

**MAY 2003 STATUS UPDATE AND RECOMMENDATIONS FOR  
NEXT STEPS  
AS REQUIRED BY THE  
NORTHEAST INDEPENDENT MARKET OPERATORS SYSTEM  
OPERATION, PLANNING AND MARKET DEVELOPMENT  
AGREEMENT**

**BACKGROUND**

The Independent Electricity Market Operator (“IMO”) for Ontario, ISO New England, Inc. (“ISO-NE”) and the New York Independent System Operator, Inc. (“NYISO”) entered into the Northeast Independent Market Operators System Operation, Planning and Market Development Agreement, dated June 11, 2002 and established the Northeast Independent Market Operators Coordinating Committee (“Coordinating Committee”) outlining a plan of coordinated system operations, system planning and market development to be undertaken by the parties.

The Agreement calls for the Coordinating Committee to present a set of joint recommendations and milestones for furthering these efforts to the Board of Directors of each party on or before May 15, 2003

This document represents the first status report of the Coordinating Committee. The first section of this report is an Executive Summary, which highlights the accomplishments already achieved as well as the major activities underway under the auspices of the Coordinating Committee. The second section of this report provides a status update and reports on the next steps for each of the ongoing, short-term and medium-term initiatives. The long-term initiatives contemplated in the Agreement will be the subject of a subsequent report to be prepared by July 2004. The listed issues track their inclusion in the subject Agreement:

**SECTION I**

**EXECUTIVE SUMMARY**

# NORTHEAST INDEPENDENT MARKET OPERATORS AGREEMENT

## MAY 2003 STATUS REPORT

### EXECUTIVE SUMMARY

#### BACKGROUND

The Independent Electricity Market Operator (“IMO”) for Ontario, ISO New England, Inc. (“ISO-NE”) and the New York Independent System Operator, Inc. (“NYISO”) entered into the Northeast Independent Market Operators System Operation, Planning and Market Development Agreement, dated June 11, 2002 and established the Northeast Independent Market Operators Coordinating Committee (“Coordinating Committee”) outlining a plan of coordinated system operations, system planning and market development to be undertaken by the parties.

Pursuant to the Agreement, the Coordinating Committee is to present a set of joint recommendations and milestones for furthering these efforts to the Board of Directors of each party on or before May 15, 2003

This Executive Summary highlights the accomplishments achieved as well as the significant next steps planned under the auspices of the Coordinating Committee. For convenience, cross references to the *Issues* identified in the subject Agreement are provided.

#### ACCOMPLISHMENTS

- Each ISO has carried out significant actions to pursue market convergence in their respective markets: (*Issue #3.1.a*)
  - These include the successful implementation of SMD 1.0 in ISO-NE in March 2003; the IMO’s Market Evolution Program initiated in August 2002 and the NYISO Board’s approval of its SMD 2.0/Real Time Scheduling System for implementation by Summer 2004.
  - Harmonization of two significant aspects of market design has been achieved with ISO-NE’s adoption of NYISO-style demand response programs and of a UCAP capacity product (also used in PJM) as part of SMD 1.0.
- The initial implementation of the NYISO’s Open Scheduling System (OSS) was achieved in April 2003 involving PJM and NYISO. (*Issues #2.1 & 4.4*)
- Comprehensive reliability-based maintenance outage scheduling procedures have been implemented throughout the NPCC region. (*Issue #2.4.a*)
- A Planning Liaison Task force has been established (including all NPCC members and PJM), and a scope of work identified, to provide enhanced coordination of interregional planning for the Northeastern United States and Canada. (*Issues #2.5 & 4.2*)

- The Coordinating Committee's re-evaluation of the desirability of a regional Day-Ahead Market has resulted in a shift in focus to the development of a Virtual Regional Dispatch proposal. Consequently, further investigation of a regional Day-Ahead Market has been put on hold at this time. (*Issues #2.1.a and 3.2*)
- The US ISOs/RTOs, joined by the IMO, made a joint filing in November 2002 in support of the major elements of FERC's SMD NOPR. (*Issue #3.3.a*)
- ISO-NE, NYISO and PJM made a joint filing in January 2003 supporting the development of central resource adequacy market for the Northeast. The IMO is participating in this process. (*Issues #3.4.a & b*)
- The Coordinating Committee successfully completed the following initiatives, thereby closing out these issues:
  - Posting of TTC/ATC for all interfaces on NPCC website. (*Issue #2.2.a*)
  - Reliability-based maintenance outage coordination. (*Issue #2.4.a*)

