

NYISO Electric System Planning Working Group Meeting

July 2, 2003

9:00 a.m.

NYISO

290 Washington Avenue Extension
Albany, NY 12203

Minutes

Of the second meeting of the New York Independent System Operator Electric System Planning Working Group held July 2, 2003 at the NYISO, 290 Washington Avenue Extension, Albany, NY.

PRESENT:

Bill Palazzo	New York Power Authority
Larry DeWitt	Pace
Jerry Ancona	National Grid
Larry Eng	National Grid
Mary Ellen Parvalos	National Grid
Audrey Capers	NYS DPS
Howard Fromer	PSEG
Glenn Haake	IPPNY
Doreen Saia	Mirant
Rich Felak	Calpine
Laurie Oppel	Navigant Consulting/LIPA
Jim Parmalee	LIPA
Bob Reed	NYSEG
Stuart Nachmias	Con Edison
Ralph Rufrano	NYPA
Chris Hall	NYSERDA
Jeff Gerber	NYSERDA
Mark Younger	Slater Consulting
Garry Brown	Sithe
Tariq Niazi	NYS CPB
Diane Barney	NYDPS
Tom Paynter	NYDPS
John Buechler	New York Independent System Operator
Michael Calimano	New York Independent System Operator
Ernest Cardone, NYISO Liaison	New York Independent System Operator
Greg Drake	New York Independent System Operator
Bill Lamanna	New York Independent System Operator
John Adams	New York Independent System Operator

Ray Stalter
Valerie Caputo

New York Independent System Operator
New York Independent System Operator

Via Conference Call:

Pete Chamberlain
Glen McCarthy
John Watzka
Mike Jacobs

NRG
Constellation
Central Hudson
TransEnergie-US

Welcome and Introductions

Mr. Bill Palazzo, Chairman of the Electric System Planning Working Group welcomed members of the group and stated the agenda for the day.

Review of the Notes of June 13 meeting

Mr. Palazzo asked if there were any changes or objections to the draft notes. None were made. The WG agreed that formal approval of meeting notes is not necessary.

Review of revised ESP WG “Scope”

Mr. John Buechler reviewed the minor changes that were made to the scope, based on discussion at the last meeting. Mr. Fromer asked what the role of the ESPWG was in regards to congestion projections and questioned if it is appropriate to be projecting congestion. Mr. Buechler responded this will be decided with the input of the MPs. Members discussed and agreed the purpose of the group is to address FERC requirements for planning. It was noted that the scope did not include the role of NYSRC; this will be added to the scope. One member requested a separate bullet be added to address the approach to economic need criteria, as discussed in the FERC whitepaper. Mr. Buechler and other members indicated this was already included in some of the broader categories that were listed for Phase II. Nevertheless, it was agreed to the following change to address this issue:

During Phase II, the scope of the Planning Working Group will be expanded to include, at a minimum, input on and recommendations for the following additional issues:

Modeling input assumptions

Mr. Calimano presented, “NYISO Electric System Planning Process – Input Data, Assumptions, and Variable Lists”. He reviewed the situational input assumptions such as economic outlook, fuel prices, new resources, resource retirements, and neighboring control areas. Data and modeling inputs include load forecast, generator data, transmission, demand response, operational, and reliability criteria and standards. The NYISO will revise this list to indicate which parameters are needed for reliability and/or economic analyses.

Mr. Fromer suggested using the five year forecast currently used for reliability analysis to help in determining other areas that need to be analyzed. It was asked how the weather

uncertainty is handled. Mr. John Adams indicated the NYISO will look at extreme conditions per NPCC criteria.

Future issues list

Mr. John Buechler discussed the future issues list that had been distributed with the meeting materials. The list will be reviewed each meeting and revised as necessary.

Comparison of planning procedures in PJM and ISO-NE

Mr. John Adams, NYISO Director – Analysis and Planning, presented “Comparison of Planning Procedures – PJM and ISO-NE”. Mr. Adams noted that New England uses a one cycle per year procedure and PJM uses two cycles in their annual planning process. Mr. Adams discussed the ways that ISO-NE and PJM utilize Load Forecasts, IRM, and Resource Adequacy, in their planning process. New England uses RTEP for forecasts of congestion analysis and PJM uses historical data for congestion. Mr. Adams then provided a comparison of the proposed NYISO process to the neighboring control areas. Ms. Mary Ellen Paravalos asked if the congestion analysis would be able to identify the locked in generation areas. A member asked if the NYISO had any information on what PJM and ISO-NE report on the analysis of historical congestion. Mr. Adams stated that ISO-NE does not currently have this data available but will be using this in the future while PJM currently uses an historical assessment of congestion, but they are moving toward economic planning and this would most likely require forward looking analysis. Mr. Younger suggested that unusual conditions should be separated when future studies are performed.

