

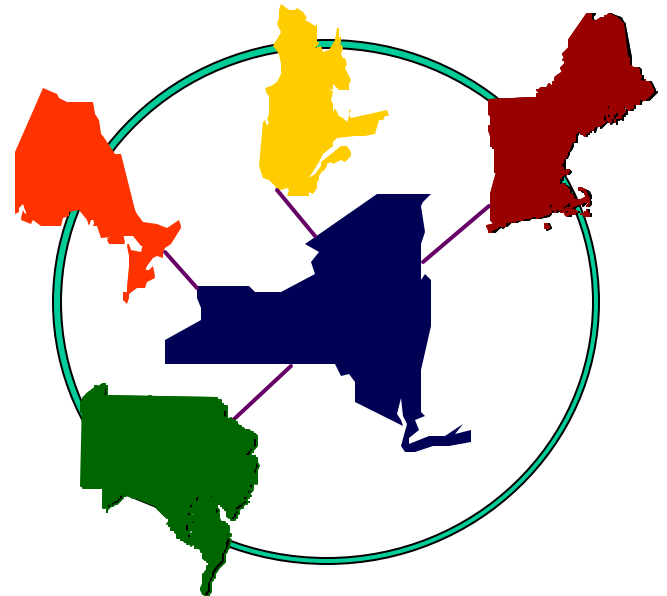
# **Northeast Seams Report**

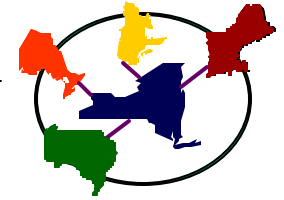
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## **Update on Northeast Seams Issues**

January 2005

Business Issues Committee Meeting



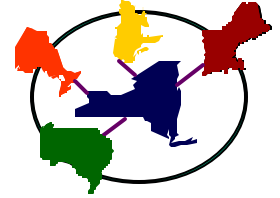


# Status of Seams Projects

## Current Deliverables

Project	Due Date	Status
1. Real-Time Scheduling (RTS)	<ul style="list-style-type: none"><li>February 1, 2005</li></ul>	<ul style="list-style-type: none"><li><b>NYISO</b> – The SMD2 deployment date was changed from Dec. 1 to Feb. 1 to accommodate Market Participant year-end audit compliance concerns.</li><li><b>A parallel operational test of SMD2 was successfully performed for the period between Nov. 29 and Dec. 10, 2004</b></li></ul>

Note: The complete list and description of seams issues is posted on the NYISO website and updated each quarter for FERC. This presentation is only a summary of recent activities and near term deliverables.

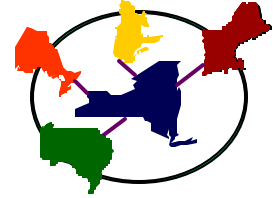


# Status of Seams Projects

## Current Deliverables (cont'd)

Project	Due Date	Status
<b>2. Elimination of Rate Pancaking</b>	<ul style="list-style-type: none"> <li>▪ December 2004 (complete)</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>PJM, NYISO and ISO-NE</b> – NYISO filed tariff modifications with FERC on June 21, 2004 for the elimination of export fees on transactions to New England, subject to reciprocity, on the same date that FERC approves equivalent tariff provisions for New England eliminating export fees to New York. On Sept. 30, 2004, NEPOOL filed tariff changes with FERC to eliminate export charges to New York with an effective date of Dec. 1, 2004. FERC issued an order on Nov. 3, 2004 approving the elimination of export charges between New York and New England effective Dec. 1, 2004.</li> <li>▪ PJM and MISO are participating in the PJM-MISO regional through and out rate elimination Proceeding EL-02-111. <b>FERC filings on regional pricing were made on Oct. 1, 2004. On Nov. 18, 2004, the Commission ordered the parties to eliminate the regional through and out rate for transactions sinking in PJM and MISO and conditionally accepted the rate design proposal filed by the Unified Plan proponents effective Dec. 1, 2004. The Commission also adopted the Seams Elimination Cost Adjustment as a two year revenue recovery mechanism. PJM and PJM Transmission Owners completed a compliance filing consistent with the Commission's orders on Nov. 24, 2004.</b></li> </ul>

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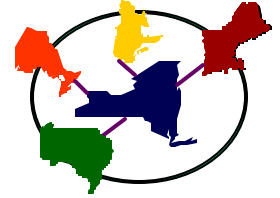


