

Billing & Accounting Working Group

NYISO Monitoring and Remediation of LSE Under-Forecasting

June 19, 2006

Monitoring and Remediation of LSE Under-Forecasting

The Issue

- ◆ LSEs have a tariff requirement to forecast their energy consumption, and their initial invoices are based upon their relative load forecasts by sub-zone.
- ◆ An LSE's load forecast can be grossly understated, resulting in substantial understatement of the initial invoice amount billed to the LSE.
- ◆ Subsequent 4-month true-up invoice, based upon actual metered load, reflects a more accurate (and potentially much higher) amount due from the LSE.
- ◆ The under-forecasted loads create a risk of bad debt loss to the market between the initial (understated) invoice and the (accurate) 4-month true-up invoice. They also result in higher initial billing to other LSEs who accurately forecast.
- ◆ FERC interest rates are not likely to be a significant deterrent to this practice.

Monitoring and Remediation of LSE Under-Forecasting

The Solution

- ◆ NYISO tariffs permit the NYISO to issue an estimated invoice.
- ◆ Management can identify gross under-forecasters by comparing an LSE's load forecast to a NYISO-generated "benchmark forecast" based upon MP-specific data provided by the TOs to NYISO for use in development of UCAP requirements.
- ◆ When an LSE's forecast is statistically significantly below NYISO's forecast, the NYISO's forecast is substituted for the LSE's forecast to determine the initial invoice.
- ◆ This estimated initial invoice method appears to be a reasonable way to avoid a significant risk of loss to the marketplace between the initial invoice and the 4-month true-up.
- ◆ This method is currently in place, and no tariff modifications were required to implement it.

Monitoring and Remediation of LSE Under-Forecasting

Summary and Conclusions

- ◆ To compensate for the lack of accurate metered data for four months after the actual consumption of power, the NYISO has developed a viable method to identify gross under-forecasting.
- ◆ To remedy gross under-forecasting, the NYISO also has developed a process to generate an estimated initial invoice via replacement of the LSE's load forecast with a NYISO "benchmark forecast."
- ◆ The NYISO has tariff authority and has implemented this solution without IT enhancements or personnel additions.
- ◆ The NYISO will continue to work with MPs to minimize the risks associated with under-forecasting.