

NYISO Electric System Planning Working Group Meeting

January 10, 2005
 NYISO Washington Ave –Albany, NY

Of the 27th meeting of the New York Independent System Operator Electric System Planning Working Group held January 10, 2005 at NYISO in Albany, NY.

In attendance

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| Bill Palazzo - NYPA | Ernie Cardone – NYISO |
| Jerry Ancona – National Grid | John Buechler - NYISO |
| Tariq Niazi - NYSCPB | Leigh Bullock - NYISO |
| Raj Addepalli - NYSDPS | Garry Brown - NYISO |
| Diane Barney – NYSDPS | Larry Dewitt - PACE |
| Janet Besser – National Grid | Aaron Breidenbaugh - NYISO |
| Tim Bush – Navigant Consulting | Carolyn Brown - IPPNY |
| Brad Kranz - NYISO | Deidre Facendola – Con Edison |
| Doreen Saia – Mirant | Steve Corey - NYISO |
| Bob Reed - NYSEG | Glen McCartney - Constellation |
| Chris Hall – NYSERDA | Mike Mager – Multiple Intervenors |
| Paul Gioia – LeBoeuf, Lamb | Jim Mitsche – PowerGEM |
| Mark Younger – Slater Consulting | Ken Lotterhos – LIPA/Navigant Consulting |
| Ralph Rufrano - NYPA | Larry DeWitt - PAVE |
| Bill Lamanna – NYISO | Joe Lewis - Constellation |
| Jeff McKinney - NYSEG | Charlie Pratt – Dickstein, Shapiro |
| Mohsen Zamzam – Con Edison | Jim Scheiderich – Select Energy |
| Ed Kichline – Keyspan Energy | John Watzka – Central Hudson |
| Rick Felak - Calpine | Tim Foxen - NRG |
| Terron Hill – National Grid | Howard Fromer - PSEG |
| Paul Steckley - TransEnergie | |

Welcome and Introductions

Mr. Bill Palazzo, Chair of the Electric System Planning Working Group welcomed the ESPWG members to the meeting and stated the agenda.

Meeting Minutes

The meeting minutes from the December 1, 2004 meeting were approved and will be posted on the NYISO/MDEX website.

FERC December 28th Order Accepting CRP

John Buehler reported on the FERC Order accepting the Comprehensive Reliability Planning Process. FERC accepted the NYISO CRPP and NYISO-TO Agreement with some modifications and rejected most of the protests. The Order strongly supports the basic market-driven structure of the CRP. Commissioner Kelliher dissented, in part, with respect to State and Federal Role issues. The compliance filing is due in 60 days: Feb 26, 2005.

The issues for the compliance filing are: (1) jurisdiction (2) DPS screening of alternative regulated proposals (3) NYISO – TO agreement. In addition, FERC also directed the NYISO to file timetables for cost allocation and CRP Implementation at the same time as the compliance filing.

Under jurisdiction, FERC recognizes that the NYSPSC is “singularly situated” to address certain disputes related to the RNA and CRP, and sees the filing as an opportunity for state-federal cooperation to ensure reliability. They accepted the dispute resolution provisions at the state level, found in Sections 5.3 and 8.3, “for matters that are not within (the FERC’s) exclusive jurisdiction” and asked for additional modifications to provide for a request for joint or concurrent hearing regarding matters of dual jurisdiction and responsibility, and to provide that only disputes under the NYSPSC’s jurisdiction are subject to review in NYS Courts.

Mr. Howard Fromer asked for clarification on the areas that overlap, in particular if it was the NYISO’s intent to define “State jurisdiction”. Mr. Buechler replied that this was not the intent. Mr. Charlie Pratt expressed concern with regard to disputes that could be considered concurrent with State and Federal Commission, and asked that we specifically state that only exclusive NY issues will go to NY Commission.

FERC found the screening process whereby non-transmission owners would first be required to seek DPS approval, while the TOs would not, to be “unduly discriminatory”, and directed the NYISO to revise the CRP to treat both TOs’ and non-TOs’ proposed solutions comparably. There was some discussion about various ways to address this requirement (see below).

FERC accepted the separate rate mechanism for cost recovery of transmission related costs incurred to meet a reliability need and encouraged parties to explore whether formula rates for recovery of both TOs existing facilities and new facilities would be a more reasonable rate design.

Mr. Buecher stated that it is the NYISO’s intent to comply with the FERC Order and asked for comments from ESPWG members on the overall compliance filing. Mr. Larry Dewitt asked if the NYISO will prepare and distribute changes to the compliance filing.

Mr. Buechler stated that it was his intention to have a draft by the next meeting for discussion.

PSC Role in CRP Process

ESPWG discussed the impact of the FERC order on the PSC screening role in the CRP process.

