



Full Speed Ahead

The NYISO's View of the FERC SMD NOPR

William J. Museler
President & CEO

Harvard Electricity Policy Group
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OUTLINE

- I. 50,000 Foot Comparison – NYISO SMD 2.0 vs. FERC SMD
- II. Significant Issues for NYISO in FERC NOPR
- III. Achieving SMD Compliance
- IV. Don't Forget the Seams!
- V. Conclusion



I. 50,000 Foot Comparison NYISO SMD 2.0 vs. NOPR

Topic	Agreement or "Close"	Significant Difference	?
1. Governance		✓	
2. State Regulators			✓
3. Market Monitoring	✓		
4. Network Transmission Service	✓		
5. Transmission Pricing	✓		
6. Congestion Management/FTR's	✓		
7. DAM	✓		
8. Real-time Market	✓		
9. Demand Response	✓		
10. Regional Transmission Planning			✓
11. ICAP			✓

II. Significant Issues

1. Governance

- *Election of Directors*

2. State Regulators

- *Budget & Management Oversight*

3. New Transmission Cost Allocation

- *“Participant” Funding “cost causation”*

4. Planning

- *RFPs for Transmission, Generation & DSM Alternatives*

5. ICAP

- *> 1year Requirement*
- *Deferred Penalty*



III. Achieving SMD Compliance

A. RTS / SMD 2.0

- *Summer 2004*

B. Regional ICAP

- *Reconcile FERC Approach with PJM / NY / NE / IMO Standardization Efforts*



IV. Don't Forget the Seams!!!

A. Structures

- *PJM – NYISO interregional cooperation agreement*
 - ✓ Effective March 15, 2002
 - ✓ ICAP deliverability first issue completed
- *IMO-NYISO-ISO-NE seams agreement*
 - ✓ June 11, 2002
- *NB Power-NYISO-ISO-NE coordination agreement*
 - ✓ August 2002

B. FERC SMD Will Help

- ✓ *Similar Energy Markets*
- ✓ *More Convergence of DAM & RT Prices*
- ✓ *Common Product Definitions (e.g. ICAP)*
- ✓ *Elimination of Pancaking*

IV. Don't Forget the Seams!!! (cont'd)

C. SMD Necessary But Not Sufficient (Rules Matter!!!)

- *Market Sequencing*
- *Local Reliability Rules*
- *“Manuals” need to be Reviewed and Must be Coordinated*
- *Dispatching on Market Price Differences*



V. Conclusion

A. NYISO view on implementation deadline

- ✓ *The NYISO proposes to implement SMD2.0, which is intended to substantially conform to the NOPR, by first quarter 2004, consistent with FERC's September 30, 2004 date.*

B. NYISO believes FERC's SMD is a very positive development and agrees with most of the recommendations for the market design framework in the SMD NOPR

C. NYISO supports flexibility for regional differences

D. Meanwhile, the NYISO continues work diligently on harmonizing seams and creating larger markets