## NEXT STEPS

- NYISO and the IMO are working to resolve cross-border transaction scheduling issues before summer 2003. (*Issue #2.1.a*)
- Necessary tariff changes to allow sharing of confidential data among Market Monitors will be pursued for implementation in 2003. (*Issues #2.1.b & 3.5.a*)
- ISO-NE and the IMO will evaluate implementation of OSS capability within their respective regions during 2003. (*Issues #2.1.c & 4.4*)
- The IMO plans to join the NPCC reserve sharing and diversity interchange programs in 2003. (*Issues #2.3.a & 2.7.a & b*)
- Improved coordination of interregional planning is scheduled to be in place by Summer 2003. Issuance of the first Coordinated System Plan, covering the New York and New England regions, is targeted for 2004. (*Issues #2.5 & 4.2*)
- A White Paper describing the Virtual Regional Dispatch proposal is scheduled to be issued to Market Participants during the second quarter of 2003. (*Issue #2.1.a*)
- Development amongst NYISO, ISO-NE and PJM of the central resource capacity market design is on schedule in 2003, with the goal of filing tariff changes with FERC in early 2004. (*Issues #3.4.a & b*)
- Discussions are underway regarding the elimination of export charges in the Northeast in 2004. (*Issue #4.1*)
- NYISO and ISO-NE are seeking to implement similar scarcity pricing protocols in their respective markets in Summer 2003. (*Issue #3.1.a*)
- The NYISO, ISO-NE and the IMO plan to review and determine the need to comment on the FERC SMD White Paper due in April 2003. (*Issue #3.3.a*)

**SECTION II**

**STATUS REPORT  
BY ISSUE**

## **ISSUE 2.1: Coordinate Transaction Procedures**

a. **Complete and put into effect the coordination process by which schedules for cross-boundary transactions by the parties are confirmed;**

### **STATUS UPDATE**

NYISO and the IMO developed a protocol in mid-2002 to manage real-time transaction scheduling between them. Unfortunately, the transaction scheduling procedures between NYISO and the IMO continue to be problematic with a significant number of transactions failing checkout. Adjustments to the protocol for real-time transaction check-out are still an iterative process. NYISO and IMO operations staff have evaluated and re-tuned the protocols in a continuing effort to correct problems. The NYISO and the IMO are exploring options for more significant changes to the protocol.

NYISO and ISO-NE operations staff reviewed this procedure when developing the protocol for use in scheduling transactions under ISO-NE's SMD market.

### **NEXT STEPS**

In the short term, NYISO and the IMO will continue their efforts to produce a more effective protocol with the goal of correcting the existing problems by May 2003. This is the #1 priority seams issue for both organizations.

Transaction scheduling between regions which each use an LBMP approach to internally accept or reject transactions before presenting them for confirmation with the neighboring system may always be problematic. That has led NYISO, ISO-NE and the IMO to examine alternative methods for selling energy across their borders when warranted by a significant price difference. Known as Virtual Regional Dispatch, this new approach may allow separate ISOs to avoid the scheduling dilemmas that result from separate commitment processes, preserve the opportunity for buyers and sellers to engage in individual financial transactions between regions and more efficiently dispatch power between regions based on competitive bid data. . A white paper which more fully describes this proposed approach will be available this spring for initial discussions with Market Participants.

## **ISSUE 2.1: Coordinate Transaction Procedures**

**b. Develop information sharing protocols for monitoring “failed” cross-boundary transactions;**

## **ISSUE 3.5: Market Monitoring Functions**

**a. Enhance consultation and collaboration between the market monitoring units of each party and between the independent market advisors of each party.**

## **STATUS UPDATE**

All three ISOs, but particularly the IMO, have identified the need to share confidential information on market participant bidding practices to ensure effective market monitoring. NYISO staff has discussed the need for broad, uniform practices in this regard, among all ISOs with FERC’s Office of Market Oversight and Investigations (“OMOI”) Staff during January and February. NYISO staff organized a panel discussion with representatives from, ISO-NE, PJM and the IMO on this topic for the April 8-9<sup>th</sup>, 2003 meeting of the Energy Inter-market Surveillance Group (EISG), which was also attended by the OMOI Director and Staff. At this meeting, FERC acknowledged the need for Market Monitoring Units (MMUs) to have the ability to exchange confidential information. All parties present agreed to initially limit this data exchange to transactions data.

