

NYSRC Installed Capacity Subcommittee

Meeting #50

March 2, 2005

9:30 a.m. – 3:30 p.m.

NYISO: Washington Ave Ext. Conference Room WD

Meeting Minutes

Attendees

Members/Alternates Present:

Mr. Curt Dahl (KeySpan/LIPA), Chairman
Mr. Bart Franey (National Grid) – Telephone
Mr. Steve Jeremko (NYSEG)
Mr. Steve Whalen (NYSEG) – Telephone
Mr. Rich Wright (Central Hudson)
Mr. King Look (Con Edison), Secretary

Advisers/Non-member Participants Present:

Mr. John Adams (NYISO)
Mr. Al Adamson (Consultant)
Mr. Steve Keller (NYPSC) – Telephone
Mr. Ed Schrom (NYPSC)
Mr. Frank Vitale (Consultant)

Guests Present:

Mr. Aaron Breindenbaugh (NYISO) – Limited Participation
Mr. Bill Lamanna (NYISO) – Limited Participation

1. Discuss and Approve Meeting Minutes

The Meeting Minutes from Meeting #49 (held on February 2, 2005) were reviewed. A motion was made to finalize these minutes with some editorial corrections.

2. Review Previous Outstanding Assignments

Action Items List #49 was reviewed and resulted in closing out items 49-2 and 49-4. See Action Items List for specifics.

3. Preparation for the 2006-2007 IRM Study

3.1. Modeling and Study Assumptions Issues

ICS discussed the modeling and studying assumption issues matrix that Al Adamson had sent out prior to the ICS meeting and the subsequent written comments he received from Steve Jeremko and King Look.

Discussion Highlights:

- Most of the discussion focused on Steve Jeremko's comment that for the next IRM study, the IRM Base Case should be redefined as the internally unconstrained transmission case and a Recommended IRM Case should also be studied, as the one ICS would recommend to the EC. Frank Vitale agreed with King Look's comment that the IRM study has to start with the existing system. Per Al Adamson, the unconstrained case is a sensitivity case and the IRM Base Case should be the ICS' best attempt at what the "as found" system will look like.
- Al Adamson clarified that the purpose of the matrix is to scope out the issues and to identify the required actions, but not to the level of detail that Steve Jeremko suggested in his comments.
- Bart Franey and Steve Jeremko stated that sensitivities come and go, and would like to see the unconstrained case be embodied in future IRM reports.
- Bart Franey expressed his company's desire to see a commitment to delivering to the EC recommendations on the IRM and LCR methods this year. Curt Dahl replied that ICS' deliverable to the EC will be the IRM vs. LCR white paper (including recommendations) that ICS started in August 2004.
- Frank Vitale wanted to include scheduled maintenance as an issue on the matrix. Maintenance and forced outages will be included in the matrix as outage, removing reference to the types of outage.

Discussion Results and Follow-ups:

- Curt Dahl indicated that the IRM vs. LCR curve will be in future IRM reports, and the curve addresses the effect of transmission constraints. Also, the IRM vs. LCR curve includes the unconstrained case as one of the points. As a result, Steve Jeremko agreed to withdraw his suggestion to redefine the IRM Base Case as the unconstrained case.
- Al Adamson will update the modeling and studying assumption issues matrix to include a horizon year study to indicate forward looking. Al will send out the revised matrix tonight (March 2, 2005) to ICS, requesting comments by Friday noon (March 4, 2005).
- Steve Jeremko offered to send out to the ICS the IRM vs. NYC LCR and the IRM vs. LI LCR curves, all on the same chart.

3.2. Coal Retirements

ICS discussed the planned coal retirements in New York State over the next few years.

Discussion Highlights:

- In reviewing the list of planned coal retirements, John Adams indicated that for the 2006-2007 IRM study, only the Huntley units would be retired. Huntley units 63 and 64 will be retired after summer 2005 and units 65 and 66 will be retired after summer 2006, subject to legal interpretation. The Hickling and Jennison units are effectively gone, since they are not in the MARS database and not in market.
- John Adams indicated that the Lovett units (which are east of Central East) would require backend environmental control and Mirant does not believe those units would be economical if backend control were required. Steve Jeremko asked John if the NYISO has placed any probability on whether or not the generation owners would put in backend control, and the answer from John was no. The planned retirement dates of the Lovett units are outside of the 2006-2007 IRM study period.
- PSEG is renegeing on its proposed New Jersey plant retirements, because PJM has mandated \$130 million in transmission reinforcements to the PSEG transmission company.
- Bart Franey brought up the issue of tracking the generation projects that are under construction. John Adams said that NYISO is tracking them. John said that the NYPA Poletti Expansion Project will not be complete in time for this summer; but will be available for next summer. Bart raised the concern that without the new Poletti unit, reliability requirements may be adversely affected. John said that the NYC LCR for 2005 could be as low as 78% (NYISO recommended LCR for NYC is 80%), and without the new Poletti unit, NYC should still meet requirement. John also pointed out that the Base Case IRM was 17.6%, but an 18% IRM is used.

Discussion Results and Follow-ups:

- The IRM impact of the planned retirements will be evaluated using the 2005 Base IRM Case and discussed at the next ICS meeting on April 6, 2005.
- *As a new action item (AI # 50-1), Greg Drake will re-run the 2005 IRM Base Case without the new Poletti unit.*

3.3. Outside World Model

Prior to the ICS meeting, Curt Dahl had circulated among ICS a list of PJM generator retirement requests. Curt said accurate representation of the outside world is critical. The NYISO has already signed a confidentiality agreement with PJM for sharing data. The NYISO intends to establish a similar arrangement with the ISO-NE as well.

