

NYISO Electric System Planning Working Group Meeting

September 15, 2004
NYISO Washington Ave – Albany, NY

Draft Minutes

Of the twenty-third meeting of the New York Independent System Operator Electric System Planning Working Group held September 15, 2004 at NYISO in Albany, NY.

Welcome and Introductions

Mr. Bill Palazzo, Chair of the Electric System Planning Working Group welcomed the ESPWG members to the meeting and stated the agenda.

Review of Notes of July 15th Meeting

The ESPWG Meeting minutes from the August 11th meeting were approved and will be posted to the NYISO website.

Comprehensive Reliability Planning Process

- **Procedures/timeline**

Steve Corey reviewed the NYISO Comprehensive Reliability Planning Process proposed timeline.

The group discussed the process for integrating ongoing studies in the event they overlapped. Under these circumstances, a team would most likely be devoted to finalize the existing study while another team would work on the following study cycle. Mr. Mike Mager requested that a firm policy be established to avoid backtracking in the event there are substantive changes in the first study.

There was a question of whether more time could be allowed for the first study and Mr. Buechler replied that we might be able to review the timing requirements following the first year. Mr. Corey added that that deviating from the calendar year cycle would be problematic due to annual cycle of input data collections and coordination with NERC and NPCC requirements..

Mr. Bob Reed asked if the coordination of data collection is consistent with the other ISO's. Mr. Corey said yes, the timelines are lined up between the other ISOs.

Mr. Palazzo asked if it would be feasible to have one month between MC approval and Board approval because of potential timing issues between the meetings. Mr. Buechler said hopefully this could be done within two months. Mr. Buechler asked the PSC staff to review whether their

process for screening alternatives for regulated backstops can be completed within months 11 – 13.

Mr. Palazzo asked that ESPWG members send their comments to Mr. Buechler by October 1, 2004.

- **Comprehensive Reliability Planning Process - Qualifications/Criteria**

Mr. Buechler provided an overview of the straw proposals for several implementation requirements for the Comprehensive Reliability Planning process. The following proposals were discussed:

- 6.2.1 - Qualifications for a valid market-based response
- 9.1 & 9.2 - Criteria for continued viability of market based and regulated solutions
- 9.3 - Criteria for halting a regulated project already underway
- 9.4 - Criteria for cutoff date for starting a regulated project

ESPWG agreed to provide written comments on the proposals to Mr. Buechler by Oct 1st for discussion at the October 20th ESPWG.

Comments:

- Paul Gioia stated that we should consider establishing some standards for a valid market based solution. He asked that the wording “reasonable likelihood that the project will address the reliability need in a timely manner” be added to this section. Mr. Buechler responded that this section deals with viability.
- Mr. Mager stated his view that the NYISO should have considerable flexibility in this regard and that it was unnecessary to establish more specific criteria.
- Mr. Rufrano asked that clarifications to operating protocols be added into the screening process. Mr. Buechler answered that clarification would be added.
- In response to a comment from Mr. Larry DeWitt, Mr. Buechler said that the cutoff criteria could be more specific and solicited comments from the group on such criteria. The NYISO, in conjunction with the ESPWG, will develop criteria for determining the cutoff date for a determination that a market-based solution will not be available to meet a Reliability Need on a timely basis.

Interventions and protests regarding the Comprehensive Reliability Planning Process from several Market Participants were filed on September 13th. The NYISO provided a summary of these interventions at the meeting for information purposes. No ESPWG action is contemplated in this regard.

Consideration of Economic Planning Issues

Mr. Buechler presented NYISO Comprehensive Planning Process – Consideration of Economic Needs in order to summarize Market Participants that have been received to date on the possible approaches suggested by the NYISO at the August 11th meeting. These were:

1. Information approach

2. “PJM-type” approach
3. Development of additional market-based mechanisms
4. Bill Hogan’s “Transmission Market Design” Concept

Market Participants who had submitted comments on the economic needs elaborated on their views.