## **NEXT STEPS**

The NYISO, ISO-NE and the IMO will continue to pursue either a FERC Order to allow for exchange of confidential data among all Market Monitoring Units or individual ISO-based tariff proposals that would expressly permit such data to be shared. At the April 8-9, 2003 EISG meeting, FERC requested the ISOs to develop a specific list of information for exchange, to describe the circumstances which might initiate such an exchange request and to identify the conditions for such exchange. NYISO, ISO-NE, the IMO and PJM market monitors will prepare a proposal in response to FERC’s request for a follow—up meeting to be held in July 2003.

## **ISSUE 2.1: Coordinate Transaction Procedures**

c. **Consider the progress of on-going efforts at developing “one-stop shopping” scheduling mechanisms and augment those efforts as necessary to ensure the objective is met.**

## **ISSUE 4.4: Shared Transaction Scheduling**

**Expand scheduling technology to ensure customers wishing to transmit energy anywhere between, through or out of the multiple systems can avail themselves of “one-stop-shopping” for all necessary arrangements.**

## **STATUS UPDATE**

The ISOs are participating in the development of the Open Scheduling System (OSS) through an NPCC Working Group. The initial system, being developed under contract to the NYISO will provide a “one-stop shopping” tool enabling interregional transaction scheduling Market Trials were successfully completed in December 2002. Initial deployment, which includes the NYISO and PJM, began in April 2003. In addition, NYISO and MISO recently conducted a successful “proof of concept” integration test between OSS and the new MISO scheduling tools.

The Electronic Scheduling Collaborative (ESC) continues to define use cases and functional requirements in support of electronic scheduling tools designed to accommodate both the existing physical markets and developing SMD financial markets. In October 2002, a detailed presentation on OSS functionality was made at the joint ESC/OSC meeting. The ESC acknowledged that both the principles behind the OSS concept and the technical infrastructure built to support those principles are in line with the ESC and several other industry initiatives.

## **NEXT STEPS**

There are a number of enhancements which are under development for subsequent phases of the OSS development effort. Specific additional features include: scheduling of inter-ISO transactions and allocation of interface transfer capability; checkout of transactions, multiple ramp changes per hour; posting of ATC and TTC values.

The ISO’s will monitor the performance of the initial application and will continue to participate in the further development of the OSS. The IMO and ISO-NE will evaluate implementation of OSS capability within their respective regions during 2003.

In addition, there are efforts underway to initiate discussions with CAISO personnel to compare concepts, efforts and functionality contained within OSS.



## **ISSUE 2.2: Calculate, Coordinate and Publish Transfer Capabilities**

- a. Establish procedures to ensure that the transfer capabilities between the Control Areas in all time frames are calculated consistently, coordinated on a multi-system basis and published to all of their market participants;**

### **STATUS UPDATE**

The NPCC has developed a website which now displays TTC/ATC for all interfaces in the region, and provides market participants with a single location to view the most limiting values for each interface.

### **NEXT STEPS**

This project is complete and will be maintained by NPCC. No further action is required.

**ISSUE 2.2: Calculate, Coordinate and Publish Transfer Capabilities**

**b. Continue coordination with the NPCC/NERC initiatives to address Lake Erie loop flows. It shall also review, and adjust as necessary, established parallel path flow arrangements before the Ontario-Michigan PARs enter service.**

**STATUS UPDATE**

NPCC has received approval from FERC for a procedure which allows for the redispatch of suppliers across the regions to alleviate the potential curtailment of transactions due to TLR requests whenever a control area is in an energy short situation.

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Completion of the Ontario-Michigan PARs project is scheduled for August 30, 2003. DOE has issued International Transmission Company's (ITC) Presidential Permit containing the operating principle that flow should equal the scheduled transactions between Ontario and Michigan.

**NEXT STEPS**

Expansion of the NPCC procedure to include the development of operating procedures and billing and settlement procedures to account for the redispatch has been placed on hold pending the development of the new PJM and MISO congestion management process.

The IMO is continuing to work to achieve an interconnection agreement that will result in the phase shifters being operated to schedule.

