakeholder participation/transparent process
 - Selection of model or models
 - Utilize CRP planning horizon (10 years) to:
 - Develop base case assumptions
 - Develop future scenarios
 - Perform what if analyses
 - With and without a proposed improvement
 - NYISO will provide a range of information to the marketplace
 - Unconstrained energy prices
 - Forecast congestion costs
 - ICAP costs by location
 - Ancillary services costs
 - Losses
 - Identify potential economic problems/opportunities
 - Include appropriate definitions, assumptions and caveats
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- NYISO will NOT: *[WHAT NYISO WILL NOT DO SHOULD PERHAPS BE AT END OF NYISO SECTION RATHER THAN IN THE MIDDLE]*
 - Draw any conclusions pertaining to the potential economics of a proposed upgrade
 - Develop project cost estimates for economic upgrades
 - Perform cost/benefit analyses
 - Mandate solutions

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Deleted: <#>Perform cost allocation analyses¶

Reliability Analysis of Economic Upgrades

- Perform reliability analysis of proposed economic upgrades through its existing Interconnection Process (Attachment X) to ensure that reliability will be maintained

Cost Allocation Analyses of Economic Upgrades

- Perform cost allocation analysis for Attachment Facilities and System Upgrade Facilities associated with proposed economic upgrades through its existing Attachment S process
- Perform TCC allocation analyses for economic upgrades
- Determine eligibility for UDRs for economic upgrades

- Calculate cost allocation for certified/approved regulated economic projects in accordance with rules developed in the stakeholder process

NYISO Tariff

- Would be utilized for cost recovery purposes for regulated projects (similar to CRP cost recovery mechanism)

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OTHER NYISO/STAKEHOLDER ROLE

- Evaluate whether any perceived “unfair advantages” of and/or interference in the market by regulated projects over market-based solutions exists, and if so, any appropriate means to prevent this outcome
- Evaluate the need for any rules and procedures to provide protection against unnecessary or excessively costly regulated economic projects [MAY BE PSC ROLE?]

MARKET PARTICIPANT ROLE

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- Participate in development of input assumptions
- Recommend scenarios for analysis
- Review of NYISO analysis
- Perform independent business assessment based upon consideration of NYISO data
- Development of market-based responses
- Development of voluntary regulated responses
- Develop of cost estimates for economic upgrades and preparation of benefit-cost analyses

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PSC ROLE

[NOTE: THIS SECTION IS STILL UNDER REVIEW BY DPS STAFF]

- Provide clarification of the evaluation/certification process for regulated economic projects (i.e., how Article VII review will apply to economic transmission projects and what process will apply for regulated economic non-transmission projects)
- Participate in development of input assumptions
- Recommend scenarios for analysis

- Review NYISO data
- Act as lead agent under the State Environmental Quality Review Act
- Perform role of coordinated reviewer
- Review proposed regulated projects and associated benefit/cost analyses
- Certify transmission projects under Article VII procedures
- Approve cost allocation/cost recovery of regulated economic upgrades on the retail level in accordance with the NYISO OATT and subject to prior approval by the FERC
- Determination of public policy objectives

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Review proposed regulated projects

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