

3/27/2003

### **12-24 Months**

The recovery from the current economic slump will be slow although a quick and decisive end to war with Iraq and the consequent drop in oil prices could provide an upturn. Economic conditions will perpetuate the “Buyers’ market” for knowledge workers and slow growth in personnel costs.

We can expect that developers will continue to have difficulty in obtaining financing for energy projects without long-term contracts or other indications of a steady income path.

To meet even modest increases in electric demand and the governments’ desire to blunt criticism of their environmental policies there will be an increasing need for accommodation of intermittent resources and development of broader-based demand side programs.

As a result of strong political opposition from various sections of the country, FERC will be conservative and we should see incremental change instead of dramatic initiatives.

Because of continued state/federal tension on “who’s in charge” and opposition to SMD, FERC will have to be flexible and allow regional differences in implementing standard market rules. Depending on how flexible FERC is in regard to market rules, there may be a renewed focus on resolving seams issues. This is less relevant in the Northeast where most of the market design features of the SMD NOPR are already in place or under development.

ISOs/RTOs will continue to take the lead in resolving seams issues including compatible technological solutions.

The NYISO will be a one-state ISO or ITP during this period. However, a filing will likely be required in late 2003/2004 for RTO or ITP status depending on the requirements of the final SMD rulemaking.

### **2 to 5 Years**

Robust economic growth will lead to significant growth in demand for electricity, financing will be available albeit at higher interest rates.

Resource supply should also improve as a result of the implementation of a forward-looking central resource adequacy market in the Northeast initially operated as separate coordinated markets by the ISO/RTOs but with the same market design.

## NYISO STRATEGIC PLAN 2003 – DRAFT SITUATION ANALYSIS

3/27/2003

Energy prices should stabilize as a result of increased supply from new construction, and even more so by facilitating the exchange of energy among control areas – as a result of implementing a virtual RTO for the region.

There will be increased pressures for the institution of forward markets and other trading products for the electricity sector and perhaps changing roles for the ISO/RTOs as they react to the introduction of these markets by other competing entities.

During this time frame, a number of advanced technologies will migrate from the laboratory to production creating greater efficiencies both in energy production and transmission and the meaningful deployment of distributed generation. Improvements in wireless communications and real-time metering will promote retail competition.

Economic expansion and the introduction of advanced technologies will increase pressure on retaining knowledge workers and creative programs for employee development, compensation, and benefits will be necessary.