

Load Forecast Review Process

Business Issues Committee

May 17, 2006

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Load Forecast Review Process

Overview

- Three types of market participants transact in Energy market:
 1. Generators
 2. Marketers
 3. Loadserving Entities (“LSEs”):
 - Direct Customers that buy for their own consumption
 - Aggregators (“ESCOs”) that pool retail customers and purchase wholesale electricity

- Load forecast review process applies specifically to LSEs

- Calculation of initial energy settlement for LSEs is based on their load forecast. To the extent that the load forecast is significantly understated, the initial settlement invoice (which is currently based purely on the forecast) will be substantially reduced and the 4-month true-up (which is based upon metering data) will correspondingly require a substantial payment by the Market Participant (“MP”) to the NYISO.

Load forecast Review Process

Issues with Load forecast

- Lack of visibility until the 4-month true-up when metering data is available
- Under forecasting potential can create risk of loss to the market
- Additional tools are required to mitigate the risk created by under forecasting
- Interest charges paid by under forecasters may not be high enough to discourage under forecasting.

Load Forecast Review Process

Possible Solutions to Address Load Forecast Issue

This solution is separated into two components:

1. Load forecast monitoring to detect under forecasters
2. Actions to address under forecasting

➤ Detection of Under forecasting

- LSEs with History: Since October 2004, the Credit Department has conducted a review three times monthly of LSEs' current load forecast versus changes in UCAP requirements (in MWs) month-to-month relative to historic actual monthly MWHs consumed, which NYISO receives during four-month true up process. This approach seems viable for LSEs with at least six months of activity.
- New LSEs: The NYISO is developing a process that helps predict monthly load forecast for new LSEs without historical data. The NYISO is proposing to derive the monthly load forecast from the monthly UCAP requirements.

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Possible Solutions to Address Load Forecast Issue

- Actions to be taken:
 - Retrieve monthly UCAP requirements (NYC, LI and ROS) for MP under review
 - Construct monthly peak load forecasts for the MP
 - Develop separate hourly load profiles for the MP's load in Zone J (NYC), Zone K (LI) and Zones A-I (ROS)
 - Apply real-time LBMPs to the hourly load values
 - Aggregate estimated balancing energy charges across all zones and all hours
 - Modify financial obligations accordingly, if necessary