

Response to Joe Kirkpatrick message to the NYISO TIE List dated 12/7/03

December 8, 2003

Joe,

Regarding your concern that the VRD concept is incompatible with the Reserve Demand Curve, you have identified an area that has the potential to cause problems if not addressed properly. We also recognized this and we believe that the current plan for implementation of VRD will not interfere with or cause any confusion as to the amount or type of reserve available in either market. We have not yet laid out all of the design characteristics but the rules have been established and are clear with regard to VRD energy exchange and reserve capacity.

First let's clear up the issue of "capacity backed" interchange. New York currently schedules hourly transactions as non-recallable (capacity backed) transactions whenever we expect no reserve deficiencies during the hour (99 and 44/100ths of the time). If we should lose a facility or have an import transaction cut that results in a temporary reserve deficiency we will take actions such as turning on a GT and backing down a steam unit to replace the lost capacity rather than recall a scheduled transaction. Only in a circumstance when there is no way to replace the reserve in a short time frame (such as occurs during a regional shortage condition) would we put a transaction in jeopardy of being cut to replace reserve. In such a case we will inform the neighboring CA that the specific transaction is being supported out of our reserve and will be cut if we should suffer a loss of equipment. The neighbor can then decide if they want to continue the transaction or have us cut it and replace that energy with their own internal supply. In short unless the NYISO has specifically identified a transaction as being recallable all transactions are non- recallable and they are considered to be so by the software that maintains an accurate assessment of available reserve capacity.

Secondly, New York and New England have determined that we will not sell VRD energy out of reserve capacity. That is, we will always retain our individual reserve energy requirements on our respective system and will not increase a VRD export or take any other VRD related action (regardless of price differential) if it were to cause a reserve shortage.

Third, the ISO's recognize the importance of this issue and will establish within the VRD operating protocol between control centers the means to retain proper levels of reserve and to avoid any confusion as to the actual operating condition of either Control Area.

Good points Joe, maintaining their respective reserve requirements was an early area of concern to our respective Operating Departments and VRD will change nothing in terms of their ability to maintain a secure operating environment.

Bob Thompson
NYISO