

8/18/03 Draft

**NYISO Initial Planning Process
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Draft for Discussion Purposes Only

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1. Introduction

The NYISO Initial Planning Process is the first phase in the development of a comprehensive planning process for the NYISO. This process is being developed by NYISO Staff with assistance of the Electric System Planning Working Group (“ESPWG”), an ad-hoc committee comprised of BIC and MC representatives. The Initial Planning Process will focus on the consolidation of the existing NYISO reliability-based analyses, an extension of those reliability analyses from 5 to 10 years, and the addition of scenario analyses to the base case conditions. In addition, the Initial Planning Process will include the reporting of historical congestion costs and selective analysis of the causes of historic congestion in order to provide information to the marketplace to assist in future decision making. (See Attachment A for the Process Flow Diagram depicting the major elements of this Initial Planning Process.)

It is anticipated that development efforts on the Comprehensive Planning Process (Phase II) will begin immediately upon the establishment of the Phase I process. The Phase II discussions will address the various FERC planning requirements of Order 2000 and the SMD NOPR, including both reliability and economic issues. It is anticipated that a FERC filing will be required for the Comprehensive Planning Process.

2. Stakeholder Process

In light of the fact that the Initial Planning Process contains both reliability and economic features, it has been agreed that both the Transmission Planning Advisory Subcommittee (“TPAS”) and the ESPWG will participate in the implementation process. This participation will consist of parallel input and review stages as shown in Attachment B.

TPAS will have primary responsibility for the reliability-based analyses, while the ESPWG will have primary responsibility for providing commercial input and assumptions utilized in the development of future scenarios as well as provide input into the reporting and analysis of historic congestion costs. Coordination will be established between these two groups and with NYISO Staff during each stage of the planning process.

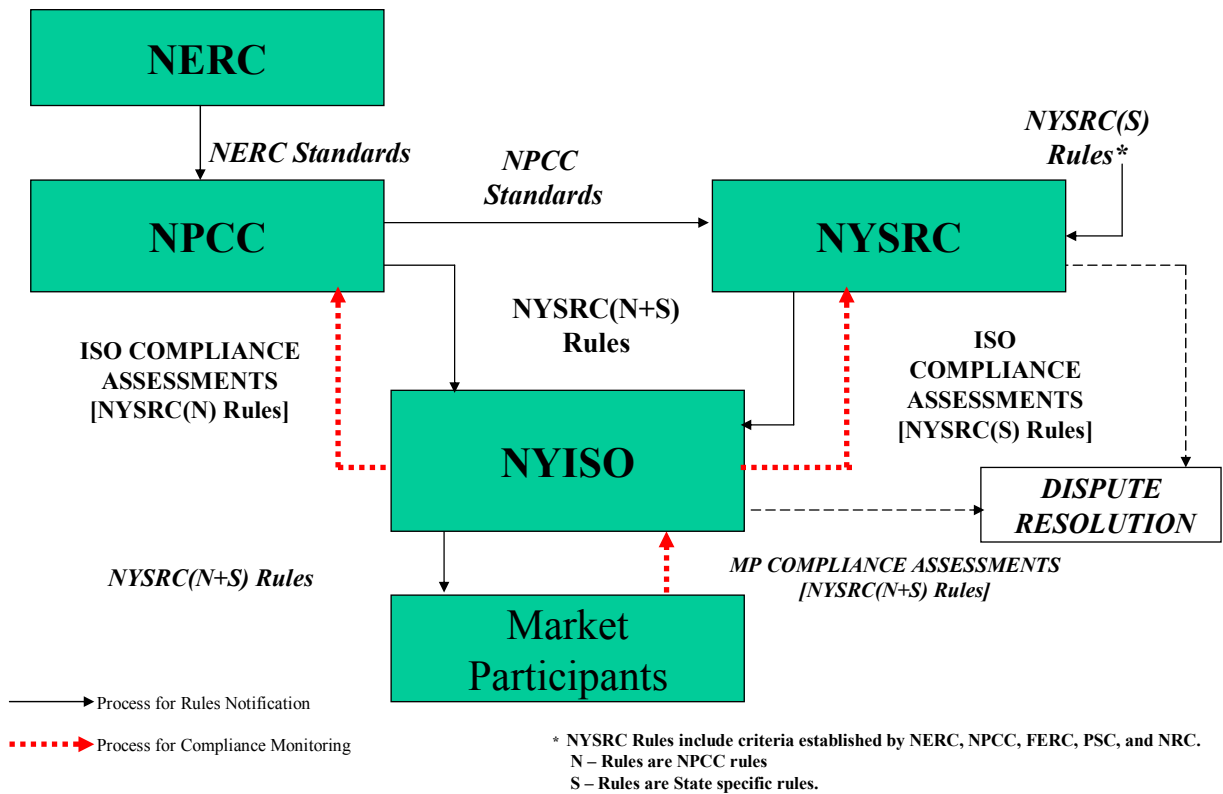
The intention is to achieve consensus at both TPAS and the ESPWG. While no formal voting process has been established at this level, an opportunity for reporting majority and minority views will be provided in the absence of a consensus.

