

U.S. Department of Energy
Transmission Congestion Study Workshop

Comments of the
New York Independent System Operator

By

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GOOD MORNING. ON BEHALF OF THE NYISO, I'D LIKE TO THANK THE DOE FOR THEIR INVITATION TO PARTICIPATE IN TODAY'S WORKSHOP. WE APPRECIATE THE SIGNIFICANT EFFORT THAT THE DOE IS ABOUT TO UNDERTAKE AS PART OF YOUR RESPONSIBILITIES UNDER EPACT 2005. NYISO, IN CONJUNCTION WITH THE ISO/RTO COUNCIL'S PLANNING COMMITTEE, PROVIDED SUBSTANTIAL INFORMATION TO THE DOE IN SUPPORT OF THE FIRST CONGESTION STUDY—ISSUED IN 2006—AND ONCE AGAIN WE STAND READY TO OFFER OUR ASSISTANCE FOR THE 2009 CONGESTION STUDY.

NYISO BACKGROUND

NYISO IS A STRONG SUPPORTER OF MARKET-BASED SOLUTIONS FOR MEETING BOTH RELIABILITY AND ECONOMIC NEEDS. THIS PHILOSOPHY IS REFLECTED IN THE DESIGN OF THE NYISO'S WHOLESALE MARKETS AS WELL AS IN ITS COMPREHENSIVE RELIABILITY PLANNING PROCESS (“CRPP”) WHICH TREATS ALL RESOURCES (GENERATION AND DEMAND RESPONSE AS WELL AS TRANSMISSION) ON A LEVEL PLAYING FIELD AND WHICH GIVES AN EXPLICIT PREFERENCE TO MARKET-BASED SOLUTIONS OVER REGULATED BACKSTOPS.

AS PART OF ITS CRPP, THE NYISO HAS ALSO BEEN TRACKING AND REPORTING HISTORIC CONGESTION IN NEW YORK SINCE 2003 IN ACCORDANCE WITH SPECIFIC METRICS DEVELOPED AND APPROVED THROUGH THE NYISO'S STAKEHOLDER PROCESS. THIS INFORMATION IS POSTED ON NYISO'S PUBLIC WEBSITE TO PROVIDE INFORMATION TO MARKET PARTICIPANTS IN DEVELOPING THEIR BUSINESS PLANS. MORE ABOUT THIS IN A MOMENT.

AS EVIDENCE THAT OUR MARKET-BASED APPROACH IS WORKING, OVER 6000MW OF NEW GENERATION HAS BEEN ADDED IN NEW YORK SINCE THE START OF NYISO'S OPERATION IN 1999. THE LARGE MAJORITY OF WHICH IS LOCATED WHERE ITS MOST NEEDED FOR BOTH RELIABILITY AS WELL AS ECONOMICS—IN SOUTHEAST NEW YORK. ACCORDINGLY, BECAUSE OF THE NYISO'S LOCATIONAL PRICE SIGNALS FOR ENERGY, ANCILLARY SERVICES AS WELL AS CAPACITY, NEW YORK HAS NOT EXPERIENCED THE TYPE OF TRANSMISSION BUILD OUTS THAT HAVE BEEN EXPERIENCED BY OUR NEIGHBORS. OUR CRPP CONTINUES TO PROVIDE MARKET-BASED RESPONSES WHICH ARE MORE THAN SUFFICIENT TO MEET THE IDENTIFIED RELIABILITY NEEDS.

RECENT UPDATES

IN DECEMBER 2007, THE NYISO FILED A PROPOSAL FOR A FORWARD-LOOKING ECONOMIC PLANNING PROCESS IN RESPONSE TO ORDER 890 WHICH WILL SUPPLEMENT OUR ONGOING REPORTING OF HISTORIC CONGESTION. UNDER THIS PROPOSAL, THE NYISO WILL ESTIMATE CONGESTION FOR A 10-YEAR PERIOD AS WELL AS ANALYZE POTENTIAL SOLUTIONS—INCLUDING GENERATION, DEMAND RESPONSE AS WELL AS TRANSMISSION. IN ACCORDANCE WITH ORDER 890’S REQUIREMENTS, THIS INFORMATION WILL BE POSTED ON THE NYISO WEBSITE SO THAT MARKET PARTICIPANTS CAN CONSIDER DEVELOPMENT OF SPECIFIC PROPOSALS TO ADDRESS CONGESTION IN A COST EFFECTIVE MANNER. THE NYISO PROCESS INCLUDES SPECIFIC METRICS—INCLUDING A STATEWIDE PRODUCTION COST SAVINGS ELIGIBILITY THRESHOLD AND A COST ALLOCATION METHODOLOGY BASED UPON REDUCTION IN LBMP LOAD COSTS. FINALLY, A UNIQUE FEATURE OF OUR PROPOSAL IS A REQUIREMENT THAT AT LEAST 80% OF THE PROJECT’S BENEFICIARIES MUST VOTE TO APPROVE THE PROJECT IN ORDER FOR IT TO RECEIVE REGULATED FUNDING UNDER THE NYISO TARIFF. PENDING FERC APPROVAL, WE PLAN TO INITIATE THIS PROCESS IN 2009.

