New York Perspectives on FERC’s SMD NOPR

Northeast Power Coordinating Council
2002 General Meeting
Albany, NY
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Introduction

> Preliminary thoughts
  - comments due 11/15/02

> Discuss only a few key topics
  - resource adequacy
  - transmission planning
  - governance
  - market monitoring
  - state role in ITPs

> Views not necessarily those of the NYPSC or any individual commissioner
General Comments

> NYDPS generally supports thrust and direction of SMD NOPR
  - a major step forward
  - a work in progress - FERC asked for input on about 150 questions

> Items NYDPS supports
  - overall goal to create “seamless” wholesale markets
  - market design: use of LMP; congestion revenue rights (CRRs); day-ahead, real-time and ancillary service markets (we will have many detailed improvement suggestions)
  - eliminating rate pancaking, wheel-through charges, and exit fees
General Comments (cont’d)

> Items DPS supports (cont’d)

- regional planning
- long-term resource adequacy rules
- demand-response programs
- use of “modular” software
- an effective market monitoring and mitigation plan
- state commissions’ involvement in many ITP procedures
> Resource adequacy program should be a part of SMD

> Method suggested by FERC will be difficult to implement in NY
  - not well suited for regions, like New York, with:
    • retail choice
    • fully divested generation
  - penalties seem inadequate

> NYISO uses an ICAP market
  - some flaws detected and fixes being developed
    • reducing high volatility of ICAP market
    • enhancing longer term ICAP contracts
  - when revised, ICAP platform should meet all SMD’s resource adequacy goals
Resource Adequacy (cont’d)

> Other actions taken by New York
  - streamline siting process
  - six months for repowered plants that reduce pollution
  - state can act as fall-back during emergencies
  - very aggressive demand-response program (1300 MW so far)
Transmission Planning

- NYDPS generally supports broad regional planning process
- A 3-ISO plan could be superior to the SMD’s 2-ISO plan
- There is a need to expand transmission in Northeast as well as develop new resources
  - NOPR seems to have bias toward expanding transmission by transmission owners
- More regional flexibility may be needed to identify ITP operated transmission facilities
- Encouraging that FERC seeks to have the states involved in planning process
Governance

> NOPR has very prescriptive requirements on governance
  - currently the NYISO and ISO-NE do not meet all requirements

> NYDPS generally supportive, especially in areas of:
  - board member independence and expertise
  - code of conduct
  - stakeholder representation and election of Board
  - FPA Section 205 filing authority

> It may be possible that somewhat different rules could provide the same level of independence and stakeholder representation
  - NOPR does not provide for such alternates
Market Monitoring (MM)

> In general MM proposal seems reasonable
> Pleased that FERC used NYISO’s MM and Automated Mitigation Program as a basic model

> Some major issues NYDPS may address:

  - *safety net bid cap* ($1,000/mWh)

  - *calculation of “reference prices”* (this has been a significant issue in NY)

  - *independence and authority of the MM unit*
    - should it have Section 205 filing rights?
    - to whom is it accountable?
    - can it direct ITP actions in real time?
Market Monitoring (MM) (cont’d)

> State/Federal cooperation is critical
  - *NY has been a leader in this area in working with MM unit and FERC staff*
    - NY will continue to need access to confidential data in order to carry out its public interest function
State Role in ITPs

> FERC has suggested an “advisory” role for states

> NY will need access to information to carry out that role

> How will FERC treat any such advice? How will it deal with minority opinions?

> FERC suggestion to blend multi-state siting authority with state advisory committees worth exploring, but could be difficult to implement

> Relationship between state advisory committees and the Independent MM Unit needs to be developed
Conclusion

> NYDPS supports FERC SMD initiative
> There are still many details to be worked out
> NYDPS will continue to urge flexibility in the SMD to accommodate regional needs
> States must continue to have a unique role in the operations of the ITPs