Price Error Elimination Team
Action Plan Status

Management Committee

January 25, 2006

Price Error Elimination Team

- **Team formed to investigate, document, and eliminate (if possible) causes of pricing errors**
  - ✓ Software enhancements
  - ✓ Process improvements
  - ✓ Rule-based solutions
- **Action Plan Overview**
  - ✓ Analysis and categorization of price errors, each with a recommendation for an appropriate remedial action
  - ✓ High-priority allocation of software resources to correct price calculation issues
  - ✓ Initiation of Lean Six Sigma projects targeting internal processes that contribute to pricing errors

Price Error Elimination Process

- *Team meets regularly to review causes of all recent price corrections*

- *Each specific cause is documented and potential solutions are identified*

- *Solutions are reviewed and prioritized based on frequency, nature of impact, and feasibility to drive a solution*

- *Software development priorities are aligned to address price error elimination solutions quickly*

Price Error Elimination Status

- **Rate of price reservations and corrections continues to be low**
  - ✓ No new causes of errors logged in several weeks
  - ✓ Existing known causes have low relative impact
- **Price Error Elimination Team planning several enhancements in first quarter to address additional causes of errors**
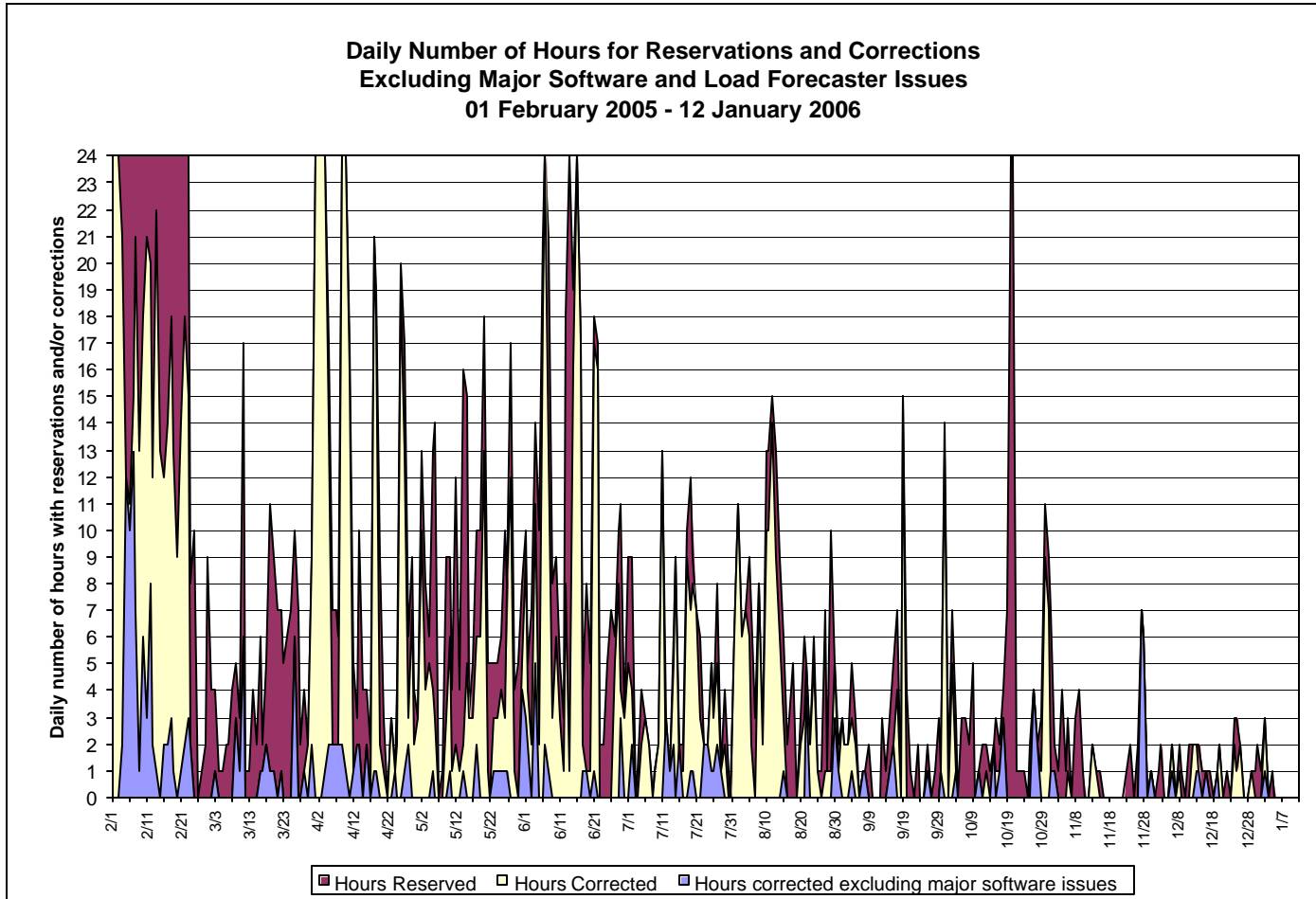- **Product teams are developing plans and estimates to provide enhanced price validation functions**

Price Correction Enhancements

Issue Description	Correction Frequency	Implementation Date
Load forecasting software and modeling errors	High	February 2005
RTD unit ramping logic	High	February 2005
DNI constraint problem affecting external proxy	Medium	June 2005
RTD-CAM commitment of GTs	Medium	July 2005
Out of Merit treatment of bid flags	High	August 2005
Generator operating status issue	Low	August 2005
Load forecasting modeling improvements	Medium	September 2005
Islanded Generator Bus modeling anomaly	Medium	October 2005
Multiple price posting process improvements	Low	October 2005

Price Correction Enhancements (Cont.)

