

NYISO Electric System Planning Working Group Meeting

July 14, 2005

NYISO Washington Ave Ext, Albany, NY

Draft Meeting Notes

Of the 33rd meeting of the New York Independent System Operator Electric System Planning Working Group held July 14, 2005 at NYISO in Albany, NY.

In attendance:

Jerry Ancona – National Grid	Roy Shanker – East Coast Power
Mohsen Zamzam – Con Ed	Jeff McKinney - NYSEG
Joe Langan - PPL	Paul Gioia – LeBoeuf, Lamb, Green & MacRae
Kenneth Lotterhos – Navigant/LIPA	Michael Mager – Multiple Intervenors
Tim Foxen - NRG	Bill Palazzo – NYPA
Manos Obessis – PowerGem	Michael Colby - DPS
John Watzka – Central Hudson	Glenn Haake - IPPNY
John Buechler – NYISO	Diane Barney - DPS
Ernie Cardone – NYISO	Liz Grisaru – NYISO
Kim Harriman - PSC	Doreen Saia - Mirant
Leigh Bullock – NYISO	Tom Rudebusch - NYAPP
Janet Besser – National Grid	Glenn Catenacci - PSEG
Bob Reed - NYSEG	Harvey Happ - PSC
Tom Payntor - PSC	Tariq Niazi - NYSCPB
Joe Lewis - Constellation	Mark Younger – Slater Consulting
Penny Rubin - PSC	Diedre Facendola – Con Ed
Christopher Hall – NYSERDA	Chris Wentlent - AES
Marco Padula - NYSDPS	John Watzka – Central Hudson
Jim Scheiderich - Select	Howard Fromer - PSEG
Matt Milhous - Keyspan	Tim Bush – Navigant Consulting
Jim D’Andrea - Keyspan	David Allen - CDKPC
Liam Baker - Reliant	
King Look – 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. He announced that Mr. Tariq Niazi would succeed him as the ESPWG chair in September.

Approval of Minutes

The June 8, 2005 meeting minutes were approved and will be posted to the NYISO website with additional revisions.

Procedures for halting regulated solution

Ms. Grisaru reported that the draft procedures for halting a regulated Solution is still being worked on and will be sent out to ESPWG members prior to the August meeting.

Cost allocation –

The group continued discussion on cost allocation for resource reliability needs. A conceptual framework document, put together by Bill Palazzo, was passed out and discussed.

The group discussed exemptions for LSEs with long term investments. NYPA's position is they should not have to pay for reliability backstop investments until its resources fall below its locational capacity requirement. Mr. Raj Adepalli expressed concern that the current proposal contemplates spreading costs to all LSE's in a given zone. Specifically, the concern, the ESCO has to recover money from its customer base in that zone whereas the TO share is recovered from all customers in the state, not just in that zone. This will put the ESCO at a disadvantage in terms of competitiveness. He asked if the cost should be spread to all LSE's or find a way to collect from the TO so there won't be a competitive disadvantage to individual ESCOs.

ESPWG agreed that a generic example of proposed approaches would be helpful in understanding various positions. There will be continued discussion at the August meeting.

Another Look at Cost Allocation – Jerry Ancona

Mr. Ancona discussed an alternative cost allocation proposal. In past discussions regarding potential cost allocation credits to loads with pre-existing capacity contracts, the issue of what to do with property rights generated by a reliability solution was overlooked. These property rights would either come in the form of incremental TCCs and UDRs for transmission upgrades or LICAP/ICAP rights for new capacity or demand side capacity.

This proposal would grant incremental rights on the same basis that costs are allocated – thereby potentially negating the need for granting credits. The cost allocation rules could be:

- For a regulated reliability solution addressing a LICAP/ICAP deficiency, quantifiable incremental property rights generated by those solutions should be granted to those assigned cost responsibilities on the same proportional basis with no credits given for pre-existing contracts.
- More specifically, loads paying for the regulated solution could be granted ownership of:
 - Resulting TCCs and UDRs (Unforced Capacity Deliverability Rights or import rights – which have not been developed except for the LI Sound Cable inter-regional DC project) if the solution is transmission; or
 - LICAP/ICAP capacity rights if the solution is new capacity (or demand side capacity). Holders of pre-existing contracts could then sell these rights to others that need them.
- Alternately, the TO responsible for the solution could hold the property rights in common and sell them in applicable auctions to offset the cost of the regulated solution

Mr. Fromer asked if an example could be put together for the next meeting. Mr. Ancona agreed to bring an example illustrating his proposal to the next ESPWG meeting.

