Full Speed Ahead

The NYISO’s View of the FERC

SMD NOPR

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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

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<tr>
<th>Topic</th>
<th>Agreement or “Close”</th>
<th>Significant Difference</th>
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<tbody>
<tr>
<td>1. Governance</td>
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<td>2. State Regulators</td>
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<td>3. Market Monitoring</td>
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<td>4. Network Transmission Service</td>
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<td>5. Transmission Pricing</td>
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<td>6. Congestion Management/FTR’s</td>
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<td>7. DAM</td>
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<td>8. Real-time Market</td>
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<td>10. Regional Transmission Planning</td>
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<td>11. ICAP</td>
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II. Significant Issues

1. Governance
   - Election of Directors

2. State Regulators
   - Budget & Management Oversight

   - “Participant” Funding “cost causation”

4. Planning
   - RFPs for Transmission, Generation & DSM Alternatives

5. ICAP
   - > 1 year 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