

**Comments Submitted on the NYISO Straw Proposal
Submitted through 9/19/05**

From Jim Scheiderich, Select Energy

I think comments were due about a week ago. If you would please indulge me in some late comments/suggestions. My comments are less process oriented than they are specific to the issues detailed by Nicole Bouchez back in August.

I am attaching one page of Nicole's presentation from the 8-15 meeting for reference.

1 My biggest concern is that the Price Error Reduction Team (PERT?) will drain resources from Concept Design on other projects. However, since I am not the one complaining much about price errors related to a massive change in ISO software systems, it will remain to be seen how other react when their projects are slowed or stalled e.g. ICAP Automation Deployment.

2 Many of the solutions will have a technical bent to them and discussion should go to either SPWG or MSWG as soon as possible. The BPCTF should be kept apprised of the status and what is under discussion but I do not see the BPCTF as the place to go into technical issues. The issues can travel on parallel paths.

3 I have already submitted a suggested solution for the Bad Data Input which I would like to see discussed in the appropriate WG.

4 As to the other line items on Nicole's table (and these are not in order):

First issue we have that applies across the board is that we have no active list of the issues that is kept up to date and readily accessible. Such a list should include links to the relevant presentations made etc. so one can uncover the provenance of a given issue. I do not trivialize this as I have struggled with a means for myself to track what is going on for my job purposes and have been only partially successful in doing this.

Modelling: appears to have had some early issues and no impact since. We have some deployments to make. One is the change to the way load pockets are modeled in Zone J from interface type limits to line on line security (This was announced last summer by Ric Gonzales at MSWG). Treat this as an example. What we need and do not have except in our memory or some presentation long filed away, is a summary of such model changes to be implemented. These should be subdivided into those that have been agreed to and those that have simply seen proposal and discussion. Tentative deployment dates should be included. Model failures should also be in the tracking I suggested above.

Software: At the moment I presume this is the primary focus of the PERT as it should be. I am a bit more sanguine about changes such as SMD2 and dealing

with the errors that will inevitably arise. The alternative is a long - much longer time to deploy changes. I would also note that the MPs, from where I sat, were not overly engaged in the Market Trial process for SMD2. Yes, there were many questions about mechanistic issues but there was too little examination of the results. On this last point I would offer that I had suggested that a small group be allowed to first hand witness the operation of SMD2 in a simulation environment. Presumably that was quashed due to concerns that were never fully explained. It may be informative for a future time and another deployment of changes...

Operational: These need to be detailed as they occur. Humans make mistakes. Software is by no means in any state to replace said humans. When these occur, there should be an operations presence at whatever group discusses the issue on the market side. Frequently - and this is not a criticism of the individual but Ric Gonzales generally carries these issues for Ops. I would suggest that someone like John Ravalli be made available to review such issues and to drill down to whether it was (1) an honest mistake, (2) a need for procedural change, (3) change in presentation of information to the operators or (4) something unexpected in the market operations that lead to an incorrect conclusion. I know from SOAS that John responds very well to inquiries of this nature and has been responsive to suggestions and issues. (I will also note that he does not respond well to ill-mannered criticism by MPs who have never been in a control room - as well he should).

Process Failure/Missing Data/System Failure: I think these need to be separated out. We don't know which contributed to the issue head count here.

The massive failure on March 26th (if that's the date) of the system and its propagation seems to be a Systems Failure and from the after action report was dealt with with extreme professionalism. Things failed in ways that they were NOT supposed to. The only thing missing here is that we have had no follow up on the status of the vendor investigations.

I need examples of Process Failures - as these seem to be ultimately indistinguishable from Software Errors.

Lastly, the Missing Data issue needs more detailing. Is this lack of observability? Is it repeated loss of TO scan buffer data? Bad Data had its own line item. Perhaps Missing/Bad data be in the same category but tracked separately. Finally, is there a need to increase the level of analog telemetry to the ISO?

