

Rules Assessment Initiative Status Report

MSWG 12/9/05

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Draft - For Discussion Only

Topics

- Current status
- Purpose
- Scope
- Methods
- Consultation and Review
- Schedule

Current Status

- Have established core team members
- Developed agreement at the team level on
 - Purpose, scope, reporting, consultation and review, initial issues list
- Current activity
 - Developing candidate method(s), Issues organization and priority structure
- Next Steps
 - Senior management review and approval
 - MP review
 - Work on specific rules assessment processes

Purpose

Assess the effectiveness of market rules governing the scheduling, dispatch and compensation for energy and ancillary services; make recommendations for rules improvement and the reduction of unnecessary complexity.

Scope

The work consists of three components

1. Evaluate the performance of the SMD2 system
2. Assess the degree to which current market rules are producing the results for which they are intended.
3. Consider factors associated with new market functions or expected/ potential changes:

Scope

SMD2 Evaluation

- Evaluate the performance of the SMD2 system relative to
 - the market improvements on which the project justification was based and
 - issues or considerations noted since deployment.
- This activity will be supplemental to any analysis provided by the Market Advisor

Scope

Current Scheduling/Dispatch Rules

- Assess the degree to which current market rules are producing the results for which they are intended.
 - Scheduling mechanisms
 - Dispatch mechanisms
 - Penalties
 - Compensation/ Supplemental payments

Scope

Current and Near Term Initiatives

- Consider factors associated with new market functions or expected/ potential changes:
 - Combined Cycle modeling
 - Self supply of reserves
 - Expansion of wind capacity
 - Improvement in interchange efficiency (ITS)
 - Distributed generation
 - Demand side participation
 - Maintain a list of items for future rules consideration (parking lot for issues worthy of future consideration)

Methods

- Provides the structure to the assessment effort including:
 - Organization of the work into manageable pieces
 - Setting and maintaining priorities
 - Identify resources to be applied or needed – (beyond core team)
 - Establish scope and limitations of the efforts
 - Identify the deliverable(s)
 - Scheduling
- This will be a serial effort that proceeds with each area of focus

Consultation and Review Internal

- ISO senior and department management
 - The assessment team will take direction from and report periodically to senior management.
 - In addition, key departments are represented on the core team

Consultation and Review External

- Market participants
 - Will be kept informed of NYISO staff progress in the rules assessment.
 - They will participate in reviewing issues and development of solution options where appropriate.
 - The primary interface will be through the Business Issues Committee and its Market Structure, Scheduling and Pricing, and Billing and Accounting working groups.
 - Periodic consultation on rules options may also be required with the Operating Committee.
- Any recommended rules changes will go through the normal governance process for approval and prioritization.

Consultation and Review

External

- Regulating entities – State and Federal
 - Any recommended rules changes approved and scheduled through the normal governance process will receive through that process local regulatory participation and review. In some cases additional consultation with local regulators may be appropriate.
 - Any recommended rules changes approved and scheduled through the normal governance process will be filed with FERC for approval. Like the State regulators in may be advisable at times to preview certain rules changes with FERC.

Consultation and Review

External

- Neighboring Markets - Any recommended rules changes that will impact neighboring markets or cause a change in any current protocols with our neighbors will be reviewed with affected parties to ensure regional workability and buy-in prior to completing recommendations to the NYISO.
- Market advisor – The team will consult with the Market advisor regarding potential rules changes or for guidance on optional choices.
- Other outside consultants may be utilized for guidance on the effects of potential rules changes.

Schedule

- Schedule information will be developed following a review of this process with Senior management.