Following TPAS and ESPWG final review, the NYISO Staff’s Final Draft Report will be forwarded to the Operating Committee (“OC”) . See Section 4.4.1 for a further description of the Stakeholder Review Process.

3. Planning Criteria and Objectives

The New York Control Area (“NYCA”) power system is planned and operated to the planning and operating policies, standards, criteria, guidelines, procedures and rules promulgated by the North American Electric Reliability Council (“NERC”), Northeast Power Coordinating Council (“NPCC”), and the New York State Reliability Council (“NYSRC”). NERC establishes operating policies and planning standards for North America which includes the United States of America and the Provinces of Canada. NPCC criteria, guideline and procedures which apply to the five areas comprising NPCC (New York State, the New England States, and the Canadian Provinces of Quebec, Ontario and the Maritimes) may be more specific or more stringent than NERC standards and policies by recognizing regional characteristics or reliability needs – e.g., “the one day in ten years” loss of load expectation criteria. The NYSRC rules that apply to NYCA may be more specific or stringent than NERC and NPCC by recognizing NYCA characteristics and reliability needs – e.g., locational capacity requirements. The NYISO is the primary interface between market participants and the reliability councils. The chart below presents an overview of those interfaces.

Overview of the NYISO Reliability Interfaces



The objective of the initial planning process is three fold: 1) to demonstrate that the NYCA power system expansion plans are consistent with the reliability rules and will ensure the continued reliability (i.e., adequacy and security) of the power system consistent with good utility practice; 2) to identify, through scenarios development, factors and issues that might adversely impact the reliability of the power system; and 3) to provide, through the analysis of historical system LBMP congestion costs, information to market participants where the addition of system upgrades could potentially improve the economic efficiency of the power system.

3.1. Reliability Criteria

- 3.1.1. NERC: Establishes standards and policies for North America which includes the United States of America and the Provinces of Canada. The NERC Operating Policies and Planning Standards can be found on the NERC web site at <http://www.nerc.com/standards/>.
- 3.1.2. NPCC: Establishes criteria, guideline and procedures which apply to the five areas comprising NPCC (New York State, the New England States, and the Canadian Provinces of Quebec, Ontario and the Maritimes) may be more specific or more stringent than NERC standards and policies by recognizing regional characteristics or reliability needs. The NPCC criteria, guides, and procedures can be found on the NPCC web site at <http://www.npcc.org/CriteriaGuidesProcedures.htm>.
- 3.1.3. NYSRC: Establishes rules that apply to NYCA that may be more specific or stringent than NERC and NPCC by recognizing NYCA characteristics and reliability needs. NYSRC rules can be found on the NYSRC web site at <http://www.nysrc.org/documents.html>. See Reliability Rules Revision No. 3 (adopted May 9, 2003).