# Other Seams Related Activity

## Recent Initiatives

Issue	Activity Description
<b>1. Intra-Hour Transaction Scheduling</b>	<ul style="list-style-type: none"><li>▪ NYISO and ISO-NE have documented a technical definition of a virtual regional dispatch process and have received potentially viable alternative methodologies from their stakeholders. The ISOs will proceed with further stakeholder meetings to finalize the technical definition and to work towards a joint stakeholder acceptance of the proposal.</li><li>▪ NYISO filed its proposal to implement the Phase 1 ITS/VRD Pilot Program in New York with FERC on September 30, 2004. In a letter order issued on November 22, 2004, FERC accepted the NYISO's filing with an effective date of November 29, 2004.</li><li>▪ In the Settlement Order (at P 64), FERC directed ISO-NE to file its proposal to implement the Phase 1 ITS/VRD Pilot Program in New England on December 1, 2004. The proposal was filed with FERC on November 12, 2004. The testing process will be carried out between January 1 and April 30, 2005.</li><li>▪ Following NYISO, ISO-NE and stakeholder review of the pilot program results by September 30, 2005, and assessment of market participant based proposals for improving the efficiency of the NYISO/ISO-NE interface, further phases of this work will be developed.</li></ul>

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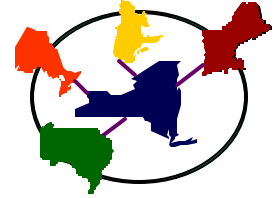


## Other Seams Related Activity

### *Recent Initiatives (continued)*

Issue	Activity Description
<b>2. Regional Resource Adequacy (RAM)</b>	<ul style="list-style-type: none"><li>▪ The NYISO has submitted a hybrid proposal to its stakeholders for consideration which incorporates a forward capacity market for procurement of a portion of its future resource requirements. ISO-NE is currently engaged in an evidentiary hearing process regarding certain aspects of its proposed locational capacity market. PJM introduced a proposal for a Reliability Pricing Model (“RPM”) in June 2004 and has subsequently presented and revised the proposal at numerous stakeholder meetings.</li><li>▪ It is expected that the NYISO hybrid proposal will be considered along with RAM and other proposals brought forth by NYISO stakeholders. Although it is unclear what design may finally emerge from this process, a key requirement imposed on the development process is to ensure that any proposal finally accepted is compatible with the New York market.</li><li>▪ On March 1, 2004, ISO-NE filed a locational capacity market with the Commission. The design of this market was based strongly on the extant design developed by NYISO. In an order issued June 2, 2004, the Commission established hearing procedures and specified that a locational capacity market would be implemented in New England on January 1, 2006.</li><li>▪ For the PJM RPM program, the current target date for FERC filing is March 1, 2005 for a delivery year of 2006.</li></ul>

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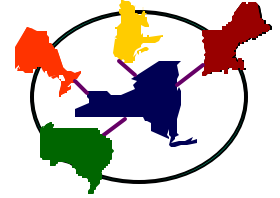


# Other Seams Related Activity

## Recent Initiatives (continued)

Issue	Activity Description
<p><b>3. Cross-Border Controllable Line Scheduling</b></p>	<ul style="list-style-type: none"> <li>▪ <b>NYISO and ISO-NE</b> - The end state project (A-619) will provide an external proxy bus representation for controllable tie lines (HVDC and/or PAR) which span two control areas.  <i>Complete NYISO stakeholder review in January 2005</i></li> <li>▪ <i>File NYISO tariff changes with FERC in February 2005</i></li> <li>▪ <i>Implementation Date for Cross Sound Cable: No later than June 30, 2005</i></li> <li>▪ <i>Implementation Date for 1385 Line: NYISO and ISO-NE are discussing the implementation schedule for the application of this software to the 1385 (Northport to Norwalk Harbor) cable with LIPA and NUSCO. The scheduled implementation date for the 1385 Line is June 30, 2006. However, the multiple critical projects that ISO-NE and its stakeholders will be coordinating over the next two years could result in a no-later-than date of October 2006.</i></li> </ul>
<p><b>4. E-Tagging Integration</b></p>	<ul style="list-style-type: none"> <li>▪ <b>NYISO</b> – Has implemented automated tools to improve communication and updates of NYISO transaction bids and schedules with the E-Tag system.</li> <li>▪ <i>Phase I development (operations automation) is complete and was deployed on April 25, 2004.</i></li> <li>▪ <i>Release 1.4 of the E-Tagging software provides for descriptive reasons for transaction curtailment and automatic curtailment of tags with no corresponding bid in the NYISO MIS; deployment is planned coincident with SMD2.0 implementation.</i></li> <li>▪ <i>Phase II will provide enhanced tools for Market Participants to compare NYISO bids and E-Tag profiles, and also more automated integration of this data. Delivery is anticipated in Q2-2005.</i></li> <li>▪ <i>NYISO and PJM are working on additional enhancements and business rules for market participants.</i></li> </ul>

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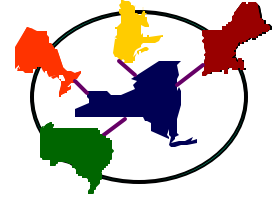


