

Draft-for discussion purposes only

Enhanced Price Validation

Energy Markets Product Management

Billing and Price Correction Task Force
June 6, 2006

Presentation Outline

- ◆ Background
- ◆ Discovery Phase
 - *Purpose*
 - *Approach*
 - *Outputs*
 - Long-Term Vision
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 - High-Level Schedule and Estimated Cost
- ◆ Current Status and Next Steps

Background

- ◆ The NYISO is in the process of transitioning price validation processes to internal staff
 - *Realize cost savings from existing PV services contracts*
 - *Establish knowledge base for core competency*
- ◆ Rule changes are underway that will impact price validation processes
 - *Tighter targets for price reservations and corrections*
 - *Requirements for additional transparency*
- ◆ Changes will require enhanced price validation
 - *Manpower and expanded coverage (potentially 24x7)*
 - *Improved tools and system functionality*

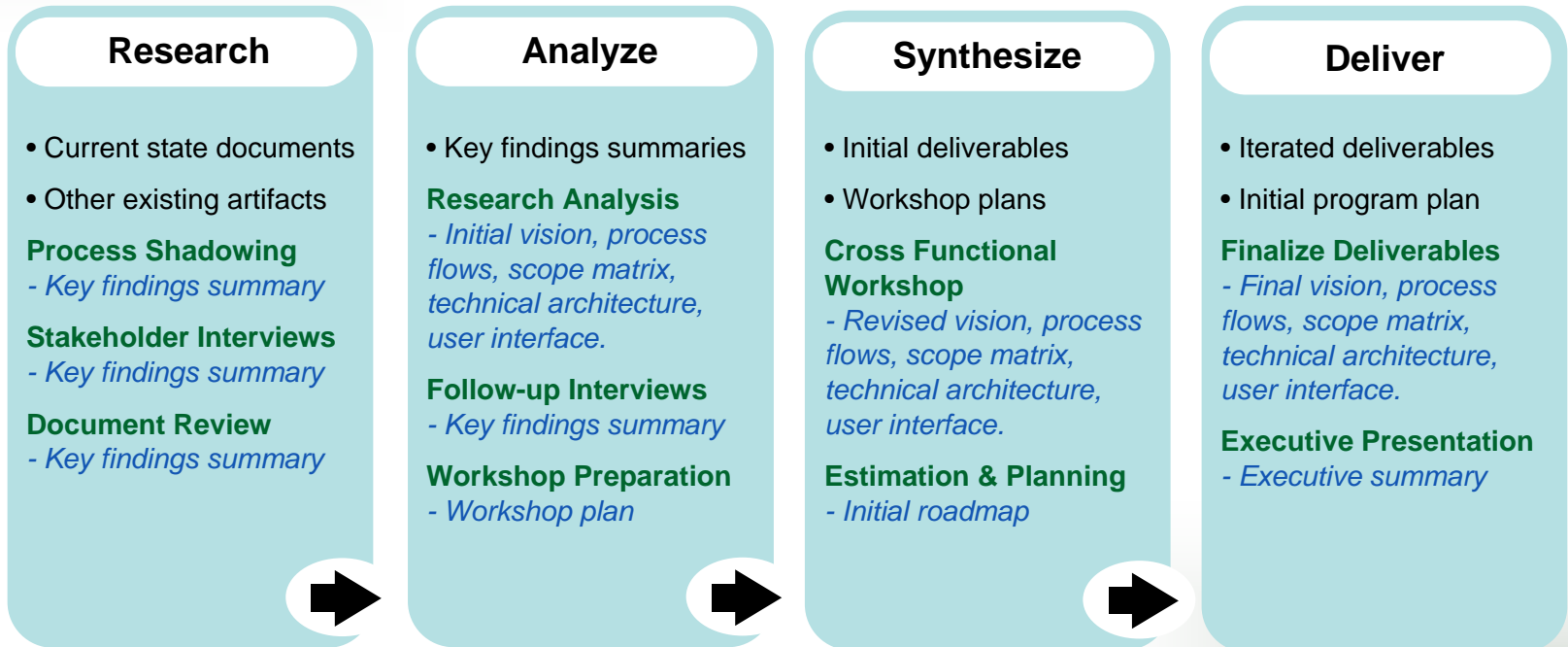
Background (continued)

