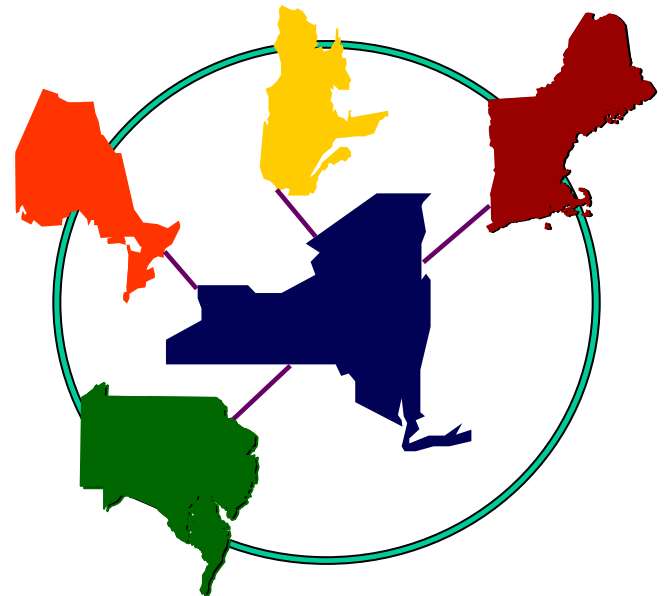


Northeast Seams Report

Update on Northeast Seams Issues

December 2004

Business Issues Committee Meeting





Status of Seams Projects

Current Deliverables

Project	Due Date	Status
1. Real-Time Scheduling (RTS)	<ul style="list-style-type: none">February 1, 2005	<ul style="list-style-type: none">NYISO – The SMD2 deployment date was changed from Dec. 1 to Feb. 1 to accommodate Market Participant year-end audit compliance concerns.A total of seven Market Trials have been completed. A 10-day parallel operation exercise is scheduled to begin on Dec. 1.NYISO readiness plans are structured to support a Dec. 1 ready-to-go-live date. The “ready-to-go-live” plan includes NYISO departmental signoff, assessments by LECG and the Independent Market Advisor, and consultation with NY Market Participants.

Note: The complete list and description of seams issues is posted on the NYISO website and updated each quarter for FERC. This presentation is only a summary of recent activities and near term deliverables.



Status of Seams Projects

Current Deliverables (cont'd)

Project	Due Date	Status
<p>2. Elimination of Rate Pancaking</p>	<ul style="list-style-type: none"> December 2004 	<ul style="list-style-type: none"> PJM, NYISO and ISO-NE – NYISO filed tariff modifications with FERC on June 21, 2004 for the elimination of export fees on transactions to New England, subject to reciprocity, on the same date that FERC approves equivalent tariff provisions for New England eliminating export fees to New York. On September 30, 2004, NEPOOL filed tariff changes with FERC to eliminate export charges to New York with an effective date of December 1, 2004. FERC issued an order on November 3, 2004 approving the elimination of export charges between New York and New England effective December 1, 2004. PJM and MISO are participating in the PJM-MISO regional through and out rate elimination Proceeding EL-02-111. The meetings have failed to reach settlement on a single rate design proposal. Stakeholder meetings on the proposals have been held on July 12, August 12, and September 13, 2004. On October 1, two separate proposals were filed with FERC. On November 18, 2004, FERC issued an Order approving a pricing structure which eliminates rate pancaking on transactions between PJM and MISO effective on December 1, 2004. The order conditionally accepts a license plate rate design for both regions until January 31, 2008, and adopts the “SECA” charge to mitigate cost shifting through March 31, 2006.

Note: The complete list and description of seams issues is posted on the NYISO website and updated each quarter for FERC. This presentation is only a summary of recent activities and near term deliverables.



Other Seams Related Activity

Recent Initiatives

Issue	Activity Description
<p>1. Intra-Hour Transaction Scheduling</p>	<ul style="list-style-type: none"> ▪ While the NYISO and ISO-NE have documented a technical definition of a virtual regional dispatch (VRD) process previously, more recent discussions reveal a need to consider, on a priority basis, market participant based solutions as an alternative or adjunct. VRD will remain a potential solution and may, in fact, become part of a hybrid solution. We are proceeding with further stakeholder meetings to finalize the technical details and to work towards joint stakeholder acceptance of a proposal. ▪ Develop and implement a VRD Pilot Test Program (pilot program) as soon as practicable with a target date of the fourth quarter of 2004. On September 1, 2004, the NYISO Management Committee approved tariff changes required to settle pilot program transactions. The tariff changes were filed with FERC on September 30, 2004. On November 3, 2004, FERC ordered that ISO-NE submit a compliance filing for the Pilot Test Program by December 1, 2004 as part of their conditional acceptance of ISO-NE's RTO filing. ▪ Following a review of the pilot program results, and assessment of Market Participant based proposals for improving the efficiency of the NYISO/ISO-NE interface, further phases of this work will be developed.
<p>2. Regional Resource Adequacy (RAM)</p>	<ul style="list-style-type: none"> ▪ NYISO - The NYISO has submitted a hybrid proposal to its stakeholders for consideration which incorporates a voluntary forward capacity market for LSEs and marketers to procure future resource requirements and to send forward price signals. The NYISO plans to further develop this proposal with its stakeholders during the first half of 2005 and will coordinate with PJM and ISO-NE efforts in their respective regions.

Note: The complete list and description of seams issues is posted on the NYISO website and updated each quarter for FERC. This presentation is only a summary of recent activities and near term deliverables.