Cost Recovery for Non-Transmission Solutions

The group discussed the current tariff provisions which provide for the recovery of investments for non-transmission regulated backstop solutions in accordance with the Public Service Law. . The PSC staff indicated they have some additional thoughts on cost recovery of regulated non-transmission reliability projects which may require a modification to the current tariff. The PSC and NYISO will need to discuss this further.

Comprehensive Reliability Planning Process (CRPP) Implementation and Scenarios

Mr. Lamanna presented “CRPP Implementation and Scenarios”. The CRPP list of proposed scenario analyses was reviewed. He reported that the cases and results were reviewed with National Grid, NYSEG/RGE, Con Edison & LIPA, and additional meetings will be scheduled with the other TOs. Preliminary results indicate reliability needs, with MW and MVAR shortages in Hudson valley and South. Preliminary resource adequacy analysis for 2010 indicates criteria violation. Mr. Lamanna will present a table of results at the next meeting.

Dispute Resolution Process – Paul Gioia

The draft dispute resolution procedure prepared by the TOs was discussed. ESPWG members agreed that off-line discussions between a smaller group of Market participants, PSC staff and NYISO would be helpful in resolving remaining issues. Mr. Palazzo suggested that this group report back at the next meeting.

Economic Planning Considerations - Manos Obessis

Mr. Obesses presented Economic Planning Considerations. The overall framework was to evaluate expected benefits from eliminating targeted transmission constraints. He proposed that the historical analysis would include consideration of the most persistent/largest impact constraints, the selection sample days, evaluation of constraint interaction, and extrapolation from sample days to annual impacts. He also suggested that future analysis could include extrapolating from historical data and calculating a present value over a future period or performing an analysis of future year impacts accounting for planned system modifications. Mr Obesis presented the results of his analysis which showed the impact of the elimination of certain persistent constraints for several sample days.

Ken Lotterhos expressed concern regarding the identification of actual constraints. He stated that, if the NYISO is going to provide production cost impact estimates for economic planning informational purposes, the information should be as technically accurate as possible. He indicated his concern that the methodology chosen (i.e. – the complete elimination of a constraint) may differ from the consideration of an actual reinforcement since it divorces the calculation from the underlying physics of the system. Such an approach runs the risk of missing the case where technical accuracy makes a difference.

He asked that the appropriate caveat be added to the information provided under the Economic Planning Process that the approach taken, relaxing limits on the congested flowgate/element, is not intended to suggest any particular solution to relieving an economic constraint and only represents one approach to estimating the benefits of relieving a constraint. Also, a cautionary statement should be included that

where historic data is used, some planned upgrades may not be reflected in the cost calculations and the user should refer to the NYISO CRPP for information on planned system upgrades.

Ms. Saia asked that PowerGEM revise and redistribute their presentation so that it does not identify specific facilities/constraints. .

It was stated that it is not the intent of this presentation to make any recommendations; the intent was to put together a “what if” analysis.

Mr. Palazzo suggested that PowerGEM take a different constraint, perform the analysis in the same manner as previously done and compare that result to the case utilizing a specific feasible transmission reinforcement to address the same constraint. A larger sample size was requested. By August 19th, PowerGEM will pick another constraint, select a feasible transmission reinforcement in consultation with NYISO Staff and report back on their findings without identifying the constraint or the specific reinforcement. .

IPSAC Meeting

Mr. John Adams reported on the initial IPSAC kickoff meeting, held on June 17th at the Desmond Hotel, in Albany, NY. The meeting was well attended by NE, NY and PJM stakeholders. . In addition, there were several attendees from Canadian entities, state regulators and FERC. The group was positive about the concept and discussed a number of issues, including: review of the Northeastern Coordinated System Plan: 2005, discussion of interregional planning & risks, stakeholder input for the development of NCSP 2006, and a discussion on the schedule for the preparation and review of NCSP 2006. IPSAC will develop a scope of work for the NCSP 2006, based upon input received at the meeting and distribute to IPSAC for review prior to starting any analysis. Another IPSAC meeting will be scheduled later this year.

Next Meeting

The next ESPWG meeting will be held on August 19, 2005 at the NYISO on Washington Ave, Albany.