THE NYISO RECENTLY RECEIVED APPROVAL FROM THE COMMISSION TO IMPLEMENT A DELIVERABILITY REQUIREMENT,

AS PART OF OUR INTERCONNECTION PROCEDURES, FOR THOSE GENERATION RESOURCES THAT WISH TO PARTICIPATE IN THE NYISO'S ICAP MARKETS. THE NYISO IS CURRENTLY IN THE PROCESS OF FINALIZING ITS MARKET RULES AND IMPLEMENTATION PROCEDURES AND PLANS TO IMPLEMENT THIS NEW PRODUCT FOR THE INTERCONNECTION "CLASS YEAR 2007."

THE NYISO IS CURRENTLY ENGAGED IN A STUDY TO EXAMINE THE IMPACTS OF A LARGE INCREASE IN THE POTENTIAL AMOUNT OF WIND GENERATION WITHIN NYS—NEARLY 8000MW. WE PLAN TO ANALYZE THE IMPACT ON SYSTEM OPERATIONS AND PLANNING INCLUDING THE NEED FOR TRANSMISSION INFRASTRUCTURE. THE STUDY IS EXPECTED TO BE COMPLETED BY THE END OF THIS YEAR.

UNDER THE NORTHEAST ISO/RTO COORDINATION OF PLANNING PROTOCOL ("PROTOCOL") AMONG NYISO, ISO-NE AND PJM, WE ARE ABOUT TO BEGIN A STUDY WHICH WILL IDENTIFY TRANSMISSION FACILITIES WITH POTENTIAL INTER-REGIONAL BENEFITS. THIS STUDY IS EXPECTED TO BE COMPLETED IN THE FIRST HALF OF 2009.

FINALLY, AS THE DOE IS AWARE, THE NYISO IS PARTICIPATING IN THE JOINT COORDINATED SYSTEM PLANNING EFFORT WHICH IS DEVELOPING LONG RANGE CONCEPTUAL TRANSMISSION SCENARIOS UNDER VARYING ASSUMPTIONS OF WIND RESOURCE PENETRATION FOR THE EASTERN INTERCONNECTION.

CONGESTION PATTERNS IN NEW YORK

SOME OBSERVATIONS REGARDING RECENT CHANGES IN CONGESTION PATTERNS IN NEW YORK:

- **CONGESTION INTO DOWNSTATE AREAS (LONG ISLAND AND NYC) HAS DECLINED OVER THE PAST TWO YEARS BASED PRIMARILY ON: (i) THE CROSS SOUND CABLE BETWEEN NEW ENGLAND AND LONG ISLAND – SUMMER 2006; (ii) THE NEPTUNE CABLE BETWEEN NEW JERSEY AND LI – SUMMER 2007; AND (iii) DETAILED SYSTEM MODELLING OF THE NYC LOAD POCKETS – SUMMER 2006.**
- **HIGHER NET IMPORTS INTO WESTERN NY FROM HQ, ONTARIO AND PJM HAVE CONTRIBUTED TO INCREASED CONGESTION ON THE CENTRAL-EAST INTERFACE—PRIMARILY DUE TO VOLTAGE LIMITATIONS IN 2007.**
- **THUNDERSTORM ALERTS AND EASTERN 10-MINUTE RESERVE SHORTAGES—WHILE INFREQUENT—HAVE A SIGNIFICANT IMPACT ON CONGESTION—ESPECIALLY FROM THE CAPITOL REGION THROUGH THE HUDSON VALLEY AREA.**
- **SHARPLY RISING OIL AND NATURAL GAS PRICES OVER THE PAST YEAR HAVE LARGELY OFFSET REDUCTIONS IN CONGESTION COSTS DUE TO THE ABOVE SYSTEM IMPROVEMENTS.**

CONGESTION METRICS

AS NOTED ABOVE, THE NYISO HAS BEEN TRACKING AND REPORTING HISTORIC CONGESTION FOR MANY YEARS. BY AGREEMENT AMONG OUR STAKEHOLDERS, THE PRINCIPAL METRIC THAT WE UTILIZE IS THE IMPACT ON BID PRODUCTION COST WHICH IS A MEASURE OF THE OVERALL EFFICIENCY GAINS/LOSSES DUE TO CONGESTION. NYISO ALSO CALCULATES AND REPORTS OTHER METRICS, INCLUDING: (i) CONGESTION PAYMENTS (HEDGED AND UNHEDGED); (ii) LOAD PAYMENTS (HEDGED AND UNHEDGED); AND (iii) GENERATION PAYMENTS. THESE METRICS ARE REPORTED ON A DAILY BASIS FOR EACH OF THE NYISO'S ELEVEN LOAD ZONES. IN ADDITION, THE FACILITIES WHICH ARE THE GREATEST CONTRIBUTORS TO CONGESTION ARE ALSO IDENTIFIED ON A DAILY, MONTHLY AND ANNUAL BASIS. WE WILL MAKE THIS DATA AVAILABLE TO THE DOE AND ARE PLEASED TO PROVIDE ANY FURTHER ASSISTANCE TO SUPPORT YOUR 2009 CONGESTION STUDY.

THANK YOU AGAIN FOR THE OPPORTUNITY TO PARTICIPATE HERE TODAY. I LOOK FORWARD TO YOUR QUESTIONS.

JPB

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