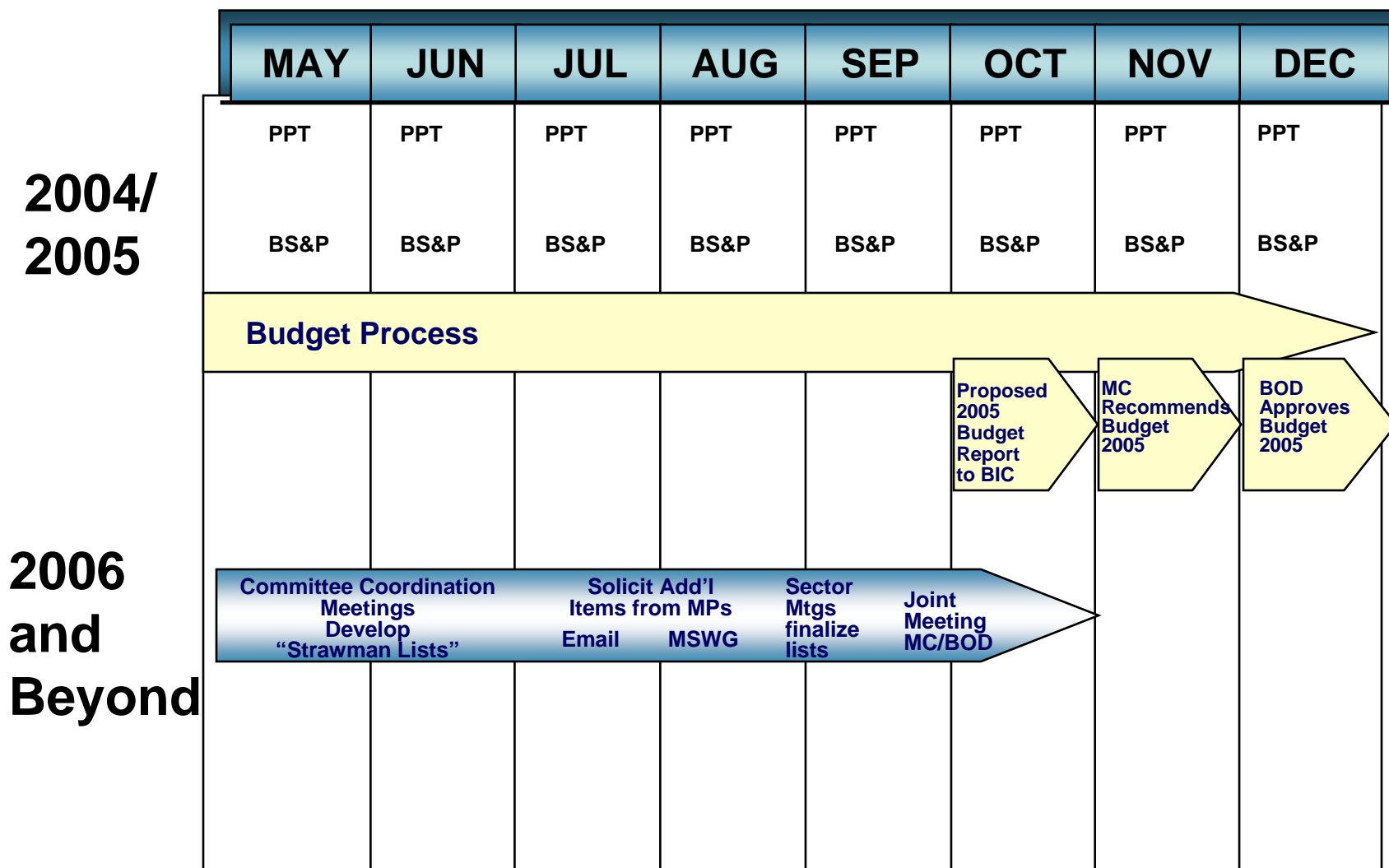


NYISO Market Evolution Plan Development

What comes after SMD2.0 ??

C. King, NYISO Market Services

Market Evolution Planning



May 19, 2004

Market Evolution Planning

- Two concurrent tracks
 - Second-half 2004 and 2005
 - Projects
 - 2005 budget
 - 2006 and beyond
 - Strategic initiatives for market enhancements
 - Budget targets for 2006-2008

Market Evolution Planning

- Second-half 2004 and 2005
 - Project Prioritization Team (PPT)
 - Regular meetings to monitor progress and discuss project priorities
 - Budget, Standards, and Performance Subcommittee (BSPS)
 - Budget development in second quarter 2004
 - Proposed budget discussed at October BIC
 - MC votes to recommend budget in November
 - Budget approval at December Board meeting

Market Evolution Planning

- At least 2 Major Tracks of Work
 - Market Extension/Efficiency Improvements
 - Energy & Ancillary Services
 - ICAP
 - TCC
 - Inter-Market Coordination
 - Virtual Regional RTO
 - Market Rule Convergence

Market Extension/Efficiency Improvements

- SCUC/RTS enhancements
- Multi-day commitment
- Forward energy/ancillary markets
- Green power
- Treatment of distributed generation
- Loss hedges
- Voltage support

Market Extension/Efficiency Improvements (continued)

- TCC Options
- On-peak/off-peak TCC blocks
- Additional long term capacity projects
- Enhanced DAM participation in DADRP
- Support of outside demand exchange

Inter-Market Coordination Improvements

- Removal of Rate Pan-caking
- Virtual Regional Dispatch (VRD)
- Cross-Border Hedging Instruments (CBH)
- Regional DAM
- Elimination of remaining seams issues
- Inter-market congestion management
- Regional Capacity Market

Next Steps

- Provide list of candidate 2005 projects
- Complete list of future enhancements
- Tie back to NYISO Strategic Plan
- Develop prioritization for each track
 - Order is important!
 - Coordination a must!
 - Recognize budget/resource constraints