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Broader Regional Markets Proposed

NYISO files plan with FERC to enhance coordination among grid operators

Rensselaer, NY – The New York Independent System Operator (NYISO), in conjunction with grid operators serving the Mid-Atlantic, Midwest, and New England regions of the United States and the Canadian province of Ontario, has proposed a series of “Broader Regional Markets” initiatives to the Federal Energy Regulatory Commission (FERC).

The proposals address ways to improve coordination of power transactions between regional grid operators.

“Enhancing the flow of power among the grid operators will expand the benefits of markets to consumers throughout the region,” said Stephen Whitley, NYISO President & CEO.

In July 2009, the Federal Energy Regulatory Commission (FERC) directed the NYISO, in cooperation with its neighboring grid operators, to develop and submit a report on a long-term, comprehensive solution to address issues that affect grid operators and market participants in the region.

The NYISO collaborated extensively with Ontario’s Independent Electricity System Operator (IESO), the Midwest Independent Transmission System Operator (MISO), PJM Interconnection (PJM), and ISO New England (ISO-NE) in developing the proposals. The effort included two technical conferences conducted to engage power system stakeholders in the issues that impact power providers, consumers, and all market participants.

The proposals submitted in the filing with FERC include both market-based and physical solutions. They include a plan to charge for congestion costs based on actual flows, not scheduled flows, as is currently done. Another proposal involves greater regional collaboration in jointly solving transmission constraints. Currently each system operator is limited to using native resources for solving constraints, even though resources from a neighboring system may be more cost effective.

A brief summary of the proposals follow. More information about the filing is available on the NYISO website: http://www.nyiso.com/public/webdocs/documents/regulatory/filings/2010/01/NYISO_Rpt_BRM_01_12_10FNL.pdf.

NYISO Broader Regional Markets Filing – Summary of Proposals

Buy-Through of Congestion

This proposal would require that the congestion cost of a transaction be charged based on the physical flow of power, unlike the current settlement determination that is based only on the contract path. Under this proposal, a transaction scheduled from Ontario to MISO to PJM would be charged for the uncontrolled flows of that transaction that go through New York.

This would have a number of benefits. It would provide more accurate price signals for inter-regional trading, allow for congestion management cost recovery, and provide an economic-based alternative to the existing Transmission Loading Relief (TLR) procedures.

Market-to-Market Coordination

This proposal would increase the level of collaboration between system operators in the region. Generation assets in neighboring control areas would be made available to address constraints in another region if those generators are the most effective available. Potential transmission constraints would be pre-determined and jointly solved as per a real-time cost and system analysis.

The approach is intended to more cost effectively utilize the region's collective assets to address constraints across multiple systems, resulting in lower congestion costs to consumers, and provide a more consistent pricing profile across markets.

Interface Pricing Revisions

This proposal would address existing seams between markets that can impede efficient regional power transfers. Efficient and compatible interface proxy bus prices will improve the interconnected markets' ability to efficiently transfer power within the four ISO/RTO regions.

Better aligning prices at the interface between markets will provide the correct signals to market participants, and better reflect the value of moving energy between regions.

Interregional Transaction Coordination

Currently inter-area transactions are scheduled on an hourly basis. In addition, each control area is responsible for securing reserves and regulation from native resources. Under this phased proposal, the frequency of interchange schedule changes would be reduced from one hour to as little as five minutes. In addition, reserves and regulation service would be scheduled between regions.

This would result in a significant lowering of total system operating costs as transaction schedules would more quickly adjust to market-to-market pricing patterns. Price consistency and transmission utilization would also be improved.

Installation and Operation of Michigan/Ontario PARs

A physical solution to the issue of loop flow involves the completion and activation of a set of Phase Angle Regulators (PARs) on the Michigan-Ontario border. PARs are electrical devices that can enable the redirection of power from one circuit to another. When fully operational, these would be expected to help align the actual power flows with the corresponding level of scheduled transactions.

The benefit of the operation of the PARs would be in reducing inadvertent flows that do not match contract paths. This would reduce the amount of Transmission Loading Relief (TLR) required to counteract the congestion caused by inadvertent flows.

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The New York Independent System Operator (NYISO) is a not-for-profit corporation that began operations in 1999. The NYISO operates New York's bulk electricity grid, administers the state's wholesale electricity markets, and conducts comprehensive planning for the state's bulk electricity system.