

NYSEG/RG&E Comments on Economic Planning Alternatives

NYSEG/RG&E favors a "go slow" approach to planning for economic purposes, preferring to let the marketplace decide questions regarding economics. We are very concerned that an aggressive approach by the ISO would tend to undo the very market mechanisms and pricing signals that have been created to encourage generation to locate in the most beneficial areas. The excellent work that has been done to both understand and characterize congestion makes it clear that, despite what has been reported in the trade press, there is not a lot of money on the table using the definitions of congestion that have been accepted by the OC.

We also note that there is no FERC requirement that the NYISO incorporate economics into its planning purview. There is no outstanding order from FERC to this effect, and Order 2000, to the extent that some read it as requiring an economic planning process, is voluntary. We also believe that the NYISO's recent comments to FERC were a commitment to consider the subject, and not that the NYISO would definitely create an economic planning process.

Our preference is to not pursue an economic planning process. But if the market participants and the NYISO believe it is necessary, we would favor some combination of the "Information Approach" and "Market-based Mechanisms" going forward. Providing information to the marketplace is relatively neutral, although forecasting future congestion has the potential to create some problems, and we are lukewarm on the idea. We cannot think of any other organized commodity market administrator (outside of electricity) that officially forecasts the future prices of the products in its markets. However, with enough caveats, this is probably acceptable.

Examining various market enhancements appears to be a worthwhile endeavor. We would be amenable to discussing alternative methods for providing capacity value for transmission expansion in addition to expansion TCCs. We have, for some time, expressed dismay at the prospect in which a party could totally relieve a transmission constraint and remove all associated congestion, yet the TCCs that party receives are absolutely worthless. This just doesn't seem right in the large scheme of things. There is also merit in looking at some of the other ideas about TCCs.

We are not in favor of pursuing either the PJM approach or developing Bill Hogan's ideas further, as each would require the development of a detailed cost/benefit test.