Calpine comments:

- Planning for economic needs should allow for consideration of all physical and procedural alternatives on an equal basis
- The presence of transmission congestion should not be the sole measure of whether an “economic need” exists
 - A transmission solution may not be the most efficient one
- Strongly favors implementation of an “information approach” to economic needs
- Not in favor of pursuing the other approaches discussed by the NYISO in August

NYSEG/RG&E comments:

- Favor a “go slow” approach to economic planning for the NYISO
 - Prefers to let the marketplace decide economic issues
- Would support some combination of the “informational approach” and the “market-based mechanisms” going forward
 - Forecasting congestion may pose some problems
 - Examining market enhancements appears worthwhile
 - Merit in looking at various TCC issues
- Not in favor of pursuing either the “PJM approach” or the Bill Hogan proposal

National Grid comments:

- Supports the “PJM Approach” as the only comprehensive economic planning process
- Information Approach is a necessary, but not sufficient, component of the process
- Additional market-based initiatives will not provide a solution if the market does not respond
- Hogan approach is not a comprehensive process—but only addresses one aspect of the issue

Larry DeWitt Comments:

- We agree on using the “bid production cost” definition for congestion costs
- Should develop a plan for estimating current and prospective economic congestion
 - Define “persistence”
 - Define “significant”
- No immediate need for intervention with a regulated solution
 - FERC may feel otherwise
 - PSC intervention will likely be required

Mr. Palazzo stated the group needed to identify areas of agreement and disagreement, and asked everyone to send comments to Mr. Buechler by October 15th.

PowerGEM Update

Jim Mitsche provided an update on historic congestion for first half of 2004.

- **Planning applications of PROBE model**

Mr. Mitsche reported on potential applications for PROBE for economic planning. Potential objectives for using PROBE for economic planning include: the evaluation of the cost effectiveness of transmission upgrades, to reduce congestion impact, to provide information to inform a market response, to provide a basis for cost allocation if market does not respond, and to provide a transparent procedure that is acceptable to FERC and the PSC.

Mr. DeWitt asked that an example of a generation solution in a congested area should be put on the list.

Mr. Buechler stated that the threshold question is whether the NYISO should perform a projection of congestion costs and, if so, how. If you are going to do projection you have to engage how you grow the system to reflect system changes. Such changes would already be reflected in the baseline case for reliability analysis already agreed upon. Therefore those same changes could be used for projecting congestion. There are several advantages of using the PROBE model: same tool and calculation methodology as used for historic congestion; PROBE has already been benchmarked with SCUC.

Mike Mager commented that in addition to highlighting how careful we have to be in calculating projections of congestion we also have to be careful in how congestion is reported to avoid misleading consumers. Mike Mager indicated that he had no problem with NYISO projections of congestion as long as neither the NYISO nor the PSC would use this information to direct that any specific projects must be built.

Mr. Palazzo asked for viewpoints from the group on the threshold question; should we be projecting congestion or not. Ms. Diane Barney stated that for any economic project that comes before the commission they will have to look at future congestion. They would prefer that there was already an established methodology for such analysis. It would be better if there were industry standards. She added that Mr. Mark Reeder would want to look at the consumer load impacts as well.

Mr. Palazzo asked ESPWG members to submit their position on projecting and forecasting to Mr. Buechler or Mr. Cardone by October 15th.

Phase I: Initial Planning Process

Mr. Lamanna reviewed the final draft Initial Planning Process Report with ESPWG members. He reported that no additional analysis had been done since the May 15th report.

The objectives were to consolidate existing NYISO reliability-based analysis, extend the time period to 10 years, add scenario analysis, obtain feedback from stakeholders, and setup for implementation of comprehensive planning process.

Mr. Lamanna reported that the baseline system is resource adequate, and that the NYC and Long Island scenario threats are the greatest. Resource adequacy analysis also indicated the relative importance of capacity additions in NYC and Long Island and the under construction scenario

shows additional resources are required over the ten year horizon. Retirements have also been identified as threats.

The report was previously reviewed by the TPAS, which recommends approval to the Operating Committee, contingent on reflecting changes to incorporate several editorial comments ESPWG also supports presenting the draft report to OC for approval at the 9/23 meeting.

Action Items

1. By October 1st, ESPWG members to get comments back to NYISO on the various implementation proposals regarding the Comprehensive Reliability Planning Process that John Buechler presented – to also include the timeline. John asked the PSC to provide feedback on whether their process fits into the timeline
2. By October 15th, Market Participants to provide their view on whether the ISO's role on providing information should include projections of congestion.
3. By October 1st, ESPWG members to provide comments and/or alternate suggestions on desired market enhancements.

Future Meeting Dates

The next three ESPWG meetings will be held on October 20, November 16, and December 1 at the NYISO, Albany, NY.