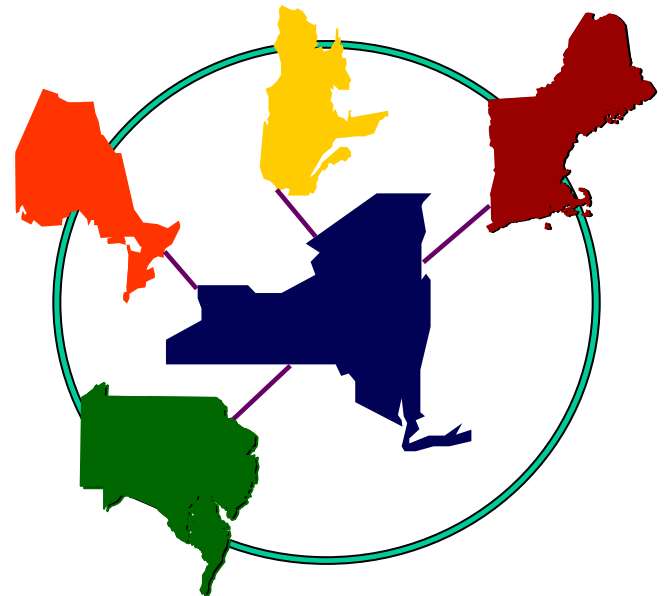


Northeast Seams Report

Update on Northeast Seams Issues

April 2005

Business Issue Committee Meeting





Status of Seams Projects

Current Deliverables

Issue	Activity Description
1. Intra-Hour Transaction Scheduling	<ul style="list-style-type: none">▪ NYISO and ISO-NE have documented a technical definition of a virtual regional dispatch process and have received potentially viable alternative methodologies from their stakeholders. A joint stakeholder meeting was held on January 18, 2005, the primary topic being a discussion of the Younger-Scheiderich approach. The ISOs will proceed with further stakeholder meetings to finalize the technical definition and to work towards a joint stakeholder acceptance of the proposal. Target is to draft a complete proposal by the end of May 2005.▪ FERC approval of the NEPOOL pilot was received. Pilot testing has been somewhat delayed due to deployment of the NYISO SMD2 system and awaiting clearance of the transmission outages affecting intermarket transfers. Pilot tests are scheduled to be conducted in April.▪ Following NYISO, ISO-NE and stakeholder review of the pilot program results by September 30, 2005, and assessment of market participant based proposals for improving the efficiency of the NYISO/ISO-NE interface, further phases of this work will be developed.

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.



Status of Seams Projects

Current Deliverables (cont'd)

Issue	Activity Description
<p>2. Regional Resource Adequacy (RAM)</p>	<ul style="list-style-type: none"> ▪ The NYISO has submitted a hybrid proposal to its stakeholders for consideration which incorporates a voluntary forward capacity market for procurement of a portion of its future resource requirements. ISO-NE is currently engaged in an evidentiary hearing process regarding certain aspects of its proposed locational capacity market. PJM introduced a proposal for a Reliability Pricing Model (“RPM”) in June 2004 and has subsequently presented and revised the proposal at numerous stakeholder meetings. ▪ On March 1, 2004, ISO-NE filed a locational capacity market with the Commission. The design of this market was based strongly on the extant design developed by NYISO. In an order issued June 2, 2004, the Commission established hearing procedures and specified that a locational capacity market would be implemented in New England on January 1, 2006. ▪ For the PJM RPM program, the PJM Board of Managers has taken the consideration of the program under advisement and intends to decide after receiving Member comments at the May 5 Annual Meeting whether to pursue this model further. ▪ A joint meeting of ISO- NE/NYISO/PJM and stakeholders is being planned for Q2-2005 to review each ISO/RTO’s respective capacity market proposals. The date is dependent upon the conclusion of the FERC evidentiary hearing process on the ISO-NE locational capacity market proposal. The NY ICAPWG will continue reviewing both the PJM and ISO-NE proposals as part of their ongoing activities.

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Other Seams Related Activity

Recent Initiatives

Issue	Activity Description
3. Cross-Border Controllable Line Scheduling	<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 NYISO Management Committee approved the generic controllable lines solution at its January 5, 2005 meeting. Stakeholder review was completed in March 2005. ▪ NYISO tariff changes filed with FERC on March 25, 2005 ▪ Implementation Date for Cross Sound Cable: between May 24 and June 30, 2005 ▪ Implementation Date for 1385 Line: NYISO and ISO-NE are discussing the implementation schedule for the application of this software to the 1385 (Northport to Norwalk Harbor) cable with LIPA and NUSCO. The scheduled implementation date for the 1385 Line is June 30, 2006. However, the multiple critical projects that ISO-NE and its stakeholders will be coordinating over the next two years could result in a no-later-than date of October 2006.
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. ▪ Phase I development (operations automation) is complete and was deployed on April 25, 2004. ▪ Release 1.4 of the E-Tagging software provides for descriptive reasons for transaction curtailment and automatic curtailment of tags with no corresponding bid in the NYISO MIS was deployed February 1, 2005. ▪ Release 2.0 will provide more automated integration of this data, including the ability to identify and cut any MIS schedules without a corresponding E-Tag in OATI. Deployment targeted for late Q2 2005.