Ms. Diane Barney reported that to date, the PSC has not received any additional comments from ESPWG members regarding the PSC role in the CRP process. It was originally thought that in an attempt to avoid having too many alternative projects for the NYISO and the Transmission Owners to review, the projects would go through a PSC screening process first. This would help ensure that projects could be reviewed on a timelier basis.

It was suggested that requiring both TO and non-TO projects to go through the PSC screening process could satisfy the FERC. Mr. Ken Lotterhos stated that LIPA would not be able to agree to a mandatory review process for the PSC. The group discussed benefits and drawbacks to having the TO projects going thru the PSC process. Mr. Tim Bush stated that the language paragraph 25 of the FERC order did not appear to be neutral in this regard.

Mr. Paul Gioia suggested that the PSC screening process could be made optional for the developer. The PSC would be available to review and provide comments. The process should be voluntary but explicit. Mr. Larry Dewitt commented that it may be more rational to follow FERCs lead and go thru NYISO first and keep the DPS staff involved on an informal basis.

Mr. Ralph Rufrano stated that that it would make sense that the PSC screen everything, since the ultimate end state is to receive regulatory recovery of the costs of this proposal, and it would seem inappropriate to go forward with a project without first finding out even on a cursory level whether the project was viable. Raj Adepalli suggested making it mandatory for the Transmission Owners to submit their proposals to the same time as the developers submit theirs. Ms. Doreen Saia asked if it has been decided how the review process for projects that go to the NYISO would be laid out. Mr. Buechler replied that there will be an annual process, which will include a specified period within which all can submit proposals, then another specified time for NYISO to evaluate those. Ms. Saia asked if there was a concern regarding the time limits for NYISO to review the projects and questioned if there should be a rule in place for queuing the proposals. Mr. Buechler indicated that the NYISO intends to review all proposals, even if there was a need to extend the time period in order to do so, but said he would look into the need for a queuing process.

The group discussed the timeline and agreed that the timeline for the first Comprehensive Reliability Planning Process cycle needed to be reviewed further. Mr. Buechler noted that this will be discussed at the February ESPWG meeting, since FERC has required the NYISO to file its timeline within 60 days. Mr. Fromer noted that the timeline should consider any differences between the initial cycle and subsequent cycles of the CRPP.

Mr. Buechler reported that the NYISO does not see their role any further than assessing the reliability need.

The PSC will take back the following suggestions for consideration:

- Voluntary process
- Mandate that the Transmission Owners are also subject to PSC screening
- Not refer to a formal process in the NYISO tariff

Discussions will continue offline between PSC and ISO with a report back to ESPWG at the February meeting.

DPS Dispute resolution process

Ms. Diane Barney reported that the PSC has not received any additional comments and they were waiting for FERC order. They will be turning around a revised document based on comments received at the last meeting. This will be available for the the next meeting.

Comprehensive Reliability Planning Process

Mr. Buechler discussed the criteria and timeline for halting a regulated project and reported that discussion between the NYISO and the DPS staff is ongoing.

Consideration of Economic Planning Issues

John Buechler provided a discussion of the revised NYISO “Strawman” proposal. Mr. Palazzo asked if there was anything new from the PSC in how they view their role. The PSC stated that they did not have a final position on their role in the NYISO “Strawman.”

The PSC reported that they are proposing to hold a technical workshop to bring in some of the experts to explore potential alternative market mechanisms. The workshop focus will be on mechanisms that could provide adequate incentives for providing merchant transmission where needed.

The PSC will have further discussion with the NYISO regarding joint sponsorship of the workshop. . Suggestions for panel topics/speakers should be sent to Ms. Diane Barney and cc Mr. John Buechler. Additional information will be discussed at the February ESPWG meeting.

Next meeting

The next ESPWG meeting will be held on February 7, 2005 at Washington Avenue.

Action Items

1. NYISO and the PSC will have continuing discussion on the PSC screening process and issue a draft document based on comments from ESPWG members at the January 10th meeting.
2. PSC will circulate a revised draft of their dispute resolution process document prior to the February 7th meeting.
3. NYISO will have a draft of the CRPP compliance filing for the February 7th meeting.
4. NYISO will issue a proposed timeline for the NYISO Comprehensive Reliability Planning Process based on comments from ESPWG members at the 1/10/05 meeting.
5. NYISO to propose qualifications for TO and third party regulated proposals
6. PSC and NYISO to have further discussions regarding the Criteria for Halting a Regulated Project and bring back an updated document for the February 7th meeting.
7. NYISO to consider the need for a queuing process for proposed solutions
8. Base case development and cost allocation to be discussed at Feb 7th meeting
9. NYISO to circulate a revised Economic Planning "Strawman" prior to Feb 7th meeting