3.2. Objectives

- 3.2.1. Reliability Needs Assessment: The baseline system which is defined as the Annual Transmission Reliability Assessment (ATRA) will be assessed to determine if it meets all the reliability criteria for both resource and transmission adequacy. The ATRA focuses on the first five years of the planning horizon. Reliability needs will be defined in terms of quantities and not necessarily in terms of specific facilities. For instance, the MW quantity of additional transfer capability or MW quantity of additional resources would be specified.

In addition, the baseline system will be evaluated for robustness against factors and issues identified through scenario analysis that might adversely

impact the reliability of the power system for years one through ten. This evaluation of the baseline system for robustness will only identify condition under which the reliability of the power system might potentially be at risk. It will not identify or propose additional needs.

3.2.2. Historic Congestion: To be developed.

4. Process

4.1. Overview (Covers first round initial process only)

It has been stated that the planning process is as important as the plan itself, if not more important. This is certainly true for the initial planning process. The purpose of the initial planning process is to facilitate the exchange of information between the NYISO, Market Participants and interested stakeholders regarding the future reliability of the NYCA power system and the historical economic performance of the transmission system. The expansion plans used in these reliability assessments will be those proposed by market participants. The key elements of the initial planning process are described further below. See **Attachment C** for the proposed timeline for the first round of the NYISO Initial Planning Process.

4.2. Input Stage

4.2.1. Input Requirements

4.2.1.1. Load and Capacity Data Report

4.2.1.2. Existing Reliability Assessments (Resource & Transmission)

4.2.1.3. Short Circuit Data (consistent with the ATR)

4.2.2. Input from Neighboring Areas

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4.2.4.2. Second 5 Years

4.2.4.2.1. Baseline Scenario

4.2.4.2.2. Alternate Scenarios

4.3. Analysis Stage

4.3.1. Historic Congestion

4.3.1.1. Summary reports

4.3.1.2. Selective cause analysis

4.3.2. Reliability Needs Assessments (Baseline Scenarios)

4.3.2.1. First 5 Years

4.3.2.1.1. Resource and Transmission Adequacy

4.3.2.1.2. Circuit-Breaker Over-duty Mitigation

4.3.2.2. Second 5 Years

4.3.2.2.1. Resource and Transmission Adequacy

4.3.3. Evaluation of Alternate Scenarios (Robustness of Baseline Scenario)

4.3.3.1. First 5 Years

4.3.3.2. Second 5 Years

4.4. Review Process (**See Attachment B**)

4.4.1. Stakeholder Review: At least two stakeholder review stages are anticipated in the Initial Planning Process. Following review of the Staff's Final Draft Report by TPAS and the ESPWG, it will be forwarded to the OC for a vote. Interested representatives from the Business Issues Committee ("BIC") are invited to attend the OC meeting at which the Final Draft Report is under consideration. Following the OC vote, the Final Draft Report will be transmitted to the Management Committee ("MC") for a vote.

4.4.2. Board Action

Following the MC vote, the Final Draft Report resulting from the NYISO Initial Planning Process will be forwarded to the NYISO Board for action. Upon acceptance by the Board, the report will be finalized by NYISO Staff.

5. Issuance of Final Report

Following Board acceptance, the NYISO Staff will issue the Final Report resulting from implementation of the NYISO Initial Planning Process to the marketplace. This report will identify potential reliability needs determined under various future scenario assumptions and will provide reports and analyses of historic congestion costs.

This Report is intended to provide useful information to market participants as they consider alternative strategies for the future.

5.1. Follow-Up Discussions

In order to provide the maximum benefits to the marketplace for the information provided by the Initial Planning Process, the NYISO will provide various opportunities for market participants and other stakeholders to discuss the Final Report. Such opportunities may include presentations at various NYISO stakeholder committees, focused discussions with various sectors, and/or presentations in other public venues.

6. References

7. Figures

Attachment A – Process Flow Chart

Attachment B – Stakeholder Participation

Attachment C - Timeline