### **ISSUE 2.3: Operating Reserves**

- a. **Develop arrangements for sharing operating reserves between their Control Areas, building on the analysis being performed by the NPCC Task Force on Coordination of Operations.**

### **ISSUE 2.7: Continue NPCC Operations Initiatives**

- a. **Consider the progress of the on-going ACE Diversity Interchange Pilot Project and augment those efforts as necessary to ensure the objective is met.**
- b. **Consider the progress of the on-going 100 MW Reserve Sharing Pilot Program and augment those efforts as necessary to ensure the objective is met.**

### **STATUS UPDATE**

The initial phase of the NPCC CO-1 Working Group reserve-sharing pilot has been implemented between NYISO and ISO-NE who are currently sharing 300 MW of 30-minute reserves between their control areas.

Another NPCC initiative takes advantage of the diversity among its control areas to reduce the burden on regulating units and is intended to enhance regulation performance. The initial implementation of this exchange arrangement was between the NYISO and ISO-NE during the summer of 2002.

The NPCC CO-1 Working Group has assessed the merits of both the ACE Diversity Interchange and Reserve Sharing Pilots that currently involve New England and New York. The IMO recognizes the value of reducing the cycling of units that are on AGC and of reducing inadvertent flows and has agreed to join. However, the IMO's ability to address the mechanisms needed to participate in the pilot is limited due to other higher priority work.

### **NEXT STEPS**

NPCC CO-1 WG is pursuing expansion of the reserve and regulation sharing with another pilot among other NPCC members and possibly, PJM. The IMO will establish a schedule to join both the ACE Diversity Interchange and the Reserve Sharing Pilots, including seeking internal authorization and stakeholder input. The IMO's implementation target is before the end of 2003.

#### **ISSUE 2.4: Coordination of Maintenance**

**a. Enhance present notification and coordination of maintenance outages of generation and transmission lines that impact the transfer capability between their control areas. Outage notification to secure reliability occurs at present with regard to a significant set of transmission and generation assets (e.g., NPCC “Critical Facilities” list). This project would increase the coordination function to minimize adverse impacts to reliability and generation adequacy.**

#### **ISSUE 3.1: Enhancements to Existing Market Features**

**d. Expand the coordinated notification of maintenance outages of generation and transmission lines that impact cross-boundary flows in order to secure market sufficiency in addition to securing reliability sufficiency.**

#### **STATUS UPDATE**

Procedures have been put into place which provide for a comprehensive reliability-based maintenance outage scheduling process with all neighboring ISOs in NPCC.

#### **NEXT STEPS**

The reliability-based portion of this initiative (Issue 2.4) has been completed. The ISO’s will continue to explore proceeding with the “economic phase.” (Issue 3.1)

## **ISSUE 2.5: Planning Cooperation**

- a. Conduct joint system impact studies and facilities studies for those projects that have inter-control area effects;**
- b. Build upon the NPCC Task Force on Coordination of Planning’s regional planning processes (e.g., resource adequacy reviews, area transmission reviews) to expand the list of uniform planning assumptions;**
- c. Seek to ensure that beneficial transmission projects are considered appropriately from the broader regional perspective, including, but not limited to, relieving “bottled generation” restrictions and prioritizing transmission constraints in need of resolution.**
- d. Consider issuing joint, region-wide, planning assessments.**

## **ISSUE 4.2: Coordinate System Planning**

**Coordinate system planning and identify opportunities for further integration of system planning by NYISO, ISO-NE and participating Canadian entities.**

## **STATUS UPDATE**

Coordinated planning currently exists in the Northeast by virtue of informal information sharing among the ISOs and control areas, participation in NERC and NPCC planning processes and analysis of interconnections between control areas. In January 2003 a Liaison Task Force was formed including all NPCC members as well as PJM and a scope of work was agreed upon which will result in substantial improvements in coordination of planning activities in the region. The initial scope of work includes better coordination of information sharing by harmonizing the timing, data bases and modeling assumptions used in planning analyses, the establishment of standard confidentiality agreements, and building upon joint planning activities already underway under the NPCC Task Force on Coordination of Planning (TFCP).

## **NEXT STEPS**

It is anticipated that the above initial activities will be implemented by the Summer 2003.

The goal for the intermediate term (Fall 2003-2004) is to develop and issue a Coordinated System Plan which builds upon the NPCC Annual Review process and will include joint assessments of projects with multiple control area impacts. It is anticipated that a joint stakeholder group may be formed to coordinate market participant input to this process. The initial focus is on issuing the first Coordinate System Plan in 2004 which will cover the New York and New England region.