Unexplainable Model Solution/Non-convergence: If a situation results in prices that are suspect but no real reason is uncovered this would seem to be an example of the former. Non-convergence implies a situation where there is not a result (prices./schedules) or an incomplete result.

For Unexplained results (lets refer to them as X-File type issues) how can one justify any correction as by defintion it would appear that one does not know it is wrong - just anomalous. It would seem the appropriate response is to (1) attempt to understand and correct such a situation with the time parameters the ISO has but otherwise the results stand. This doesn't mean the investigation ends - it just means you don't know enough to declare something wrong and correct it. This is my view on this and perhaps I have it wrong - in which case these need to come to SPWG or MSWG and be cataloged with the rest of the issues.

Of the occasions in Nicole's table, I don't know how many were non-convergence issues vs. the totally unexplained. Convergence issue can be driven by unexpected data situations presented to the solution algorithm or tuning paramters in the algorithm itself (recall the wildly high multiplier used that resulted in BME prices in the 10's of thousands). First we need to know how often we have a solution failure vs. an X-file.

(NOTE: For those of you without a Sci-fi bent, X-Files was a long runinng TV series revolving around unexplained phenomena - appealing mostly to Geeks and Engineers and IT types)

Jim

From Erik Abend, Epic Merchant Energy

Please incorporate the following comments regarding NYISO Straw Proposal:

1) Regarding the impact of software changes on the need for price reservations and corrections, NYISO should expand its software testing procedures to include parallel operation of new and existing software for 1 to 2 weeks prior to implementation and perform thorough evaluation of the results of new software against the existing system.

2) Reallocate staff resources during implementation of new system software in order to provide additional 24 X 7 support necessary for making adjustments to the system in a timely manner.

3) NYISO should explain why the end state of the price correction procedures requires 3 business days for corrections as opposed to 3 calendar days, since the necessary staffing changes involve moving the price correction team to a 24 X 7 shift schedule (from its current business day schedule).

Thank you.

Erik Abend
representing EPIC Merchant Energy

From the Transmission Owners, LIPA and NYPA:

September 15, 2005

TO: Ray Stalter
FROM: Paul L. Gioia
RE: Comments on NYISO Straw Proposal

The following comments on the NYISO Straw Proposal to the Billing and Price Correction Task Force are submitted on behalf of the New York Transmission Owners¹, LIPA and NYPA.

1. The NYISO's October 31 filing at FERC should not include any proposed tariff changes to address "procedural" issues related to price or billing corrections. Revisions to the procedures for the posting and correction of prices should be addressed together with (i) clarification of the substantive criteria for determining that a price has been calculated in error and requires correction; and (ii) the implementation of measures to reduce or eliminate underlying price calculation errors. There is a direct and necessary relationship between the NYISO's price correction procedures and the accuracy, transparency and credibility of the prices issued by the NYISO.

¹ Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, a National Grid Company, Orange and Rockland Utilities, Inc. and Rochester Gas and Electric Corporation.

2. The NYISO October 31 FERC filing should be responsive to FERC's request in the SMD2 order. FERC requested that the NYISO make an informational filing that includes a plan and schedule for shortening the time periods for posting notices of price corrections and for correcting prices under the TEP as well as eventually phasing out the TEP altogether. The NYISO filing should emphasize the relationship between improved pricing accuracy and transparency and revisions to the price posting and correction time periods and the elimination of the TEPs.
3. The NYISO filing should refer to the formation of a Price Error Elimination Team, set forth the Team's goals and objectives, and provide a timeframe for the development and implementation of a plan to significantly improve pricing accuracy and transparency. The plan should include a description of the NYISO's application of the Lean Six Sigma program to its pricing procedures, to reduce complexity and increase billing accuracy. The Team should promptly undertake the development and implementation of this plan.
4. The NYISO should establish and implement a similar plan to improve the accuracy and transparency of its billing procedures, including a reasonable time period for the NYISO to address bill challenges.

