NEWS RELEASE

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Federal Regulators Conditionally Approve "Broader Regional Markets" Initiative

Plans for Regional Power Market Efficiencies Progress

Rensselaer, N.Y.—A series of "Broader Regional Markets" initiatives to improve coordination among regional grid operators has received conditional approval by the Federal Energy Regulatory Commission (FERC).

In a July 15 Order, the FERC noted "…these planned regional initiatives will be designed to reduce uplift costs and lower total system operating costs…"

In March, the New York Independent System Operator (NYISO) announced that a preliminary analysis of the benefits of the Broader Regional Markets initiatives estimates regional annual savings of at least $368 million. Estimated savings associated with New York are $211 million a year. The analysis was conducted by Potomac Economics, which serves as the NYISO's Independent Market Monitor.

The NYISO proposed the Broader Regional Markets plan, encompassing the grid operators serving the Mid-Atlantic, Midwest and New England regions of the United States and the Canadian province of Ontario, to the FERC in January 2010. In its July 15 Order, the FERC said, "We commend the NYISO and the entities with whom it has collaborated in developing the recommendations and proposals outlined in the NYISO Report. We agree that these planned regional initiatives, taken as a whole, appear to represent a constructive, workable framework for minimizing the occurrence of Lake Erie region loop flow."

The NYISO collaborated extensively with Ontario's Independent Electricity System Operator (IESO), the Midwest Independent Transmission System Operator (Midwest ISO), PJM Interconnection (PJM) and ISO New England (ISO-NE) in developing the proposals.

"We are very encouraged by the positive direction provided by the commission, and we appreciate the recognition of the coordination that was achieved by the NYISO, IESO, PJM, Midwest ISO and ISO-NE to allow these proposals to come together. 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.

The FERC Order asked the grid operators to address questions regarding various components of the Broader Regional Markets initiative with responses to be provided in 30 days.

"As with any initiative of this scope, there are a lot of details, and our answers to these and other questions will enable all interested parties to better understand exactly what we are proposing. We look forward to addressing the questions and elaborating on the benefits of the Broader Regional Markets initiative," Whitley said.

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.

Broader Regional Markets Initiative – 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 any resulting flows 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 efficient 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 also would be improved.

Installation and Operation of Michigan/Ontario PARs

A complementary 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 TLR required to counteract the congestion caused by inadvertent flows.

Parallel Flow Visualization

The development of a parallel flow visualization tool is designed to enhance the exchange of transmission system information and to assemble the necessary real-time data to perform the generation-to-load calculations, facilitate the calculation of impacts and make available common and consistent information regarding the sources of power flows and their impacts to all regions.

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