Longer-term potential goals (2005-2006) include the development of a region-wide planning process for the Northeast US/Canadian region which will accommodate local state and provincial input from across the region as well as cross-border jurisdictional concerns.

## **ISSUE 2.6: Congestion Management**

- a. **Investigate the success of NYISO's Congestion Management Pilot with PJM and report on its usefulness as a congestion management tool for the NYISO/IMO Interface.**

### **STATUS UPDATE**

In June 2002 the NYISO and PJM instituted a pilot program under which each ISO would institute redispatch measures at the request of the other when a system emergency condition exists. The program, which has been implemented several times during the past year, addresses certain targeted system contingency conditions in the Western part of the PJM/NYISO systems. The pilot was successfully invoked for five events affecting 30 hours of operation in the fall of 2002 to address PJM reliability concerns. The future need for the pilot may be reduced due to transmission system reinforcements in the Western part of the PJM region.

### **NEXT STEPS**

The results of the NYISO PJM pilot will continue to be assessed by the Coordinating Committee in light of the PJM MISO Congestion Management Proposal and the Virtual Regional Dispatch concept.

### **ISSUE 3.1: Enhancements to Existing Market Features**

**The Coordinating Committee shall consider mutually beneficial enhancements to:**

- a. Establish market-based mechanisms that encourage market participation by a broad range of generation and demand response resources and promote the dispatch flexibility of such resources;**

### **STATUS UPDATES**

ISO-NE implemented SMD 1.0 markets, which include day-ahead and real-time markets and an LMP pricing system, on March 1.

The NYISO has filed with FERC for expansion of its Day-Ahead Demand response program and for Emergency Demand Response and Special Case Resources to be eligible to set price when called for.

The IMO has recently begun a collaborative process with its stakeholders for its Market Evolution Program (MEP). The MEP consists of a group of enhancements that are designed to move forward the Ontario market over 2003/2004 and in particular implement features that will address the growing issue of resource adequacy. The identified enhancements include: implementation of a day ahead market; incorporation of multi-interval optimization; various specific short term and long term initiatives to address resource adequacy; environmental information tracking, wholesale/retail market integration and locational marginal pricing. The process is currently focused on determining the feasibility of implementing the identified enhancements and making recommendations on whether and in what form the enhancement should proceed.

ISO-NE has proposed to the Commission demand response program enhancements through a coordinated process involving FERC and the New England Demand Response Initiative (NEDRI). Events to increase customer and Enrolling Participant awareness of ISO-NE's enhanced demand response programs are being held through out the region. A Demand Response Working Group (DRWG) consisting of a variety of demand response stakeholders has been convened to address program implementation issues. ISO-NE has proposed that the DRWG be incorporated as a working group within the NEPOOL Markets Committee.



## **NEXT STEPS**

The NYISO is in the process of implementing a complete replacement for its Hour-Ahead and Real-Time markets, including many enhanced features. The NY SMD 2.0 builds upon the ISO-NE SMD 1.0 and incorporates a number of best practice improvements from the New York markets. The Real Time Scheduling (RTS) time frame will extend from 5 minutes to 2-1/2 hours in the future. While commitment and decommitment decisions will be made every 15 minutes by the real-time commitment (RTC) process, decisions to adjust the output of internal energy suppliers are made every 5 minutes by the real-time dispatch (RTD) process, as is the calculation of energy and ancillary services prices. The SMD2.0/RTS is scheduled for implementation by the Summer of 2004.

ISO-NE and NYISO are proposing similar scarcity pricing initiatives intended for operation by Summer 2003. These initiatives are intended to assure that the market price appropriately reflects the supply/demand balance in times of high demand.

The New York ISO, ISO-NE and the IMO will individually report within their respective participant/stakeholder forums on the activities being advocated/monitored/coordinated under the NIMOCC agreement.

ISO-NE is in the process of developing its Day-Ahead Demand Response Program, improving its Internet-Based Communication System infrastructure, developing performance-based standards for determining load curtailment quantities, and modifying processes to address customer registration, operational, and settlement issues related to demand response program implementation.

### **ISSUE 3.1: Enhancements to Existing Market Features**

- b. Solve commitment anomalies for energy limited resources;**

#### **STATUS UPDATES**

Under SMD 1.0, ISO-NE provides for energy limited resources (ELRs) to indicate energy capacity that is available to be scheduled throughout the day.