Congestion Costs

Mr. Adams discussed the components of congestion and reviewed the terms and methods used for calculations. Ms. Paravalos was interested in identifying those components which reflect the costs that end-use customers bear because of transmission limitations. Mr. Younger indicated the congestion payments to generators reflect the cost to customers.

Comments submitted by NYSEG

Mr. Bob Reed, discussed the NYSEG comments. Mr. Reed discussed the calculations used for the cost of congestion. He indicated that a congestion-free system may not result in lowest total cost to consumers, and, under certain conditions, it may cause total prices to increase.

Mr. John Tompkin suggested averaging the prices of all the zones. Mr. Reed indicated that we do not know how much additional generation exists. It was asked if the historical analysis of congestion would be statewide or zonal specific. Mr. Adams replied this would be analyzed regionally to provide information on where the congestion is on the system. Members discussed the need to consider operating requirements, such as thunderstorm alerts that result in a certain amount of congestion; this could be considered as an unusual circumstance.

Members asked how the congestion would be computed, when performing a historical analysis. Mr. Adams stated the NYISO could report what was observed in terms of the

billing data, which can be broken down by interfaces and zones, and then the NYISO may be able to analyze if it is the result of an unusual event. Members emphasized the need to get the historical costs correct in order to move forward. Ms. Saia noted that the NYISO should try to identify the causes of historical congestion.

Mr. Buechler stated that it is important to first agree on the definitions in order to produce a meaningful number; whatever is done for the historical should be consistent with what is used for the projections. The historical costs need to be determined first. Mr. Ralph Rufrano indicated we need to be cautious to not overstate the amount, so that in planning the appropriate measures will be taken. Ms. Doreen Saia added that if the wrong numbers are determined then future calculations will be skewed.

LIPA'S Proposed Calculation Methodology

There was a suggestion to look at what the dispatch change is and what the cost of running the system is with and without congestion. Members suggested the NYISO perform a production simulation analysis for this purpose.

Mr. Jim Parmalee provided an illustration of his proposed method to calculate congestion.

- 1) taking the actual costs based on historic operation;
- 2) re-calculating total system costs without congestion; and
- 3) take the difference between the two.

Mr. Parmalee suggested using the actual SCUC model output as the source for historical data and then to do an additional SCUC run, off-line, with the transmission constraints removed. Mr. Reed indicated this method is similar to NYSEG's proposal number 3, except the NYSEG model used zonal numbers and that Mr. Parmalee's model is indicative of the total production cost. Mr. Buechler stated the NYISO will consider this proposal.

Comments submitted by National Grid

Ms. Paravalos discussed the comments submitted by National Grid. She suggested the purpose of the calculation should be to show what transmission constraints cost as a region. Ms. Paravalos indicated other components that should be considered in calculating congestion include: energy costs, capacity costs, operating reserve costs, losses and effect on bilateral contracts.

Ms. Paravalos suggested National Grid's proposed methodology is comparable to the number 4 scenario presented by the NYISO and the number 3 scenario presented by NYSEG. She suggested the models proposed do not take into account the bidding strategies and this needs to be recognized. Mr. Reed indicated the price rise in the unconstrained region is not reflected in the NYISO scenario number 4.

Mr. Parmalee suggested using some of the concepts presented by National Grid, NYSEG and himself in an SCUC simulation. Mr. Buechler stated the NYISO could not commit to using SCUC at this time for a full analysis of the past three years. This point was acknowledged by the WG and it was suggested that a spot analysis could be performed using historical data to

establish a starting point. *The NYISO will report back on whether SCUC could be used for the analysis of historical data.*

Comments Submitted by Con Edison

Mr. Nachmias discussed the Con Edison proposal which included an analysis of historic congestion to identify the causes but would not include any future projections. Instead, he suggested offering longer term TCC's in the periodic auctions and that the prices for those would provide a "market based" projection of congestion costs. There was some discussion as to the merits of this proposal, what if buyers were unwilling to purchase longer term TCCs and the resulting market is thin, etc.

Additional stakeholder comments

Members discussed what is needed in the initial planning process and agreed it could focus on:

- The reliability needs (this is already done in the ATRA)
- a complete review of the historical congestion (need a comprehensive historical congestion report to understand the reasons for congestion)
- congestion cost forecasts

Mr. Palazzo attempted to poll members on their preferred methods. Most members indicated that they needed further information before taking a position. .

Future meeting dates

The NYISO proposed the following meeting dates and locations:

- Friday, July 18 – Albany, 9 am
- Friday, August 1 – NYC, 10 am
- Tuesday, August 19 – Albany, 9 am

Focus of next meeting:

- "Process issues" relating to the initial planning process
- NYISO reporting on historic congestion reporting methodologies

Action Items

See attached list.