



Cross Sound Cable Interim Concept of Operations

February 18, 2004

**Business Issues
Committee**



CSC Background

- NYISO is pursuing a project A-619 which will provide an external proxy bus representation for controllable tie lines (HVDC and/or PAR) which span two control areas. Completion of A-619 is targeted for Summer 2005, subject to the requirements of higher priority projects such as SMD 2.0 and billing software enhancement projects.
- NYISO has been working with TransEnergie, LIPA and ISO-NE to develop an Interim Solution that would permit the scheduling of secondary service on the Cross Sound Cable in Summer 2004.



CSC Proposed Solution

- In order to permit multiple parties to schedule transactions over the CSC, NYISO is proposing an interim CSC scheduling solution that will employ an independent third-party Scheduling Administrator (“SA”) to aggregate CSC user schedules into a single net schedule and act as NYISO’s agent in administering the operation of the CSC



Interim CSC Limitations

- In order to timely implement the interim solution, consistent with existing software, the NYISO will revise its Tariffs and Procedures to permit interim operation of the CSC subject to the following limitations:
 - The timing of certain market deadlines will be revised to allow the SA sufficient time to submit a net operating schedule for the CSC;
 - All transactions will be required to be price takers in the NYISO market under the interim solution;
 - Any transaction that has not been scheduled by ISO-NE will be removed from consideration;
 - Wheels through NYISO with an external control areas involving the CSC will not be permitted; and
 - Bilateral scheduling using the Shoreham proxy as a source or a sink will not be permitted.



Scheduling Administrator Functions

- Submit a schedule to the NYISO MIS that aggregates the use of the CSC by LIPA and third parties into a single net schedule
 - Counterflow transactions will be permitted
 - Imports to NYCA will be treated collectively as a proxy generator
 - Exports from NYCA treated collectively as a proxy load;
- Provide to the NYISO and ISO-NE all transaction information needed to permit checkout in a timely fashion;
- Ensure that all parties seeking to transact over the CSC possess the requisite authority to transact within the markets administered by the NYISO and satisfy applicable NYISO transactional credit and collateral requirements;
- Settle schedules with individual counter-parties (including LIPA) pursuant to all applicable tariff provisions; and
- Make all information regarding its operations and decisions available to the NYISO.



Credit Issues

- The SA will act as the NYISO's agent in administering the scheduling and settlement of transactions over the CSC.
- The SA will be responsible for assuring that all CSC users are transacting within the credit limits determined by the NYISO.
- On a daily basis, NYISO will provide the SA with information concerning the credit status of potential CSC customers. The SA will not accept bids or offers from any entity that does not have approved credit status with the NYISO.
- The SA will be liable for any failure to follow the NYISO's procedures, and/or for any fraudulent behavior by its employees. The SA will be required to obtain appropriate liability insurance to protect itself and the NYISO against such risks.



Billing Issues

- The interim procedure will establish both a “generator bus” and a “load bus” for the CSC in order to handle the total transactions in both directions (North to South and South to North).
- The SA will provide the total schedules in both directions to the NYISO on an hourly basis. The NYISO will calculate the bills to reflect the payments/charges on the basis of these total schedules on an hourly basis. Total Northbound schedules (i.e. – “loads”) will be charged the appropriate rates for external TSC, NTAC and ancillary services.
- NYISO will provide the necessary information on such schedules to the TOs for billing of the TSC charges per the current OATT
- The SA will provide preliminary “behind the net flows” settlements with individual customers to the NYISO. NYISO will review such settlements and issue invoices to the MPs. The NYISO will directly transfer appropriate funds owed to MPs to their NYISO bank account.
- The NYISO will compensate the SA directly for its services.
- The SA will NOT deal with the settlement/billing of any charges for the use of the CSC itself. Such charges are determined under the CSC Tariff.



Next Steps...

- Resolve any remaining technical issues,
- Reach agreement with LIPA, TEUS, and NYISO regarding CSC Interim project cost responsibilities,
- Identify and develop needed tariff language,
- The following schedule is contemplated:
 - S&P Review: February 10
 - BIC Review and Vote: February 18
 - OC Review: February 19
 - MC Review and Vote: March 2
 - Board Review and Vote: March 16
 - FERC Filing: ~March 31
 - FERC Approval: ~June 1
- Proceed in parallel with SA selection
 - Contract with SA by end of February
 - Implementation & training to support June “go live”