# Other Seams Related Activity

## *Recent Initiatives (continued)*

Issue	Activity Description
<p><b>5. Facilitated Transaction Checkout (FTC)</b></p>	<ul style="list-style-type: none"> <li>▪ <b>NYISO, ISO-NE, PJM, IMO, HQ &amp; MISO</b>– NYISO and ISO-NE have implemented the facilitated checkout service, allowing other control areas to programmatically obtain transaction data to assist with the checkout process.</li> <li>▪ ISO-NE has implemented an operator checkout display to retrieve data via the checkout service from neighboring control areas. Currently in production use with NYISO checkout service.</li> <li>▪ NYISO has developed an operator checkout display to retrieve data via the checkout service from neighboring control areas. Scheduling deployment in early 2005 following SMD2 implementation.</li> <li>▪ IMO implemented the checkout service and control room integration in November 2004.</li> <li>▪ HQ is targeting a Summer 2005 implementation of the checkout service and operator checkout displays.</li> <li>▪ NPCC sub-committee (FTCWG - Facilitated Transaction Checkout Working Group) meetings continue to checkpoint status and collaborate on implementation details.</li> <li>▪ A joint (NPCC member) FTC presentation was made to FERC senior staff on November 17, 2004.</li> <li>▪ <b>FTC is expected to be fully functional between NYISO, ISO-NE, IMO and HQ no later than June 30, 2005.</b></li> </ul>

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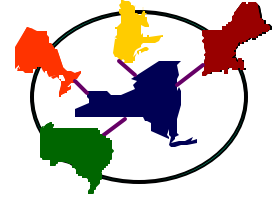
# Other Seams Related Activity

## Recent Initiatives (continued)

Issue	Activity Description
<b>6. ISO-NE Phase II HVDC Evaluation</b>	<ul style="list-style-type: none"><li>▪ <b>ISO-NE, NYISO, PJM and HQ</b> – This is a joint project lead by ISO-NE and HQ TransÉnergie to update the methodology and procedures for scheduling of the Phase II HVDC interconnection between New England and Quebec.</li><li>▪ Initial efforts were focused on use of the IDC as a possible tool to forecast availability of Phase II above the 1200 MW limit, however the parties have concluded that the IDC in it's current form would not be suitable.</li><li>▪ <b>The group has drafted a report, "Review of the PJM-NY-NE Procedures and Methodology for the TE-NE HVDC Line". This document is near completion.</b></li><li>▪ <b>NYISO, PJM and ISO-NE are preparing a data sharing agreement for future data sharing.</b></li><li>▪ <b>PJM and NYISO staffs have been participating with ISO-NE and TransEnergie in monthly conference call meetings and continue to support this effort.</b></li></ul>

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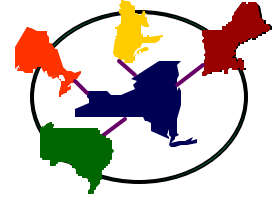




# Issues Pending Further Discussion

Issue	Activity Description
<b>1. External Reserve Supply from NY to ISO-NE</b>	<ul style="list-style-type: none"> <li>A desire has been expressed by market participants to sell reserves into the New England reserve markets from suppliers located in New York. MPs suggest protocols be developed to allow reserves to be sold across the border coincident with the implementation of the Forward Reserves Market in ISO-NE.</li> </ul>
<b>2. NY MS-7040 Transfer Study</b>	<ul style="list-style-type: none"> <li>NY study on the impact of MS-7040 transfers above the current 1500 MW limit is complete and recommended no change in the current limit but did recommend developing a process to assess available margins to support HAM scheduling above current MW limits.</li> </ul>
<b>3. Congestion Rent Shortfalls Resulting From External Transmission Outages</b>	<ul style="list-style-type: none"> <li>In the TCC auctions that it conducts, the NYISO permits bidders for TCCs to specify external proxy generator buses as the injection or withdrawal locations. Transmission outages or deratings occurring outside of the NYCA that are not anticipated at the time of a TCC auction can force the NYISO to reduce the assumed transfer capability between the NYCA and the adjacent control area. If the resulting set of TCCs are rendered infeasible, the NYISO will incur congestion rent shortfalls in the day-ahead market. There is currently no way to assign the cost impact (due to the congestion rent shortfall) of that outage to the responsible external transmission owner. In addition, transmission outages or deratings that cause reductions in transfer capability between regions may have an impact on ICAP sales between regions.</li> </ul>

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## Issues Pending Further Discussion (continued)

Issue	Activity Description
<b>4. Modeling of Netted Transactions at the NYISO-HQ Interface</b>	<ul style="list-style-type: none"><li>Currently, real-time imports from HQ are limited to 1200 MW based upon NY first contingency criteria. Day-ahead and real-time scheduling software recognizes a 1500 MW limit at the NY-HQ proxy bus comprised of imports, exports and wheel-throughs. One solution that has been suggested would create a second proxy bus model at the interface, which would be used to schedule only wheel-through transactions; the first proxy bus would be used to schedule imports/exports up to a net level of 1200 MW. NYISO and its stakeholders will be considering the ramifications of such a change in modeling, including any potential opportunities for gaming</li></ul>

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