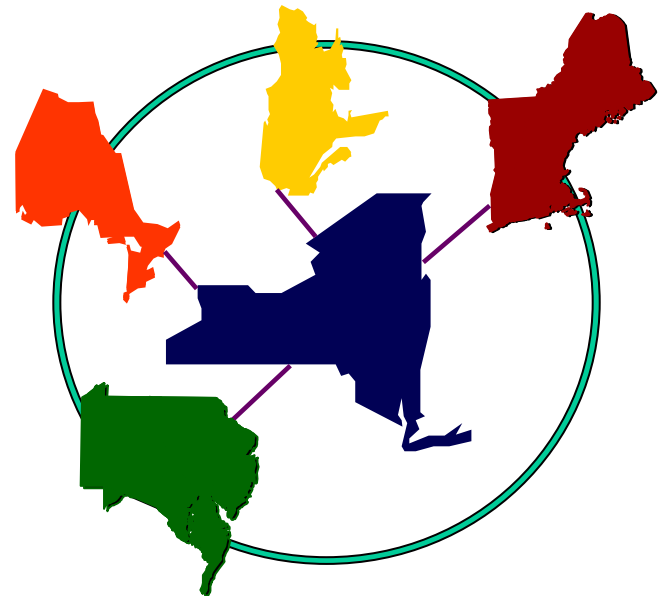


Northeast Seams Report

Update on Northeast Seams Issues

July 7, 2004

Management Committee





Status of Seams Projects

Current Quarter Deliverables

Project	Due Date	Status
1. Real-Time Scheduling (RTS)	<ul style="list-style-type: none"> September 2004 	<ul style="list-style-type: none"> NYISO – Phase 2 Factory Acceptance Tests have been completed. Market Participant SMD2 training courses have been occurring in May and June. 1st of two Day-Ahead Market Exercises have been successfully completed.
2. Regional Resource Adequacy (RAM)	<ul style="list-style-type: none"> September 2004 	<ul style="list-style-type: none"> NYISO - The NYISO has submitted a hybrid proposal to its stakeholders for consideration which incorporates a forward capacity market for procurement of a portion of its future resource requirements. The NYISO plans to further develop this hybrid proposal with its stakeholders during the third quarter of 2004 and will coordinate with the PJM and ISO-NE efforts in their respective regions.

Note: The complete list and description of seams issues is posted on the NYISO website and updated each quarter for FERC. This presentation is only a summary of recent activities and near term deliverables.



Other Seams Related Activity

Recent Initiatives

Issue	Activity Description
<p>1. Elimination of Rate Pancaking</p>	<ul style="list-style-type: none"> ▪ PJM, NYISO and ISO-NE –The NYISO Management Committee, on June 4, 2004 approved amending the NYISO tariff to eliminate export charges (TSC and NTAC) for exports to New England with an effective date the same date that New England eliminates export fees to New York on a reciprocal and unconditional basis. ▪ PJM and MISO Transmission Owners are holding discussions on the issue and FERC approved extending the existing through and out rates for the combined region until December 1, 2004. The parties have begun negotiations for the replacement long term solution that will go in effect on Dec 1st.
<p>2. Virtual Regional Dispatch</p>	<ul style="list-style-type: none"> ▪ NYISO and ISO-NE – NYISO and ISO-NE have documented a technical definition of a virtual regional dispatch process and will proceed with further stakeholder meetings to finalize the technical definition and to work towards a joint stakeholder acceptance of the proposal ▪ The Phase 1 goal is to develop a pilot to test VRD in 2004. NYISO and ISO-NE staff have held several meetings to begin development of a proposal for stakeholder review.

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Other Seams Related Activity

Recent Initiatives (continued)

Issue	Activity Description
3. Coordination of Cross-Sound Cable	<ul style="list-style-type: none"> ▪ NYISO and ISO-NE - The end state project (A-619) will provide an external proxy bus representation for controllable tie lines (HVDC and/or PAR) which span two control areas. The project addresses both the external node pricing calculations as well as scheduling of primary and secondary party transactions.
4. E-Tagging Integration	<ul style="list-style-type: none"> ▪ NYISO – Has implemented automated tools to improve communication and updates of NYISO transaction bids and schedules with the E-Tag system. ▪ Automation provides direct benefits to other control areas, such as PJM, that are linking their systems to the E-Tag system for transaction scheduling inputs. ▪ Allows automated response on incoming E-Tag requests and automated updates for bid / schedule changes to the E-tag system resulting from the hour-ahead evaluation, checkout and curtailments. ▪ Phase I development (operations automation) is complete and was deployed on April 25, 2004. ▪ Phase II will provide enhanced tools for Market Participants to create NYISO bids from E-Tag profiles or vice-versa.

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Other Seams Related Activity

Recent Initiatives (continued)

Issue	Activity Description
<p>5. Facilitated Checkout</p>	<ul style="list-style-type: none"> ▪ NYISO, ISO-NE, PJM, IMO, HQ & MISO - have been participating in the specification of the communication protocol. ▪ NYISO deployment of New York –New England operator checkout displays is still being scheduled. IMO is targeting a July 2004 implementation. ▪ Collaborative meetings have continued through NPCC and development of the specification and implementation standards document is in the final stages of review.
<p>6. ISO-NE Phase II HVDC Evaluation</p>	<ul style="list-style-type: none"> ▪ ISO-NE, NYISO, PJM and HQ – This is a joint project lead by ISO-NE to update the PJM/NY/NE methodology and procedures for operation of the Phase II HVDC interconnection between New England and Quebec. ▪ Initial efforts were focused on use of the IDC as a possible tool to forecast availability of Phase II above the 1200 MW limit, however the parties have concluded that the IDC in it's current form would not be suitable. ▪ ISO-NE is continuing to evaluate current data available from NY and PJM for forecasting availability of Phase II. ▪ NYISO staff has been participating in monthly conference call meetings and continues to support this effort.

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Issues Pending Further Discussion

Issue	Activity Description
1. External Reserve Supply from NY to ISO-NE	<ul style="list-style-type: none">▪ A desire has been expressed by market participants to sell reserves into the New England reserve markets from suppliers located in New York. MPs suggest protocols be developed to allow reserves to be sold across the border coincident with the implementation of the Forward Reserves Market in ISO-NE.
2. NY MS-7040 Transfer Study	<ul style="list-style-type: none">▪ NY study on the impact of MS-7040 transfers above the current 1500 MW limit is complete and recommended no change in the current limit but did recommend developing a process to assess available margins to support HAM scheduling above current MW limits.

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