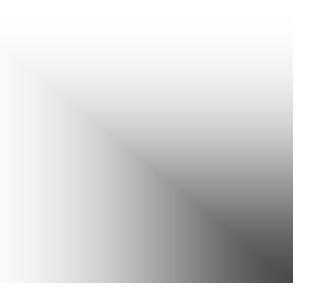


Identification of Seams Issues Between New York and New England

Prepared By John P. Buechler

Joint S&P/MSWG Meeting May 10, 2004 Albany

Draft for Discussion Only



Background: RTO-NE Filing

- July 31, 2003: NYISO and ISO-NE entered into an "Interregional Coordination and Seams Issues Resolution Agreement"
- > October 31, 2003: This Agreement was included in the RTO-NE filing
- March 24, 2004: FERC Order conditions approval of RTO-NE filing upon the submission of a "strengthened seams agreement" with the NYISO
- FERC agreed that the existing Agreement, with modifications, can serve as the basis

Background: RTO-NE Order

FERC required a Compliance Filing, due on June 22nd to include:

- A revised seams agreement with NYISO
- Specific milestones and schedules for resolution of the remaining seams issues between the NY and NE within one year of the date of the compliance filing
- Identify those seams issues which require the participation of PJM to resolve
- The Compliance Filing must also include a proposal for eliminating pancaked export charges between NY and NE within 6 months (i.e. – December 22, 2004)
- FERC also found that VRD "has the potential to promote a more seamless interface between NY and Draf NED'iscussion Only

Existing Coordination Agreement

- Patterned after NYISO-PJM Coordination Agreement
- Includes five key seams issues
 - Coordination of Interregional Planning
 - Resource Adequacy Assurance
 - Elimination of Export Charges
 - Development of VRD
 - Support of Improved Inter-Market Communications
- Includes a process for the identification of other seams issues

Updated Agreement: Key Seams Issues

Coordination of Interregional Planning

- Finalize Northeastern Protocol with ISO-NE and PJM
- Develop implementation procedures
- Issue Coordinated System Plan

Resource Adequacy Assurance

- Follow-up to RAM initiative/NERA Report
- *Review of recent NY and NE ICAP market initiatives*
- Harmonization of "products" between regions

Updated Agreement: Key Seams Issues (Cont'd)

Elimination of Export Charges

- Plan for elimination to be included in ISO-NE Compliance Filing due June 22nd
- Export charges between NY and NE to be eliminated on, or before, December 22, 2004

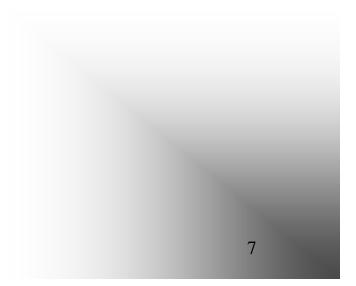
Virtual Regional Dispatch (See Separate Presentation)

- Develop pilot program: June-Nov 2004
- Implement pilot: Nov 2004
- Evaluate pilot program: Nov 2004-June 2005
- Develop full VRD program: June-December 2005
- Implement full-scale VRD, if warranted: Jan-June 2006

Updated Agreement: Key Seams Issues (Cont'd)

Improved Inter-Market Communications

- Monitor and maintain facilitated check-out functionality
- Incorporate market participant viewing capability
- Evaluate other potential enhancements



Process for Identification of Other Seams Issues

Potential Issues for Consideration

- Cross-Border Controllable Line Scheduling
- Cross-Border Congestion Hedging Instruments
- Partial Unit ICAP Sales from New England

Market Participant Input & Discussion

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Next Steps

- > Joint S&P/MSWG meeting: May 10th
- NYISO to review seams issues in consideration of stakeholder input
- Coordinate preparations for Joint BIC/Markets Committee meeting with ISO-NE
- ➤ Joint BIC/MC Meeting: May 25th
- Finalize Agreement with ISO-NE
- ➢ ISO-NE Compliance Filing Due on June 22nd