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Other Seams Related Activity

Recent Initiatives (continued)

Issue	Activity Description
5. Facilitated Transaction Checkout (FTC)	<ul style="list-style-type: none">▪ NYISO, ISO-NE, PJM, IESO, HQ & MISO – NYISO, ISO-NE, PJM, IESO, HQ, NB & MISO have been participating in the specification of the Facilitated Transaction Checkout (FTC) communication protocol. Pilot implementation with ISO-NE has been successful and demonstrated ISO-NE and NYISO capability to exchange transaction data in real time. NYISO, ISO-NE and IESO have completed implementation of the data exchange software. ISO-NE and IESO have successfully integrated the new data into their control room displays.▪ FTC is expected to be fully functional between NYISO, ISO-NE, IESO and HQ with NYISO deployment in Q2- 2005.

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Other Seams Related Activity

Recent Initiatives (continued)

Issue	Activity Description
6. ISO-NE Phase II HVDC Evaluation	<ul style="list-style-type: none">▪ ISO-NE, NYISO, PJM and HQ – This is a joint project lead by ISO-NE and HQ TransÉnergie to update the methodology and procedures for scheduling 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.▪ The group has drafted a report, "Review of the PJM-NY-NE Procedures and Methodology for the TE-NE HVDC Line". This document is near completion and should be released in Q2-2005.▪ NYISO, PJM and ISO-NE are preparing a data sharing agreement for future data sharing.▪ PJM and NYISO staffs have been participating with ISO-NE and TransEnergie in monthly conference call meetings and continue to support this effort.

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Issues Pending Further Discussion

Issue	Activity Description
1. Reserves Participation in Adjacent Regional Markets	<ul style="list-style-type: none"> There is Market Participant interest in selling operating reserves from generation sources in one region to provide reserves in another region. This issue will be considered along with other longer-term market issues as part of the NYISO Market Evolution Plan, which will be presented to NY stakeholders in June 2005. Subsequently, discussions will be held in Q3-2005 with stakeholders to prioritize this as well as other market issues, at which point NYISO resources will be assigned to look at issues in priority order. ISO-NE will consider inter-control area provision of reserves following implementation and assessment of their reserve market.
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.
3. Congestion Rent Shortfalls Resulting From External Transmission Outages	<ul style="list-style-type: none"> Transmission outages or deratings occurring outside of the NYCA that are not anticipated at the time of a TCC auction can force the NYISO to reduce the assumed transfer capability between the NYCA and the adjacent control area. If the resulting set of TCCs are rendered infeasible, the NYISO will incur congestion rent shortfalls in the day-ahead market. There is currently no way to assign the cost impact (due to the congestion rent shortfall) of that outage to the responsible external transmission owner. In addition, transmission outages or deratings that cause reductions in transfer capability between regions may have an impact on ICAP sales between regions. NY will present the issue for stakeholder discussion in Q1-2005. Due to the emphasis on evaluating SMD2 performance subsequent to deployment in February 2005, NY has deferred stakeholder discussion on this issue until Q2-2005.

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Issues Pending Further Discussion (continued)

Issue	Activity Description
<p>4. Modeling of Netted Transactions at the NYISO-HQ Interface</p>	<ul style="list-style-type: none"> Currently, real-time imports from HQ are limited to 1200 MW based upon NY first contingency criteria. Day-ahead and real-time scheduling software recognizes a 1500 MW limit at the NY-HQ proxy bus comprised of imports, exports and wheel-throughs. One solution that has been suggested would create a second proxy bus model at the interface, which would be used to schedule only wheel-through transactions; the first proxy bus would be used to schedule imports/exports up to a net level of 1200 MW. NYISO is developing a white paper on the ramifications of this issue and will make available for stakeholder discussion in Q3-2005.
<p>5. Multiple Proxy Buses for Free-Flowing Interfaces</p>	<ul style="list-style-type: none"> Further analysis of the feasibility of implementing multiple proxy buses will be included with future assessment of market coordination efforts of the ISOs after implementation and testing of several current initiatives (i.e., PJM's market to market coordination with MISO, NY's SMD2) and will be brought back to a future seams coordination meeting.
<p>6. Elimination of Rate Pancaking</p>	<ul style="list-style-type: none"> The NYISO, with the support of the New York TOs, will initiate discussions among the affected parties in the Northeast in Q2-2005 to explore the potential for rate pancaking relief between New York and PJM.

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