Economy Interchange

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NYISO

Summary

- Back to the Future
  - Interchange between adjoining ISO/RTOs (CAs) will be scheduled to maintain consistency in prices between adjoining zones.
  - Interchange between participating CAs will be controlled by incrementing or decrementing the interchange whenever the price differential exceeds a threshold and both CAs agree to the change.

A Strawman for a Proof of Concept Pilot

BASICS

- Two or more adjoining ISO/RTOs
  - NYISO and ISONE, PJM, or IMO
- Utilize the OSS for inter-CA data communication (not extensive)
- Utilize OSS for Economy Interchange Calculation program residency
- Target for operation 3Q or 4Q of 2003

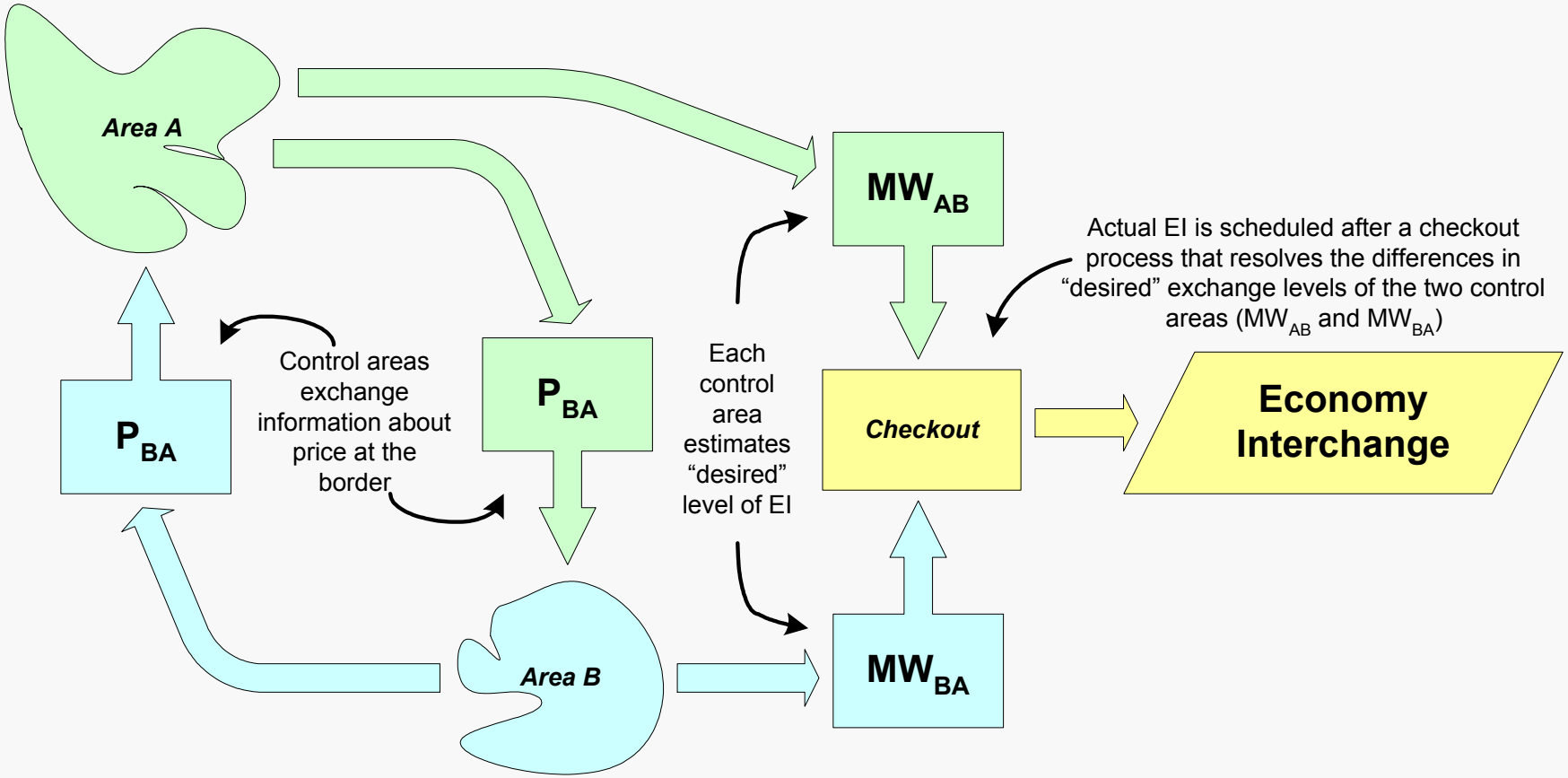
A Strawman for a Proof of Concept Pilot

- Accommodate both transactions and Economy Energy
- Assume an hourly transaction scheduling period initially (15 minute ultimately)
- Economy energy incremented/decremented on a periodic (15 min) basis throughout the hour as determined by the Economy Interchange Calculation in the OSS

A Strawman for a Proof of Concept Pilot

- Initial operation in permissive mode with substantial operator oversight and operator communication between CAs
  - Operator overide capability included
- Migrate to a more automated process as soon as practical

Economy Interchange Process



Draft--For Discussion Only

A Strawman for a Proof of Concept Pilot

- Actual energy exchange will be billed as sales/purchases between participating CAs at then current RT EI solution prices
- As needed, short-term UC may recognize Economy Interchange to improve commitment decisions (BME/RTC in NY)
  - Off dispatch units
  - GTs
  - Other CA interface transactions

Additional Issues to be Addressed

- Congestion hedges across ISO/RTOs
- Precisely how do settlements work
  - Bilateral transactions
  - RT energy sales and purchase purchases by MPs – are there such things?
  - Bid production cost guarantees
  - Other settlements issues

Additional Issues to be Addressed

- Schedule
  - Compatibility with OSS evolution plans
  - Individual ISO/RTO scheduling priorities
- Benefit compared with other approaches to solving interface utilization seams issue