

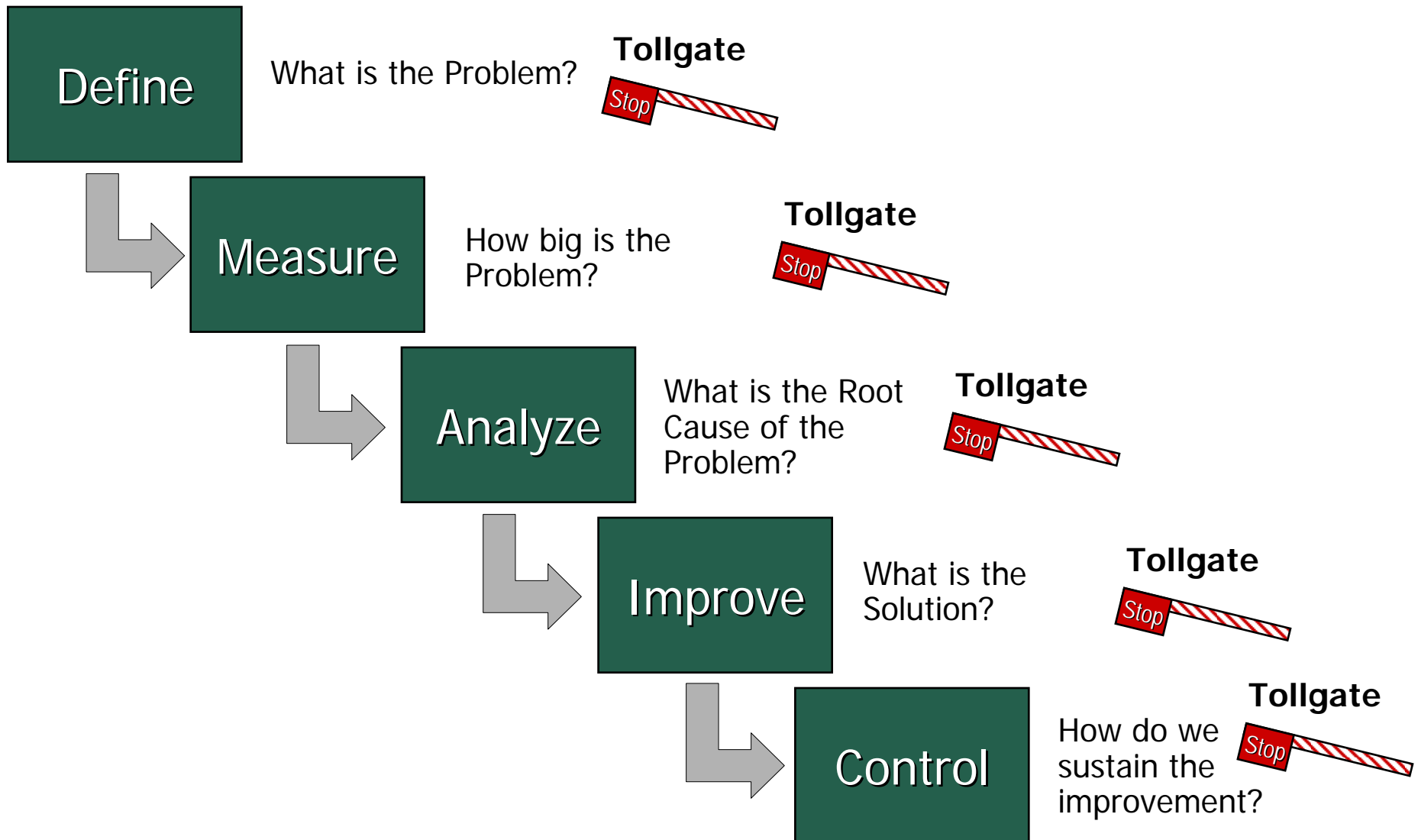
Lean Six Sigma Quick Start Reserve Settlements

Erin Gustafson
Market Accounting Analyst
New York Independent System Operator

Billing and Accounting Working Group

August 19, 2009

Lean Six Sigma: The DMAIC Roadmap!



Quick Start Reserve Settlement

What is the Issue?

- *Quick-Start Reserves settlements are not rendered until the 4-month true-up, delaying invoicing and creating interest expenses for the marketplace.*
- *Between January and December 2008, a total of 477 instances of generators being paid for Quick-Start Reserves resulted in settlements totaling \$2.33M. Processing these settlements on the 4-month true-up rather than in the initial invoice resulted in \$42K in interest expense.*

Quick Start Reserve Settlement

Why is this important?

- ◆ Timely settlement
- ◆ Reduced interest cost to Market Participants
- ◆ Reduced risk of uncollectibility due to timely settlement

Quick Start Reserve Settlement

What is it anyway?

- ◆ Certain fast starting generators have agreed to allow their local TO to turn on their units when the MW's are needed.
- ◆ These generators receive a capacity payment akin to the 10-minute and 30-minute reserves.
- ◆ The capacity payment is allocated locally to that zone's load consistent with the cost causation principal.
- ◆ See Rate Schedule 6 of the Market Services Tariff

Quick Start Reserve Settlement

So where are we?

- ◆ Improve Phase
- ◆ Started a pilot as of August 1, 2009
- ◆ Expect to see August Quick Start Reserve settlements on the August initial invoice which will be issued on September 8, 2009.

Quick Start Reserve Settlement

What will we change?

- ♦ Expectations
- ♦ Log flow – Daily rather than monthly
- ♦ Independent data accumulation

Quick Start Reserve Settlement

How will these changes speed up the settlement?

- ♦ Calculations will now be required in time for the initial invoice
- ♦ Logs will be supplied in time for the calculation
- ♦ LECG will not be dependent on NYISO staff for the data needed to complete the calculation

Quick Start Reserve Settlement

Next Steps.....



The New York Independent System Operator (NYISO) is a not-for-profit corporation that began operations in 1999. The NYISO operates New York's bulk electricity grid, administers the state's wholesale electricity markets, and provides comprehensive reliability planning for the state's bulk electricity system.

www.nyiso.com