#### **NEXT STEPS**

The NYISO plans to add the ability for ELRs to explicitly indicate energy capacity and for the scheduling software to optimally schedule such resources as a further enhancement to its initial SMD 2.0 deployment in 2004.

### **ISSUE 3.1: Enhancements to Existing Market Features**

- c. Promote greater alignment between the IMO's Financial Transmission Rights and NE/NY's Transmission Congestion Contracts; and**

#### **STATUS UPDATES**

There has been no activity to date on this issue.

#### **NEXT STEPS**

The NYISO, ISO-NE, and the IMO will consider the evaluation of congestion hedging instruments for inter-control area market interfaces as part of the Virtual Regional Dispatch effort. (See Issue 2.1.a Above)

The ISOs will evaluate the results of the PJM upcoming implementation of internal flowgate options for possible inclusion in our markets.

### **ISSUE 3.1: Enhancements to Existing Market Features**

- e. Develop Inter-Control Area Ramp Management techniques to facilitate cross-boundary trading and reduce transaction curtailments.**

#### **STATUS UPDATES**

There has been no activity to date on this issue.

#### **NEXT STEPS**

The NYISO plans to implement the ability to incorporate individual Control Area ramp limits in its SMD 2.0 system scheduled for Summer 2004.

The NYISO, ISO-NE, and the IMO will sponsor an exploratory dialog at NPCC TFCO.

## **ISSUE 3.2: Day-Ahead Market**

**The Coordinating Committee shall consider mutually beneficial market enhancements to:**

**a. Form a single Day-Ahead Market or compatible Day-Ahead Markets that will increase efficiency of the Day-Ahead Markets for the New York, New England and Ontario jurisdictions and enable market participants to engage in seamless Day-Ahead transactions between these jurisdictions and their neighboring markets.**

## **STATUS UPDATE**

The Coordinating Committee appointed a Working Group to investigate the options for a Day-Ahead Market for the Northeast. The Working Group conducted a review of the Regional DAM Study conducted in 2001 by LECG and KEMA Consulting. This review confirmed the recommendations of that study that a single DAM with separate RT markets is likely to create gaming and possibly reliability problems and that the use of a hierarchical model is impractical at this time. It was agreed that in the short-term sequential DAMs with cascading communications is the best option absent development of a single DAM for the region. In the longer term a “pipeline” approach to a single DAM may have some advantages—but would require further study. The WG also expressed concern over the uncertainty of the benefits versus the cost of implementing interim temporary measures.

Under its Market Evolution Program, the IMO is investigating the implementation of a day ahead market. Compatibility with neighboring jurisdictions (and SMD) is a key consideration in the feasibility studies underway.

## **NEXT STEPS**

Following extensive discussion of the potential benefits of implementing an inter-regional redispatch mechanism in the Real Time markets, it is the recommendation of the Coordinating Committee to defer any further efforts regarding a regional DAM for the present. It is believed that price convergence in the Real Time Market may provide sufficient incentives for the market participants to hedge transactions in the DAM as well. This DAM issue should be re-visited following the implementation and evaluation of Virtual Regional Dispatch and the implementation of a DAM by the IMO.

### **ISSUE 3.3: FERC Standard Market Design**

**The Coordinating Committee shall consider mutually beneficial market enhancements to:**

**a. Evaluate FERC's Standard Market Design (SMD) concepts, as adapted to meet the requirements of New York and New England and, as appropriate, pursue alignment of the IMO practices to the SMD requirements and of the SMD practices to the IMO's requirements in order to provide market participants with seamlessly integrated services between Ontario, New England and New York.**

### **STATUS UPDATE**

In November 2002, the NYISO, ISO-NE, and the IMO together with the other ISOs and RTOs in the U.S. made a joint filing in support of the major elements of the SMD NOPR. Specifically, the filing endorses FERC's proposals to: (1) provide an SMD for wholesale electric markets; (2) utilize a single transmission service called Network Access Service; (3) permit continued use of license plate rates; (4) adopt a single tariff to integrate transmission and market issues; (5) recognize the independence of the ITP; and (6) acknowledge new security requirements. The joint filing supported these FERC initiatives while recognizing that issues of Canadian sovereignty must be observed.