Other Seams Related Activity

Recent Initiatives (continued)

Issue	Activity Description
<p>3. Cross-Border Controllable Line Scheduling</p>	<ul style="list-style-type: none"> ▪ NYISO and ISO-NE - The end state project (A-619) will provide an external proxy bus representation for controllable tie lines (HVDC and/or PAR) which span two control areas. The project addresses both the external node pricing calculations as well as scheduling of primary and secondary party transactions. ▪ This project includes additional changes necessary for NY-NE coordination for the Cross Sound Cable (CSC) project. ▪ NYISO, ISO-NE and NUSCO are discussing the application of the generic controllable line software to the 1385 line with LIPA.
<p>4. E-Tagging Integration</p>	<ul style="list-style-type: none"> ▪ NYISO – Has implemented automated tools to improve communication and updates of NYISO transaction bids and schedules with the E-Tag system. ▪ Automation provides direct benefits to other control areas, such as PJM, that are linking their systems to the E-Tag system for transaction scheduling inputs. ▪ Allows automated response on incoming E-Tag requests and automated updates for bid / schedule changes to the E-tag system resulting from the hour-ahead evaluation, checkout and curtailments. ▪ Phase I development (operations automation) is complete and was deployed on April 25, 2004. ▪ Details of current efforts can be found in October 8 presentation to S&PWG. ▪ Phase II will provide enhanced tools for Market Participants to compare NYISO bids and E-Tag profiles, and also more automated integration of this data. Delivery is anticipated in 2nd Quarter of 2005.

Note: The complete list and description of seams issues is posted on the NYISO website and updated each quarter for FERC. This presentation is only a summary of recent activities and near term deliverables.



Other Seams Related Activity

Recent Initiatives (continued)

Issue	Activity Description
<p>5. Facilitated Transaction Checkout (FTC)</p>	<ul style="list-style-type: none"> ▪ NYISO, ISO-NE, PJM, IMO, HQ & MISO – NYISO and ISO-NE have implemented the facilitated checkout service, allowing other control areas to programmatically obtain transaction data to assist with the checkout process. ▪ ISO-NE has implemented an operator checkout display to retrieve data via the checkout service from neighboring control areas. Currently in production use with NYISO checkout service. ▪ NYISO has developed an operator checkout display to retrieve data via the checkout service from neighboring control areas. Scheduling deployment in early 2005 following SMD2 implementation. ▪ IMO implemented the checkout service and control room integration in November 2004. ▪ HQ is targeting a Summer 2005 implementation of the checkout service and operator checkout displays. ▪ NPCC sub-committee (FTCWG - Facilitated Transaction Checkout Working Group) meetings continue to checkpoint status and collaborate on implementation details. ▪ A joint (NPCC member) FTC presentation was made to FERC senior staff on November 17, 2004.

Note: The complete list and description of seams issues is posted on the NYISO website and updated each quarter for FERC. This presentation is only a summary of recent activities and near term deliverables.



Other Seams Related Activity

Recent Initiatives (continued)

Issue	Activity Description
6. ISO-NE Phase II HVDC Evaluation	<ul style="list-style-type: none">▪ ISO-NE, NYISO, PJM and HQ – This is a joint project lead by ISO-NE and HQ TransÉnergie to update the methodology and procedures for scheduling of the Phase II HVDC interconnection between New England and Quebec.▪ Initial efforts were focused on use of the IDC as a possible tool to forecast availability of Phase II above the 1200 MW limit, however the parties have concluded that the IDC in it's current form would not be suitable.▪ ISO-NE is continuing to evaluate current data available from NY and PJM for forecasting availability of Phase II.▪ PJM and NYISO staffs have been participating in monthly conference call meetings and continue to support this effort.

Note: The complete list and description of seams issues is posted on the NYISO website and updated each quarter for FERC. This presentation is only a summary of recent activities and near term deliverables.



Issues Pending Further Discussion

Issue	Activity Description
1. External Reserve Supply from NY to ISO-NE	<ul style="list-style-type: none"> A desire has been expressed by market participants to sell reserves into the New England reserve markets from suppliers located in New York. MPs suggest protocols be developed to allow reserves to be sold across the border coincident with the implementation of the Forward Reserves Market in ISO-NE.
2. NY MS-7040 Transfer Study	<ul style="list-style-type: none"> NY study on the impact of MS-7040 transfers above the current 1500 MW limit is complete and recommended no change in the current limit but did recommend developing a process to assess available margins to support HAM scheduling above current MW limits.
3. Congestion Rent Shortfalls Resulting From External Transmission Outages	<ul style="list-style-type: none"> In the TCC auctions that it conducts, the NYISO permits bidders for TCCs to specify external proxy generator buses as the injection or withdrawal locations. Transmission outages or deratings occurring outside of the NYCA that are not anticipated at the time of a TCC auction can force the NYISO to reduce the assumed transfer capability between the NYCA and the adjacent control area. If the resulting set of TCCs are rendered infeasible, the NYISO will incur congestion rent shortfalls in the day-ahead market. There is currently no way to assign the cost impact (due to the congestion rent shortfall) of that outage to the responsible external transmission owner. In addition, transmission outages or deratings that cause reductions in transfer capability between regions may have an impact on ICAP sales between regions.

Note: The complete list and description of seams issues is posted on the NYISO website and updated each quarter for FERC. This presentation is only a summary of recent activities and near term deliverables.



Other Issues

- ✓ NYISO, ISO-NE and PJM will schedule a joint stakeholder Intermarket Coordination Group meeting in January to address potential seams projects in preparation for the quarterly FERC report.

Note: The complete list and description of seams issues is posted on the NYISO website and updated each quarter for FERC. This presentation is only a summary of recent activities and near term deliverables.