Inter-Area Coordination between ISO New England and New York ISO

1. Introduction

ISO New England (ISO-NE) and New York ISO (NYISO) are committed to removing barriers to a broader regional market and improving the efficiency of electricity exchange between our markets. To that end, over the last several months, staff from ISO-NE and NYISO have met to explore a package of joint operational coordination measures and market design changes. The shared objective is to improve the economic utilization of the transmission ties and leverage the region's capabilities to minimize out-of-market actions.

The initiatives identified are:

- Interregional Transaction (Scheduling) Coordination; and
- Market-to-Market (Congestion Management) Coordination

The following plan presents the high-level scope of work, major milestones and schedule for a multi-phased project that will improve the efficiency of the energy markets and transmission system utilization on a regional basis.

2. Scope

(a) Interregional Transaction (Scheduling) Coordination

Currently ISO-NE and NYISO clear and schedule transactions using separate and independent mechanisms. For example, the NYISO market allows transactions to be submitted up to 75 minutes before the start of the transaction, and all transactions must have a price. The ISO-NE market allows transactions to be submitted 60 minutes before the start of the transaction, but to submit in this timeframe the transactions must be self-scheduled (price-takers). At a high level, the result of the differences in external transaction rules is that NYISO clears real-time transactions before ISO-NE, using bid and offer information entered into its market system. This clearing generates a set of available transactions. Then ISO-NE clears transactions in its market system and compares that set of cleared transactions to the set of transactions previously cleared by NYISO. Those cleared in both markets can be scheduled to flow in the hour.

The Interregional Transaction Coordination component of the proposed project constitutes the first major phase of work. The objective of this phase is to design, build and implement a joint transaction scheduling system that accepts transactions and clears them simultaneously based upon the expected prices in the regions, thereby creating a set of transactions and net tie schedule for each hour in a single pass. It is envisioned that initially transactions will be scheduled hourly, as is done today, and subsequently will allow for intra hour scheduling.

In addition to working out the market design changes and the associated market clearing function, the project design team will have to determine and answer several questions related to the software infrastructure, such as whether a new software system is required to receive and process transactions, how and where the required information is collected and the modeling of each area's operating protocols and scheduling rules.

(b) Market-to-Market (Congestion Management) Coordination

An interconnected transmission network provides benefits of improved operational reliability and redundancy. The re-dispatch of generators within a neighboring control area may address transmission constraints more cost effectively than the re-dispatch of generators or other control action within the monitoring control area. A congestion management protocol allows for the inter-control area dispatch to manage the congestion (at a lower overall resulting cost) and the appropriate settlement of those actions.

The purpose of this congestion management function is to

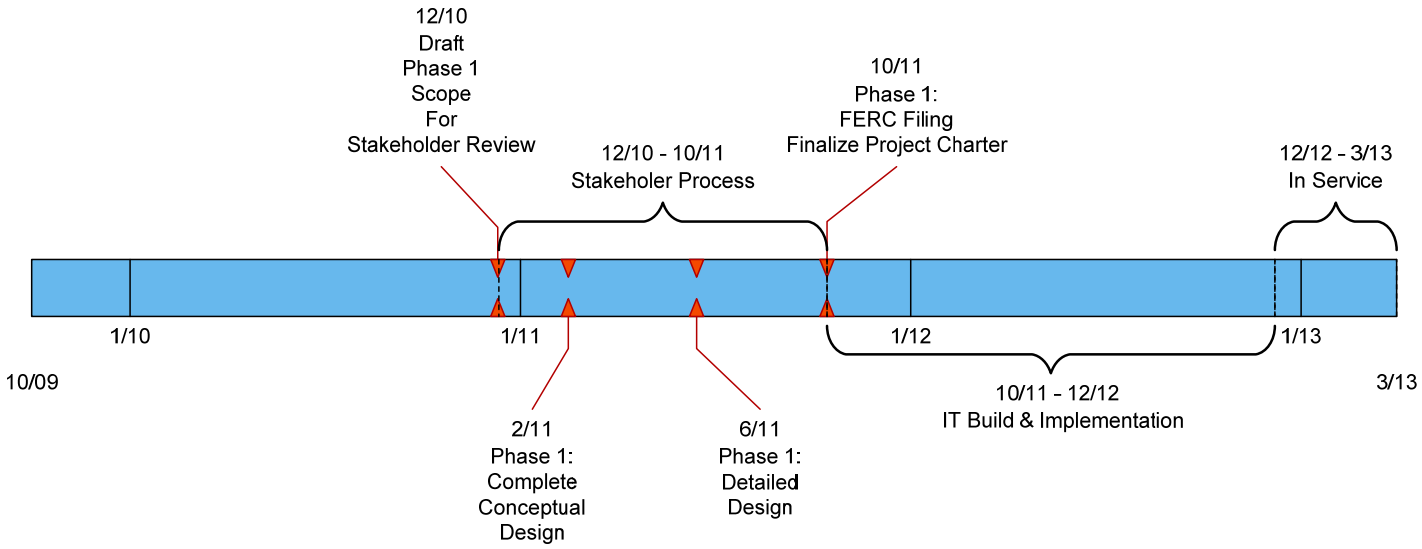
(a) Pre-identify constraints that multiple control areas can address through re-dispatch actions;
(b) Develop an agreed to baseline of allowable usage of each control area's transmission network; and
(c) Establish data sharing protocols to communicate real-time constraint management costs

Market-to-Market Coordination is intended to ensure cost effective utilization of the regions' collective assets to address constraints across multiple systems, with the goal of lowering overall congestion costs to consumers.

