

Management Response to Analysis Group Report

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Key Points Raised

- ◆ Electricity Prices in New York State
- ◆ End-Use Consumer Concerns
- ◆ NYISO as an Organization
- ◆ Performance of the Competitive Markets

Electricity Prices in New York State

Report Findings

- Restructuring promised lower prices...wholesale has delivered...retail rates remain high
- Initial issues with billing/settlements
- New generation additions shouldered by investors
- NYS has the most advanced market designs in the country

NYISO Actions

- NYISO remains focused on reliability & market efficiency...driving for minimum cost while protecting reliability
- Significant focus on process improvements
- Expanded planning from reliability to include economic (CARIS)

End-Use Consumer Concerns

Report Findings

- End-use consumers are not sufficiently represented in stakeholder process
- NYISO overly focused on “markets”
- Participation in governance process is resource intensive

NYISO Actions

- Increased outreach to all stakeholders and influencers
- Exploring creation of a funding mechanism for consumer advocacy groups to more effectively engage in governance process
- Internal organizational changes to foster more focus on consumer interests...establish a consumer liaison position

NYISO as an Organization

Report Findings

- Excellence in Operations...improvements should continue to be a focus in terms of mitigation and timely response to market issues
- More focus on transparency of operations
- A more balanced approach to cost allocation

NYISO Actions

- Continued financial and operational rigor
- Several initiatives to increase transparency (posting board meeting notes, updated website, bid data released in 90 days)
- Re-examining issues the fairness of current cost allocation (RS1)

Performance of the Competitive Markets

Report Findings

- Seams hamper regional efficiency
- NYISO response to market problems has been slow

NYISO Actions

- Initiated & Leading Broader Regional Markets efforts
- Structural changes have been implemented
 - Operations Performance & Analysis Group created
 - MMU restructured
- New protocols for issue reporting
- Enhanced mitigation efforts and processes

Key Focus Moving Forward

- ◆ Continuous improvement in every aspect of the organization...lean Six Sigma
- ◆ Increased focus on transparency and consumer interests
- ◆ Improving reliability & reducing seams
 - *Smart Grid – PMUs and Capacitors (\$60M yr)*
 - *Expanded Planning – CARIS & EIPC*
 - *Broader regional markets*

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.

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