- ◆ In order to understand how to take advantage of these opportunities most effectively, the NYISO initiated a ***Six-week Concept Development / Discovery Process***
 - *Cross-functional team to analyze changes*
 - *Define, prioritize, and estimate emerging requirements*

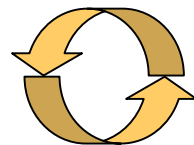
Discovery Phase - Purpose

- ◆ The primary purpose of the concept development / discovery phase was to understand, and prioritize stakeholder needs in order to answer the following questions:
 1. *“What enterprise class tools are required to support price validation processes at NYISO as they are transitioned from LECG?”*
 2. *“Which initiatives will drive maximum improvement on one or more of our core Price Validation performance metrics?”*
 - E.g. Reduction in reservation and correction cycle times
 3. *“What would it take to incorporate real-time, 24x7 monitoring of prices into our Price Validation process?”*

Discovery Phase – Approach



Legend
• Input doc that feeds activity
Activity
- Deliverable resulting from activity



Iteration 1 (0-20%)



Iteration 2 (20-80%)



Iteration 3 (80-99%)

Long Term Vision

- ◆ The NYISO Price Validation team will have:
 - *Real-time access to all of the data necessary to perform the price validation business processes*
 - *An enhanced set of tools, fully supported by NYISO IT, that will automate the science of price validation*
- ◆ The enhanced data access and tools will enable:
 - *Real-time (24x7) monitoring of energy market prices – which will reduce the duration and severity of price anomalies, resulting in fewer reservations and corrections*
 - *Near real-time (24x7) price reservations – which will drive market certainty*
 - *Facilitated price corrections – which will improve price accuracy while still occurring in as timely a manner as prudent*

Delivery Roadmap

- ◆ Multi-year project with phased delivery of incremental functionality to support the price validation process
 - **Phase 1:** *Price Validation Information Management and Increased Transparency*
 - **Phase 2:** *Facilitate Reservation and Correction Analysis*
 - **Phase 3:** *Real-time Monitoring of Prices*

Deliverables – Phase 1

- ◆ Integrated tools to manage lists of suspect, reserved, and corrected prices
 - *Captures reservation and correction meta-data*
- ◆ Customizable, automated reports to track price validation performance metrics and analyze historical trends
- ◆ New, automated reports to provide Market Participants with additional transparency into price reservation and correction process
 - *Available through NYISO.com and/or NYISO DSS*

Deliverables – Phase 2

- ◆ Integrated data analysis tools to facilitate the review and investigation of market prices
 - *Rapid access to price determinant data from multiple NYISO systems*
- ◆ Automated rules engine to identify suspect prices
 - *Accelerates the review process by automatically identifying suspect prices using pre-defined detection rules*

Deliverables – Phase 3

- ◆ Capability to monitor market prices in real-time
- ◆ Enable real-time detection of price anomalies using the automated rules engine
- ◆ Real-time investigative tools to support near real-time reservation analysis and expedited correction analysis
- ◆ Real-time notification and alerting capability
 - *Notify a price validation analyst (via e-mail, pager, etc.) in response to an alarm from the price monitoring engine*

Benefits

- ◆ Automated reports describing reservations & corrections
 - *Increased transparency*
- ◆ Ability to perform investigation and provide reservation and correction information faster
 - *Increased price certainty*
- ◆ Reduction in unnecessary price reservations
 - *Increased price certainty*
- ◆ Earlier identification of market anomalies
 - *Reduced exposure to incorrect market outcomes*
 - *Improved price accuracy*
- ◆ Improved consistency through standardization of business processes and maturity of IT tools
 - *Increased confidence in market prices*

Benefits (continued)

An efficient, competitive, and nondiscriminatory wholesale market for electricity