5. The NYISO filing should not refer to the limitation of market participants' rights under the filed rate doctrine. The B&PCTF should give further consideration to the relationship between time limitations on the posting and correction of prices and bills and a market participant's rights, and the NYISO's responsibility, to have prices and bills calculated in accordance with the NYISO's tariffs.

Please contact me if you wish to discuss these comments.

AI92156

From Glenn Haake for IPPNY:

To: Ray Stalter

From: Glenn D. Haake

Date: September 9, 2005

Re: IPPNY Comments on NYISO Proposed Price Correction Procedures

Pursuant to your request at the September 1, 2005, Billing and Price Correction Task Force (BPCTF) meeting, IPPNY offers the following comments on the NYISO's proposed price correction procedures (the "Procedures").

IPPNY believes clear price correction rules are critical to robust and efficient competitive markets. As the NYISO itself acknowledges, both an excessive number of reservations and corrections as well as excessive delays between the posting of prices and the time when those prices are deemed final creates risk and uncertainty in the NYISO spot markets that undermines their efficiency and likely leads to decreased participation. Given that bilateral transactions often use spot market prices as a component to set prices under the contracts, this uncertainty also spills over into the forward markets. For this reason, IPPNY supports the NYISO proposal to eliminate the current distinction between TEP and non-TEP (filed rate doctrine) corrections by setting forth in its tariff one clear and transparent procedure for reserving and correcting prices.

However, there are a couple of areas of improvement to the NYISO's proposed Procedures. First, as currently drafted, the Procedures are limited to addressing procedural issues. While beneficial, this only resolves half of the problem; the underlying substantive issues also must be addressed. To do so, IPPNY believes that the NYISO must include in its tariff an exclusive and detailed list identifying the circumstances and conditions that will authorize the NYISO to reserve and to revise prices.

Second, contrary to suggestions raised by some at the September 1, 2005, BPCTF meeting, IPPNY believes that one of the conditions warranting price reservation and correction should be the improper mitigation of generator bids. In fact, given that the vast majority of mitigation events in the region outside New York City have been found to have been made in error, IPPNY would support a rule providing for all rest-of-state mitigated prices being reserved and reviewed for possible correction until such time as the NYISO has demonstrated a track record of consistent, error-free mitigation in this region of New York State.

Third, the NYISO has proposed that it would initially increase its correction period from 5 calendar days following reservation to 5 business days, but will shorten the period to 3 business days once it has achieved a record of correcting no more than 2% of the hours per month for 3 successive months, and "necessary resources are in place." IPPNY believes that the NYISO should commit to reducing the reservation period based on the 2% record and should not include caveats that might delay this important reduction to the reservation period -- a "reduction" that, in some cases actually just returns the NYISO to its pre-SMD 2.0 standard.

Fourth, IPPNY strongly supports the NYISO's proposal to provide a detailed description, at the time of the reservation, of the reason it is reserving the price. It is equally important that the NYISO provide a detailed explanation at the time it issues a corrected price of the reason the correction was required and the tariff provisions that support the correction.

Fifth, the NYISO delineates a number of alternative approaches to be used to calculate prices when necessary data is unavailable. While it is helpful to have a list of potential alternatives to use as a guideline, the approach to be used in a particular situation should be filed with, and be subject to approval by, the FERC.

Sixth, IPPNY understands that the NYISO plans to submit a status report with the FERC on October 31, 2005. IPPNY urges the NYISO to include a schedule that will provide for tariff modifications addressing the price correction process to be submitted to FERC by no later than year's end.

Finally, IPPNY would request that the NYISO also issue in the near future a proposed straw proposal for market participant input concerning the revisions it proposes to make in the bill correction procedures. As with excessive price

corrections, delay in issuing bills for final settlement creates market uncertainty and increases market risk. This is particularly so under the NYISO's current construction of its bill correction tariff provisions. Accordingly, IPPNY would urge the NYISO to devote an equal level of attention and effort to revising its current bill correction processes so that tariff modifications addressing these processes can be submitted to FERC by no later than year's end.