In January 2003, ISO-NE, the NYISO and PJM submitted a joint filing to FERC commenting on regional plans to develop a central resource adequacy market for the Northeast. In Aug 2002 the IMO began its Market Evolution Plan consultation: a collaborative effort to investigate ongoing enhancements to its existing wholesale markets. Rational alignment with neighboring markets is a stated principle of the Plan. In March 2003, ISO-NE opened its new wholesale markets including LMP pricing, a day-ahead and real-time markets and a UCAP market based on the New York capacity market, thus moving its markets closer to its neighbors and to FERC's SMD proposal. The NYISO has just begun a major effort to replace its existing Real-Time market system, which will also provide numerous improvements to its markets.

### **NEXT STEPS**

The ISOs plan to review and likely comment on the FERC "White Paper" which is due in April. They will also assess the impacts of the final SMD rulemaking, which is expected later in the year. In the meantime, the IMO plans to complete phase 1 of its Market Evolution Program by Fall 2003. The NYISO plans to implement its new real-time markets by the Summer of 2004. ISO-NE continues to assess the impact of its new market design and is developing a plan for further market enhancements consistent with the FERC's SMD proposal.

### **ISSUE 3.4: Adequacy Assurance**

**The Coordinating Committee shall consider mutually beneficial market enhancements to:**

- a. Ensure that adequate resources remain available to meet customer demand in all timeframes in a manner that is compatible with procedures that are employed in adjoining jurisdictions.**
- b. Coordinate this effort with the work of the Joint Capacity Adequacy Group and its “General Principles for Installed Capacity.”**

### **STATUS UPDATE**

During 2002, the Resource Adequacy Markets Group (RAM Group), formerly known as the Joint Capacity Adequacy Group (JCAG) developed a framework for a central resource market design for the Northeast Region. The RAM Group was formed by ISO-NE, the NYISO and PJM in late 2001 with the objective of harmonizing the existing ICAP markets in the Northeast United States. The IMO has been participating in these efforts, although the IMO is still evaluating the feasibility of such a resource adequacy requirement for Ontario

### **NEXT STEPS**

In a joint filing in January, the NYISO, ISO-NE, and PJM indicated that the RAM Group’s activity during 2003 would focus on the development of the design details for a forward central resource capacity market for the Northeast. As the central part of this effort an RFP has been issued for a consultant to evaluate various market designs versus the RAM objectives and to evaluate potential gaming and market power concerns associated with each design. As a parallel effort, other related capacity market issues will be addressed by several working groups consisting of ISO and stakeholder representatives. The goal is to finalize the market design by fall, and for each ISO to work with its stakeholders to develop tariff proposals to file with FERC in early 2004. It is anticipated that the first forward central capacity market auctions could be held by Summer 2004. The IMO will continue to participate in the RAM Group.

## **ISSUE 4.1 Elimination of Export Charges**

**Eliminate “border charges” for exports from U.S. or Canadian suppliers in order to facilitate improved competition over a larger region.**

### **STATUS UPDATE**

The Coordinating Committee held preliminary discussions regarding the desirability of eliminating the export charges on transactions between regions. The ISOs agree in principle that this should be accomplished as expeditiously as possible and have agreed to work towards that end. The NYISO and the NYSPSC have independently requested that FERC hold a technical conference on this issue for the Northeast Region. FERC has indicated its receptiveness to do so, following a resolution of this issue for MISO-/PJM.

### **NEXT STEPS**

The NYISO, ISO-NE and the IMO will continue to pursue the elimination of these border charges initially with their respective TOs and local regulatory agencies during the first half of 2003. The ISOs will keep each other apprised of their activities in their respective regions and endeavor to bring together the parties to develop reciprocal agreements at each interface. A FERC decision on the PJM/MISO case is expected to be issued in the Spring/Summer period. Other stakeholders will be brought into the discussions and the need for a FERC technical conference will be determined. ISO-NE will be making a filing for an RTO in New England in 2003. This filing will include a process for the elimination of border charges. The goal is to take the necessary action to begin the elimination of border charges for the Northeast Region in 2004.



### **ISSUE 4.3: Institute Shared Market Monitoring Activity**

**Utilize a 4/21/2003 common set of rules and sanctions for each party's market monitor function (even if different jurisdictions enforce sanctions).**

#### **STATUS UPDATE**

There has been no activity on this issue to date.

#### **NEXT STEPS**

The NYISO, ISO-NE and the IMO will review this potential initiative following the completion of Issues 2.1 & 3.5.

**4/23/03**