Increased energy market competition



Increased energy market participation



Increased confidence in the NYISO energy markets



Greater certainty of energy market prices



Greater accuracy, timeliness, and transparency of energy market prices



Greater consistency and repeatability

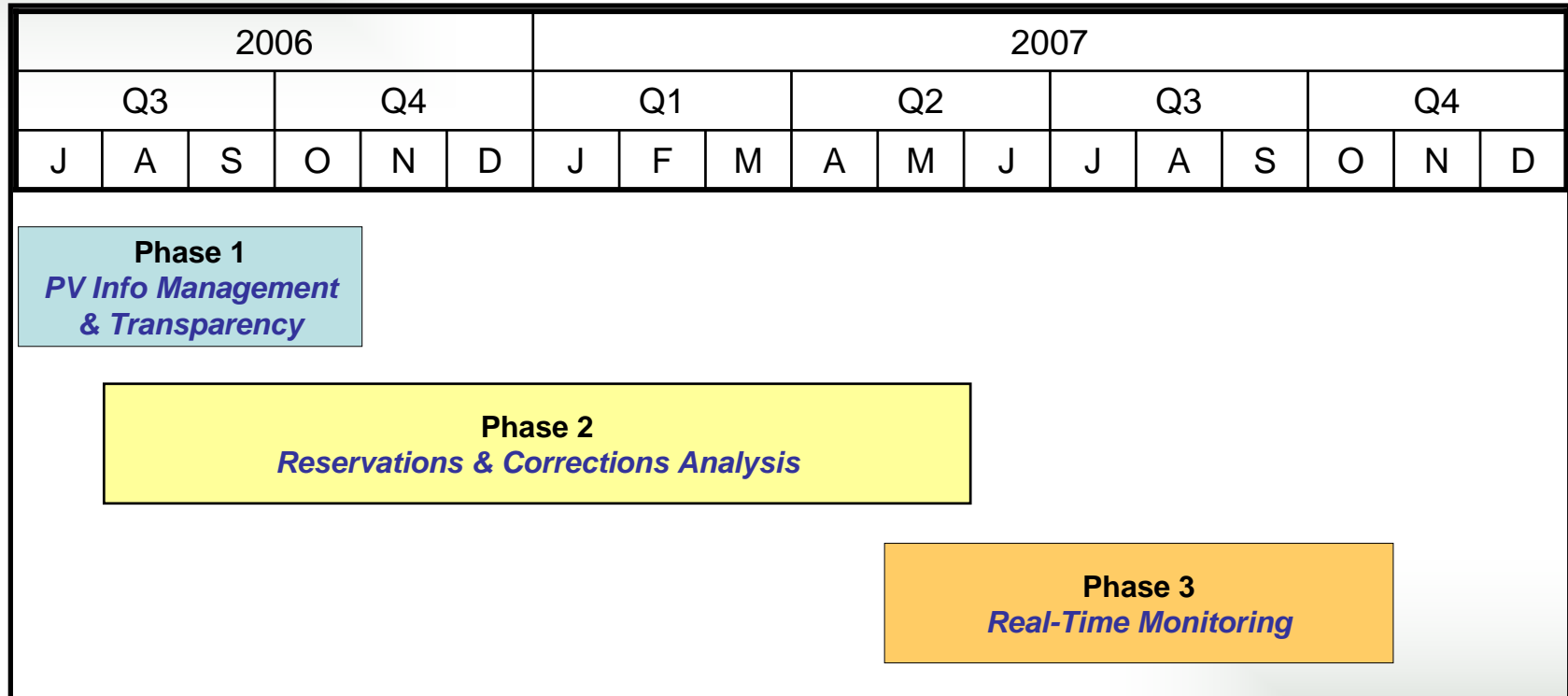


Greater standardization of business processes and maturity of IT tools



Enhanced Price Validation Program

High-Level Schedule



- ◆ Note: Exact deployment timelines to be determined in accordance with Sarbanes-Oxley and release management constraints.

Estimated Costs

- ◆ 2006 Cost Estimate: \$2.03M
 - *NYISO: \$0.5M*
 - *Consultancy: \$1.28M*
 - *Capital: \$0.25M*

- ◆ 2007 Costs (Preliminary Estimate): \$2.6M
 - *NYISO: \$0.74M*
 - *Consultancy: \$1.26M*
 - *Capital: \$0.6M*

Current Status and Next Steps

- ◆ Project “Kickoff” conducted at PPT on 5/26/06
 - *High priority initiative*
- ◆ Evaluating proposals from implementation consulting partners with a track record of past success at NYISO
 - *RFP was distributed mid-May*
 - *Targeting partner selection by mid-June*
- ◆ Phase 1 expected to begin in early July
- ◆ Project status planned for S&PWG and BPCTF