Issue Description	Correction Frequency	Target Date
Continued improvements to Load Forecaster	Medium	February 2006
Enhanced modeling to detect meter failures	Low	Ongoing 2006
Improved transmission constraint pricing	Low	2nd Quarter 2006
Include pricing data in data warehouse (DSS)	-	2nd Quarter 2006
Price validation tools enhancement	-	Schedule TBD
Automated pricing during MIS down events	Low	Future
Automated handling of pricing for TLR events	Low	Future
Pricing rules during RANGER solution failure	Low	Future
Publishing of expanded pricing data for PV	-	Future

Recent Price Correction Statistics

Daily Number of Hours for Reservations and Corrections
Excluding Major Software and Load Forecaster Issues
01 February 2005 - 12 January 2006

Recent Price Correction Statistics (Cont.)

NYISO Real Time Price Correction Statistics

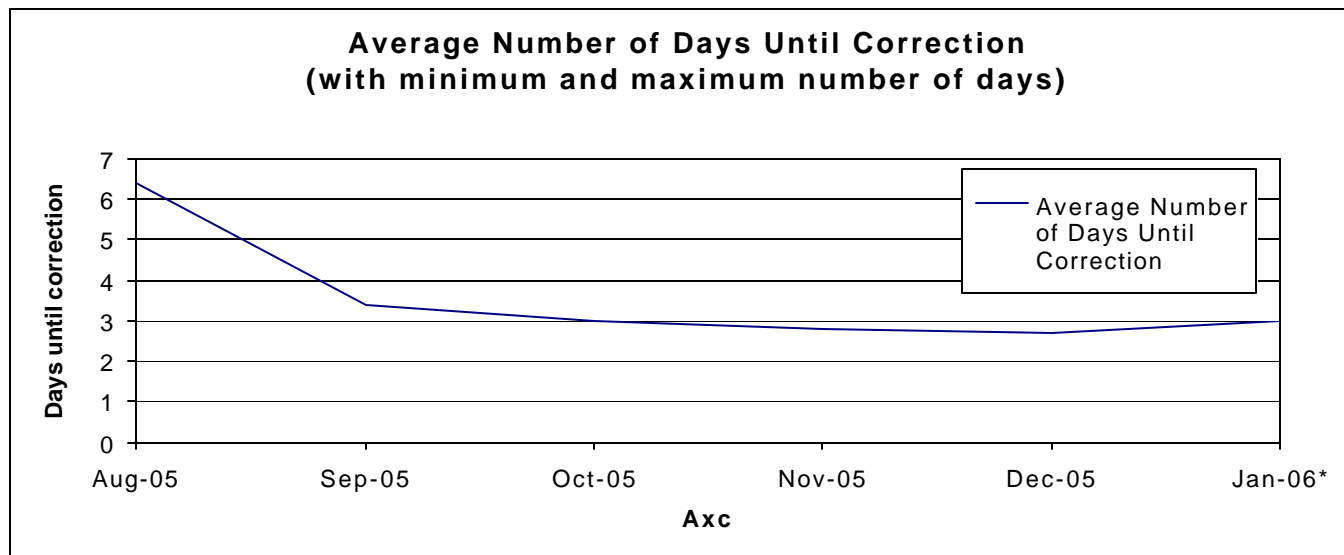|	2003	2004	2005	2005 Excluding Software Issues	2006
January*	2.7%	7.9%	3.8%	n/a	2.1%
February	3.1%	2.6%	57.3%	12.1%	
March	3.9%	5.0%	4.6%	3.6%	
April	13.3%	4.4%	38.5%	3.5%	
May	24.9%	8.2%	16.1%	1.9%	
June	6.3%	7.8%	29.7%	2.6%	
July	9.3%	6.9%	14.1%	2.8%	
August	8.1%	5.6%	17.1%	1.2%	
September	4.4%	3.3%	5.3%	1.3%	
October	3.0%	4.6%	6.9%	1.9%	
November	3.1%	2.2%	1.1%	0.4%	
December	3.0%	3.6%	2.4%	0.7%	
Average	**7.1%**	**5.2%**	**16.4%**	**2.9%**	**2.1%**

Source for 2003-2005 data: NYISO Monthly Report/Market Operations Report.

*January 2006 statistics through January 12, 2006

Recent Price Correction Statistics (Cont.)

Days Until Correction- Statistics on how long it takes to correct prices

Month	Days Corrected	Average Number of Days Until Correction	Maximum Number of Days to Correction	Minimum Number of Days to Correction	Standard Deviation
Aug-05	25	6.4	14	1	4.9
Sep-05	13	3.4	6	0	1.76
Oct-05	14	3	5	1	1.18
Nov-05	8	2.8	5	1	1.58
Dec-05	11	2.7	5	1	1.27
Jan-06*	1	3	3	3	n/a

Average Number of Days Until Correction
(with minimum and maximum number of days)

Note: Days are counted from the reservation day.

*January data through January 6 only.