

NYISO Electric System Planning Working Group Meeting

August 11, 2004
NYISO Washington Ave –Albany, NY

Of the twenty-second meeting of the New York Independent System Operator Electric System Planning Working Group held August 11, 2004 at NYISO in Albany, NY.

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.

Review of Notes of July 15th Meeting

The ESPWG Meeting minutes from July 15th meeting were approved and will be posted to the NYISO website.

Phase II: Comprehensive Planning Process for Reliability Needs

Mr. John Buechler reviewed the Comprehensive Planning Process implementation requirements with ESPWG members.

Mr. Howard Fromer asked if the NYISO has released the final proposed agreement with the Transmission Owners. Mr. Paul Gioia responded that a revised document with minor changes would be sent out on within the next couple of days.

At the last meeting, the members of the PSC indicated that they would be developing procedures for consideration of alternative proposals and the dispute resolution process. The PSC stated that their intention is to wait until after the tariff is approved by FERC before developing the procedures.

Mr. Howard Fromer expressed concern on the amount of time that would be lost by not starting the process until FERC approval. Mr. Buechler indicated that it is important to ascertain the timeline envisioned by the PSC during the “Request for Solutions” period in order to develop a schedule for the overall planning process.

The group discussed the timeline for dispute resolution procedures. The PSC was asked how long they expected it would take for them to work up procedures. The PSC couldn't comment at this time.

Mr. Buechler reported that the NYISO will prepare straw proposals on highest priority reliability implementation issues. Mr. Palazzo asked that ESPWG members contact Mr. Buechler with anything that may have been missed.

Consideration of Economic needs

Mr. John Buechler discussed the number of possible approaches to the consideration of economic needs.

As per the FERC policy, which clearly indicated that ISOs/RTOs must have a planning process in place to address both reliability and economic needs, the NYISO has committed to focusing on the economic needs now that reliability needs have been addressed. Mr. Buechler stated that the NYISO has no predetermined positions.

Mr. Bob Reed asked if FERC Order 2000 was still voluntary. Mr. Buechler indicated there is no specific order to the NYISO at this time, but that the NYISO has committed to FERC that it will address economic needs. Recognizing this, it is within the original scope of the ESPWG to discuss economic planning needs and to report its recommendations back to Operating Committee.

Mr. Buechler discussed the following possible approaches, noting that the NYISO does not consider these to be mutually exclusive:

1. Information approach:

- Analysis of historic congestion
 - Continue with current PowerGEM congestion reporting
 - Expanded analysis; need to define scope
- Estimates of future congestion
 - Same definition/matrix used for historic congestion
 - 10-year planning horizon
 - Base case & scenario analysis
- NYISO provides information to marketplace (Market participants make decisions)

2. "PJM-type" approach

- NYISO continues to monitor/report on historic congestion
 - Develop a "threshold" level
 - Exceeding threshold starts the clock
- NYISO proposes solutions
- NYISO calculates "cost-benefits" for each solution
- If no market-based solution appears, NYISO designates TO to build a regulated solution

Mr. Ralph Rufrano stated that the important issue is the determination of the definition of threshold. The group discussed the difficulties associated with the determination of a threshold.

Mr. Bob Reed remarked that this process in PJM started in Spring 2003 and is still under development; adding that there were 4 filings in response to several Orders from FERC. The group discussed the procedure that would be used in the event there is no market-based incentive (last bullet). Ms. Doreen Saia asked that the NYISO make it clear that this would be handled no differently than reliability based solutions and that other parties should be able to step up to the plate. NYISO's role under this option would need to be determined.

Mr. Palazzo asked the group what they thought was the appropriate role in NY for economically driven decisions. He asked the group if they felt that NYISO should intervene in the market by directing responses.

3. Development of Market Based Incentive Mechanisms

- Development of a permanent methodology for expansion TCC's
- Consider providing TCC's as options for expansion
- Develop "end-state" TCC auction model (Evaluate use of a DC model)
- Develop cross-border TCC options
- Evaluate expansion of UDR concept to non-controllable lines
- Develop alternate methodology to provide capacity value for transmission expansion in addition to TCCs

Ms. Saia stated that another way to help transmission upgrades is in effect to work through a Cross Sound Cable methodology that could be used for other projects and used more seamlessly. This could put the NYISO ahead of other ISO's and provide a more efficient market.

4. Bill Hogans Market Design Concept

- This concept proposes a hybrid model that allows both regulated and merchant transmission.
- Difficulty in "drawing the line" between the two
- Slippery slope" back to a regulated "IRP"-type regime unless that line is drawn properly
- Focus on a workable definition of "market failure"
 - Under SMD some worthwhile investments may not be made under strictly merchant conditions
- Must include well-defined property rights for investors

The concept of "market failure" was discussed:

Mr. Fromer expressed a concern that we are trying to force outcomes that the market says don't make sense. Mr. Ancona addressed the opposite concern in trying to assume that market failure will never occur. Presuming it that is may occur, the question is what do we do about it. Mr. Rufrano stated that we need to set the definition of market failure, along with a time window for correction – 1 yr, 5 yr – when does it become a market failure? Ms. Becky Craft stated that market failure should only worry us if there is a reliability problem. The "large lumpy" issue raises a bigger problem

Mr. DeWitt asked if the PSC could report on their legal authorization to intervene in persistent economic congestion and encourage utilities to build. The PSC's response was that they have the authority to request regulated entities within it's jurisdiction to upgrade facilities to ensure safe and adequate facilities. Mr. Paul Gioia added that the TOs have not disputed this or accepted this.

Mr. Buechler stated that the NYISO would like to follow up on information approach and asked Market Participants to think more about this area for the next meeting. He added that everyone should also think about market based mechanisms or any other mechanisms that this group might want to recommend proposing to MSWG (recognizing they have to go through the usual prioritization process).

Mr. Fromer asked if we were only looking at transmission or does this include generation. Mr. Gioia stated that the market may not work for transmission projects and we may have to develop market mechanism to make it work.

Mr. Palazzo suggested that Market Participants submit feedback to the NYISO on these Economic Planning issues in advance of the next meeting.

Congestion Impact Calculation Update

Mr. Jim Mitsche reported on Congestion Impact Calculation Update. The first priorities would be to align SCUC and PROBE modeling and analyze 2004 Q2 data. Next priorities would be to do an unusual day analysis, determine what is desired in the reporting, develop automated SCUC – PROBE results comparison, automate calculation process, report metrics monthly going forward and perform a “what if” analysis.

Mr. Mitsche will prepare an analysis of the treatment of mitigation on the unconstrained system for the next ESPWG meeting.

In addition, the NYISO will address an issue raised by National Grid related to the reason for the exclusion of exports in historical congestion reporting

Next Meeting

The next ESPWG meeting will be held on September 15th at the NYISO on Washington Ave Extension in Albany, NY.