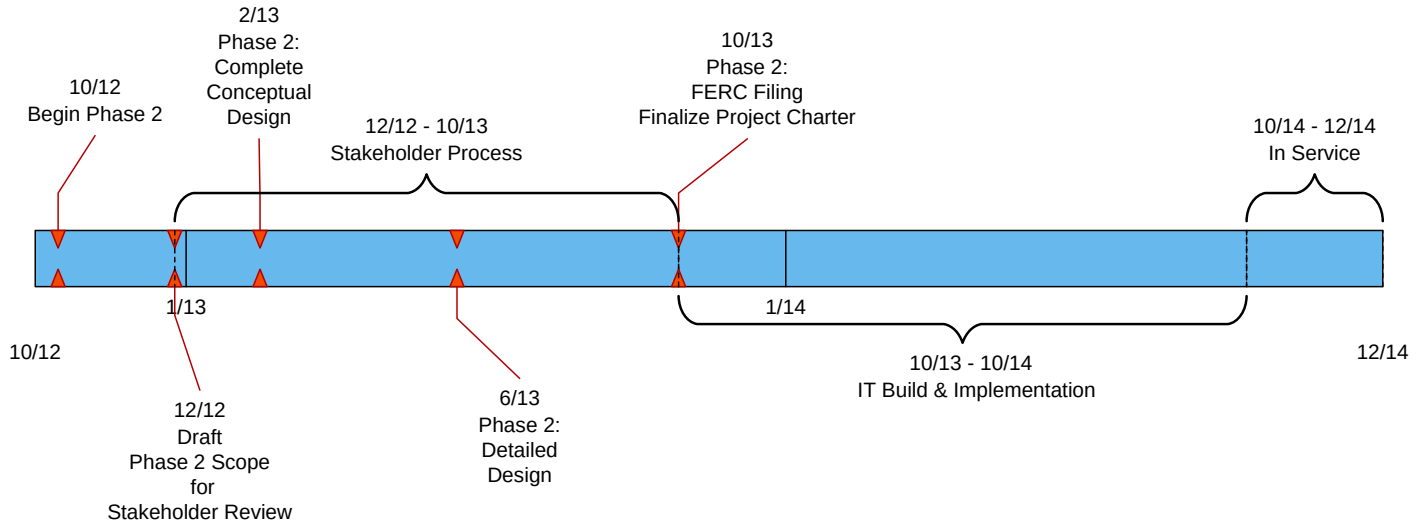
3. Schedule

Based on current priorities for ISO-NE, the plan is to implement the project in two phases starting in the fourth quarter of 2010. Phase I is focused on Interregional Transaction Coordination and Phase II is focused on Market-to-Market (Congestion Management) Coordination. Furthermore, the two phases are designed to be in sequential order rather than in parallel. This is to ensure that resources are sufficiently available to deliver the two phases in a successful manner.

Phase 1: Interregional Transaction (Scheduling) Coordination



Phase 2: Market-to-Market (Congestion Management) Coordination



4. Milestones

For the Phase I (Interregional Transaction Coordination) and Phase 2 (Congestion Management Coordination) projects, the following preliminary high-level milestones are identified.

Milestones	Target Dates for Phase I	Target Dates for Phase II
Draft Scope for Stakeholder Review	12/10	12/12
Conceptual Design	2/11	2/13
Detailed Design	6/11	6/13
Filing with FERC and Finalize Project Charter	10/11	10/13
Software and Business Procedures Completed	10/11 - 12/12	10/13 - 10/14
In Service	12/12 - 3/13	10/14 - 12/14

5. Roles, Responsibilities, and Staffing

The project leads for this multi-year effort will be Robert Laurita for ISO-NE and Robert Pike for NYISO. ISO-NE and NYISO market development staffs will work jointly to design the components of the project. The project leads will provide necessary liaison with needed subject matter experts within each organization. As the project scope evolves, specific roles will be established and resource assignments will be made to ensure deliverables are produced consistent with the above mentioned project milestones and schedule.

6. Budget and Project Charters

The budget and project charter for this project will depend on the final scope of work and specified requirements. Both ISO-NE and NYISO expect that Phase I of this project is larger in scope than Phase II and will require a higher budget. Both phases of the project are dependent on appropriate funding in the operating and capital budgets from 2010 to 2014. Project charters for each phase (containing detailed scope, budget and a resource plan) will be prepared at the culmination of the stakeholder review process for each phase.

7. Risks

This project is a multi-year endeavor that will require the dedicated commitment of both NYISO and ISO-NE staff to this project over multiple years. This project will compete with other priorities for human and financial resources. In the case of ISO-NE, current major priorities include the design of enhancements to the Forward Capacity Market (FCM) and Price Responsive Demand. Furthermore, both RTOs will have to respond to any FERC initiatives that may arise during the project life cycle. In the event that major priorities arise beyond those that have already been identified and planned for, ISO-NE and NYISO management might need to revisit the project schedule. If resources free up from FCM and other previously committed projects, it may be possible to accelerate the projects identified in this document.