

NYISO Electric System Planning Working Group Meeting

March 24, 2005

NYS Nurses Association – Latham, NY

Draft Minutes

Of the 29th meeting of the New York Independent System Operator Electric System Planning Working Group held March 24, 2005 at NYISO in Albany, NY.

In Attendance:

Jerry Ancona – NMPC	Diane Barney – NYSPSC
Tim Bush – Navigant Consulting for MEUA	Tim Foxen – NRG
Howard Fromer – PSEG	Paul Gioia – LeBoeuf, Lamb, Green & MacRae
Kenneth Lotterhos – Navigant Consulting	Michael Mager – Multiple Intervenors
Manos Obessis – Power Gem	Bill Palazzo – NYPA
Bob Reed – NYSEG	Doreen Saia – Mirant
Jeff Stockholm	Mark Younger – Slater Consulting
John Adams – NYISO	Garry Brown – NYISO
John Buechler – NYISO	Valerie Caputo – NYISO
Ernie Cardone – NYISO	Liz Grisaru – NYISO
Bill Lamanna – NYISO	
<i>Via Teleconference:</i>	
David Applebaum – Sithe	Rich Felak – Calpine
Alan Foster – Dynegy	Glenn Haake – IPPNY
Christopher Hall – NYSERDA	Ed Kichline – KeySpan Energy Services
Glen McCartney – Constellation	Jim Mitsche – Power Gem
Ralph Rufrano – NYPA	Meyer Sasson – Con Edison
Mohsen Zamzam – Con Edison	

Welcome and Introductions

Mr. Bill Palazzo, Chair of the Electric System Planning Working Group welcomed the ESPWG members to the meeting and stated the agenda.

Meeting Minutes

The meeting minutes from the February 7, 2005 meeting were approved and will be posted on the NYISO/MDEX website.

NYISO Status Report to FERC

John Buechler presented “NYISO Comprehensive Planning Process – Progress Report to FERC”. The Order issued by FERC on December 28 requires the NYISO to provide a status report to within 90 days. The NYISO will be reporting on the parallel process that has been used for the CRPP implementation issues and Phase II on economic issues which has included Market Participant involvement through both the ESPWG and TPAS. . Mr. Buechler provided an overview of the status of a number of CRPP implementation procedures that will be included in the status report.

Mr. Buechler discussed the NYISO’s “Strawman” proposal for economic planning. The proposal was approved by the OC in February and includes expanded reporting of historic congestion and a focus on enhanced market-based initiatives. Mr. Buechler discussed how future estimates of congestion will be determined and the NYISO role in the analysis of proposed upgrades. Mr. Buechler summarized that additional time should be allowed for the NYISO to explore additional market enhancements and to allow time for the markets to respond to the additional economic information that will be provided to the market place.

Historic Congestion Update

Manos Obessis presented “Congestion Impact Update”. Mr. Obessis explained that the PROBE software has been expanded and modified to accept SMD2 input data. . The reporting capability has improved. Mr. Obessis provided a review of the congestion reporting data for 2003 and 2004 that will be posted to the NYISO website. It is expected that the data will be posted on a new page in the Planning section of the NYISO website before the April OC meeting in the form of excel spreadsheets. Power Gem indicated that, going forward, they should be able to provide the monthly data for posting within 60 days of the end of the month. In addition to the data being posted, a brief document with an explanation of the numbers and what they represent will also be posted. Mr. Obessis discussed some issues that have been identified with reporting unmitigated bids. Power Gem suggested deferring the posting of unmitigated bids until further experience is gained with AMP and SMD. ESPWG members agreed that at this point, it was not necessary to use the unmitigated bids.

PSC Role in CRP Process – Dispute Resolution Procedure

Diane Barney provided a revised version of the proposed dispute resolution process. Jeff Stockholm, a New York State Administrative Law Judge (ALJ), was in attendance to discuss the proposal. The proposed procedure is intended to allow for flexibility depending on the case and circumstances. Some cases may require flexibility because they are of a time-sensitive nature. The proposal also allows for the discretion of the ALJ to determine the process. The PSC indicated that state Public Service Law may require that the process be open to all parties—even those not participating in the NYISO. Mr. Gioia raised a concern about this and questioned whether the ALJ had the discretion to narrow the issues and to limit participation. He was concerned that an open process would allow outside parties to introduce new information and thus upset the NYISO’s CRPP process. He suggested whether the NYISO’s procedures could be written so as to narrow the record that was presented to the PSC. Each case would be assigned

an ALJ and parties could work strictly with mediation or could use a dual track process of working toward hearings while also in the process of mediation. Liz Grisaru, NYISO Senior Attorney was concerned that the mediation process may not be appropriate for the types of conflicts that arise with the NYISO planning process and the impact on schedule for the planning processes when disputes linger. Judge Stockholm pointed out that mediation may allow the parties to reach agreement on some of the issues prior to trial. It was suggested the process should include mandated mediation prior to litigation. Judge Stockholm indicated that forcing mediation is not effective because it involves cooperation from all parties involved. Ken Lotterhos was concerned with the jurisdictional issues regarding the PSC and LIPA. Mr. Fromer requested the proposal include clarification that the PSC involvement only pertains to PSC jurisdictional items. The group discussed the process of providing the PSC with the “record” and who should be responsible for this; the PSC commented that whoever files the dispute has the burden of providing the record. There was discussion on the involvement of the NYISO and if they would be considered a party in the matter. Ms. Grisaru indicated that she could not commit the NYISO to being a party to all disputes, but noted that if the NYISO is contacted by the PSC, they will cooperate. There was a suggestion that two forms of notice be provided: SAPA” notice as well as notices sent to all MPs on the NYISO TIE list. *Comments were requested to PSC staff by April 1.*

