



Public Power and Environmental Sector

Public Power Authorities Issues Presentation

Joint Bi-annual Meeting of NYISO Board of Directors
and Management Committee

April 17, 2001

Public Power Authorities Presentation Topics

- Feedback to the Board on:
 - CSC Project Phase I TCC award
 - Long Island Locational Capacity Requirement
- Other issues
 - Audit Review Committee
 - Local Reliability Rule charges

CSC Project-Phase I

Status

- Briefed Board on Project last April
- Began working with ISO staff on TCC award for Phase I in August 2000
 - in anticipation of planned 12/00 completion date
- Phase I declared commercial 4/2/01
- Operating Committee Approved an increase in the Central East limit on April 11, 2001
- Limits Effective in DAM April 13, 2001

CSC Project Phase I

Lessons Learned

- TCC Software and methodology appear to be inadequate
 - Control technology modeling ability limited
- TCC and ICAP auctions resulted in long periods of inactivity
 - Insufficient ISO staff resources
- Results were uncertain and in a state of flux until the last possible moment
 - Delays in limit approval resulted in lost benefits to NY consumers and lost revenues to NYPA
- Still Awaiting TCC award which is imminent

CSC Project Phase I

What is needed to encourage future investment in transmission?

- Permanent TCC award procedures are essential
 - Temporary procedures have been extended twice
 - Process to develop permanent procedures appears to be lagging
 - Uncertainty is discouraging investment
- Procedures must recognize that near-term transmission reinforcement projects are likely to be non-traditional
 - TCC transmission incentive encourages small projects

Long Island Locational ICAP Requirements

- The ISO must be more accountable for its actions
 - Market participants pay the price for errors-not the ISO
 - market participants must be provided with adequate documentation to allow for independent critique
 - market participants have a vested interest in complete and accurate studies
 - The rationale for methodological changes must be explained

Long Island Locational ICAP Requirements

- Increase in effective on-island locational ICAP requirements between the 2000 and 2001 study was masked by a methodological change by ISO staff.
 - Change was not highlighted and the ISO staff report contained little detail
 - Significant impact on Long Island LSE's
 - Special OC and MC meetings would have been avoided by better communication of methodology, data assumptions and results.

Market Participant Audit Advisory Subcommittee

- ISO informed the subcommittee at a March meeting that NYISO internal audits will not be available for committee review.
 - Raises two fundamental concerns:
 - Process
 - ISO decision should have been raised at the Management Committee level where the subcommittee charter was approved
 - Principal
 - Is Board review adequate?
 - Data issues related to locational requirement studies suggest there is benefit to market participant review

Local Reliability Rule Charges

- NYC LSE's have seen large increases in charges related to Local Reliability Rules(LRR) with virtually no documentation
- We urge the ISO to be aggressive in applying existing price mitigation authority in the HAM
 - LRR Uplift costs cannot be hedged by the load
 - No circuit breaker in HAM

