

NYISO DRAFT FOR DISCUSSION PURPOSES

“STRAWMAN PROPOSAL” FOR A NYISO ECONOMIC PLANNING PROCESS

OVERVIEW AND PURPOSE

It is intended that this strawman will provide a potentially viable process in response to FERC’s policies which have indicated that ISOs/RTOs’ planning processes should address both reliability and economic needs. It is structured in the context of the NYISO’s preference for market-driven solutions, which is consistent with the recently filed Comprehensive Reliability Planning Process. This strawman recognizes the views of most of the NYISO’s market participants and stakeholders that NYISO intervention in economic matters is to be minimized so as not to interfere with the operation of the market. In this context, the role of the NYISO with regard to economic needs is primarily one of providing information in a transparent manner to the marketplace so that appropriately informed decisions can be made by market participants and other stakeholders. The proposed process will provide an opportunity—but not an obligation—for NYISO market participants to better assess such economic issues.

OUTLINE OF NYISO ECONOMIC PLANNING PROCESS

NYISO ROLE

Historical Analysis

- **With stakeholder participation/transparent process**
- **Use approved “congestion matrix” format for reporting**
- **Identify additional reporting formats**
- **Post on NYISO website on quarterly/monthly basis**
- **Adjust for “unusual day” events**
- **Perform “What if” analyses**
- **Track congestion by key constraints**
- **Report on other economic parameters**
 - **ICAP prices by location**
 - **Ancillary services costs**
 - **Losses**

Market-Based Initiatives

- **Analyze market performance (include all NYISO markets)**
- **Identify areas for improvement in market design**
 - **Transmission**
 - **Generation**
 - **Demand Response**
- **Pursue market enhancements through NYISO committee process**

Future Estimates of Congestion

- **With stakeholder participation/transparent process**
- **Selection of model**
- **Utilize CRP planning horizon (10 years)**
- **Develop base case assumptions**
- **Develop future scenarios**
- **Perform what if analysis**
- **NYISO will provide a range of information to the marketplace**
- **Appropriate caveats will be noted**
- **NYISO will NOT:**
 - **Determine congestion thresholds**
 - **Draw any conclusions**
 - **Mandate solutions**

Reliability Analysis of Economic Upgrades

- **Perform reliability analysis of proposed economic upgrades through its existing Interconnection Process (Attachment X)**
- **Perform cost allocation analysis for Attachment Facilities and System Upgrade Facilities associated with proposed economic upgrades through its existing Attachment S process**

NYISO Tariff

- **Could be utilized for cost recovery purposes (similar to CRP cost recovery mechanism)**

MARKET PARTICIPANT ROLE

- **Participate in development of input assumptions**
- **Recommend scenarios for analysis**
- **Review of NYISO analysis**
- **Perform independent business assessment based upon consideration of NYISO data**
- **Development of market-based responses**
- **Development of regulated responses**

PSC ROLE

- **Participate in development of input assumptions**
- **Recommend scenarios for analysis**
- **Review NYISO data**
- **Review proposed regulated projects**
- **Determination of cost/benefits**
- **Determination of cost allocation/cost recovery (FERC role?)**
- **Determination of public policy objectives**

Jpb

11/10/04

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