Comprehensive Reliability Planning Process

Ms. Grisaru stated that Bill Lamanna would provide the presentation given to TPAS yesterday with some minor changes, which will be noted. Mr. Lamanna, NYISO Senior Engineer, presented “Comprehensive Reliability Planning Process (CRPP) Scheduling and Implementation. Mr. Lamanna discussed the process used for building the base case. There was discussion on the rules used for including generators or TO projects and a concern expressed that different standards were being proposed. MPs commented that the rules should be similar for both. Mr. Lotterhos was concerned if a project that had already been selected through a utility’s competitive RFP process is not being included in the base case and then if there is a need identified, the project that is already in progress may have problems with other projects moving forward to meet the same need. Garry Brown, NYISO Vice President – Strategic Development, commented if the TO has a project that has begun when needs are identified, the TO should announce the project and the level of progress, and this will discourage other projects from moving forward. Ms. Grisaru indicated that Merchant Transmission projects should not be under the same rules as the TOs, because the TOs have regulatory obligations. Mark Younger suggested having a list of proposed projects not included in the base case that may meet the identified needs with their status and also that sensitivity analysis could be performed on these projects. Paul Gioia commented that in the beginning of the process part of the compromise made was that the TOs plans would be considered. Mr. Buechler agreed and referred to the Tariff provisions requiring that the TO’s submit their plans as input to the RNA process and the requirement that the NYISO would review those plans to indicate its agreement with them. He explained that this is a different issue than the determination of what projects are in the base case, and agreed that this could be done through scenario analysis. Ms. Barney referred to a draft proposal from the DPS on a screening process for including TO projects in the base case. The PSC proposed a three year window for the acceptance of TO projects. The group then discussed the proposal and discussed using the following conditions for including projects in the base case:

All TOs projects would need to meet the following conditions:

- 1) Project is under construction
- Or
- 2) The project has acquired any required permits and an approved SRIS
- And
- 3) The project can demonstrate that it has all appropriate internal budget approvals

If the project meets the first condition or the second and third condition, then it would be included in the base case. If it does not meet these conditions, it will not be included in the base case, but the NYISO will include the project in a scenario analysis during the Reliability Needs Assessment (RNA). Additionally, all non-BPS TO projects would be included in the Base Case.

Merchant generators and transmission projects that have not completed the NYISO cost allocation process and accepted their cost allocation and are either in service or under construction would need to meet all three of the following conditions:

- 1) Have an approved SRIS
- 2) Have a Power Purchase Agreement (PPA)
- 3) Have any required permits

The NYISO will distribute a new proposal to the group by early next week. Mr. Buechler reminded the group that in order to keep within the timeline for completing the RNA, the base case must be settled by March 31. *The group scheduled a conference call meeting for March 31 at 2:00 p.m.*

The NYISO requested MPs with requests for scenarios to be considered should be submitted to Bill Lamanna by April 11.

Consideration of Economic Planning Issues

▪ Cost Allocation for Reliability Upgrades

Jerry Ancona discussed a draft proposal on Cost Allocation Methodology for Regulated Reliability Solutions. Three examples of possible deficiencies were provided: Reliability Violation Caused by LICAP Deficiency in a Locality, ICAP Deficiency in NYCA, and Inter or Intra-Zonal Transmission Thermal/Voltage/Stability (T/V/S) Criteria Violation. The ICAP Deficiency in NYCA would use a load ratio share calculation to distribute the cost of the solution. The Inter or Intra-Zonal Transmission T/V/S Criteria Violation test looks at the system with the criteria violations and determines a proportion of how much each sub zone can reduce the problem and cost is allocated. Several open issues existed. There was discussion on how and if they should allocate some of the costs to external areas. Meyer Sasson asked if the NYISO could identify customers in the sub zones. The NYISO would not be able to go below the sub zone. *Mr. Lamanna suggested that any comments on the draft proposal be submitted to the NYISO by April 11 for discussion at the April ESPWG meeting.*

Technical Conference

Mr. Buechler noted that FERC is holding a technical conference to explore impediments to investment in electric transmission on April 22 in Washington. The NYISO's technical conference is in the planning stages and is expected to be scheduled for this summer.

Next Meeting

The next ESPWG meeting is scheduled for April 18. The May 11 ESPWG meeting has been rescheduled for May 9.

Action Items

1. Provide comments on the PSC Dispute Resolution Proposal to Diane Barney by April 1.
2. Conference call meeting of ESPWG/TPAS on March 31 at 2:00 for finalization of base case.
3. Submit comments on the draft Proposed Cost Allocation Methodology for Regulated Reliability Solutions to the NYISO by April 11.
4. Submit suggested topics for scenarios for the RNA to NYISO by April 11.