Discussion Highlights:

- Al Adamson suggested that ICS should not use an updated outside world model for the base case for the 2006-2007 IRM study, especially if the

updated model differs significantly than what ICS has shown in the past. Al suggested showing the updated outside world model as a sensitivity case.

- John Adams indicated that the NYISO has been relying on 2000 MW of outside emergency assistance. Curt replied that the outside emergency assistance in the model should be consistent with the actual.
- On the 1000 MW PSEG/Con Edison Wheel, PJM would operate the wheel as 1000 MW when normal, but 600 MW under PJM emergency.
- Frank Vitale suggested that GE should represent parts of the outside world as equivalents to reduce the number of outside areas. Curt suggested that Southwest Connecticut LICAP requirement should be represented as well.

Discussion Results and Follow-ups:

- The ICS has to report back to the EC in May 2005 on the progress of the update of the outside world model. GE and the NYISO will need to make significant progress before the next ICS meeting on April 6, 2005. Larry Eng (consultant) will also be working on the outside world model as well.

4. Impact of Cedars Unit

Bart Franey reviewed with ICS the Cedars white paper that he had circulated among ICS prior to the meeting. The white paper made the following findings:

- Capacity additions to unconstrained zones do benefit reliability (LOLE decreases)
- The magnitude of the LOLE reduction depends on location of the capacity addition
- There may be a potential problem with the IRM methodology, which adjusts load in the denominator while keeping the capacity in the numerator constant

Discussion Highlights:

- Al Adamson said the Cedars issue highlights a concern by some EC members with the 2005-06 IRM methodology. Al also indicated that ICS should confirm the correctness of the methodology used in the past.
- Bart Franey suggested changing the IRM methodology to eliminate the impact transmission constraint has on IRM. Bart said that transmission constraint will limit capacity utilization, which leads to the “distortion” in the IRM as in the case of Cedars. Curt indicated that this IRM methodology issue would be addressed in the LCR/IRM white paper.

Discussion Results and Follow-ups:

- Curt Dahl suggested that the technical aspects of the Cedars white paper be scaled back for the EC. Al Adamson will work with Bart Franey to revise the white paper with the goal to bring it to the EC for the April EC meeting. Frank Vitale suggested that the appendix of the white paper should include all calculations that are mentioned in the body of the white paper.

5. LCR/IRM Methodology

Curt Dahl brought up the issue of the need for consistency between of the IRM methodology and the LCR methodology.

Discussion Highlights:

- Curt said a consistent methodology would be to use the forecasted loads in both the IRM and LCR methodologies. Curt suggested that ICS should evaluate the alternative of adjusting capacity instead of load in the determination of the IRM, which would be similar to the current LCR methodology of adjusting capacity in zones J and K. John Adams said that the LCR methodology would need to change if capacity instead of load is adjusted in the determination of the IRM.
- There were discussions about using the LCR vs. IRM curve to establish the LCRs.
 - John Adams raised the concern that the NYSRC could not bind the NYISO to the LCRs, because the LCRs are subject to approval of the NYISO Operating Committee (OC).
 - John Adams said that the LCR vs. IRM curve should be forward looking, i.e. more than one year out. John indicated that the LCR vs. IRM curve would be subject to the NYISO governance process, and therefore, the OC would need to approve the adoption of the LCR vs. IRM curve.
 - Bill Lamanna indicated that the LCR vs. IRM curve shows the choices available to market participants, given that with the ICAP demand curve in place the amount of capacity in NYCA should be expected to exceed the IRM.
- There were discussions about compliance with NYSRC Reliability Rule A-R1.
 - Al Adamson said that NYSRC Reliability Rule A-R1 could be interpreted as requiring the determination of the LCR to use the same methodology used in the determination of the IRM. As a result, the NYISO may have a compliance issue with their LCR methodology.
 - John Adams asked what compliance issue with NYSRC Reliability Rule A-R1, when the existing system already meets 0.1 LOLE. King Look said that the existing NYCA system would be at the right end of the LCR vs. IRM curve where the IRM is highest and the LCRs are lowest.
- There were discussions about anchoring the LCR/IRM.
 - Al Adamson asked John Adams if he would agree with anchoring the LCR/IRM to set the minimum NYC and LI LCRs. John said he could not unilaterally agree, but said he could bring this issue to the OC at the appropriate time.

- Curt Dahl said that loss of 500 MW Poletti could have an impact on the NYC LCR, so anchoring is important from risk perspective. King Look mentioned that the LCR vs. IRM curve is not unique, because embedded in the curve is an assumed relation between how NYC and LI capacity are adjusted to get to 0.1 LOLE. Al Adamson said there are tradeoffs between Rest of State (ROS) capacity and NYC / LI capacity, such as costs.
- There were discussions about changing LCR and IRM methodologies.
 - Curt Dahl concluded that either John Adams would need OC approval to change the LCR methodology or the ICS would have to change its IRM methodology, or possibly both. As a result, both the EC and the OC would have to be informed of any potential changes in the IRM and LCR methodologies.
 - Curt indicated that ICS should assess the various methodologies by developing LCR vs. IRM curves using each of the following:
 - Current IRM methodology (i.e., adjust load in all zones)
 - Current LCR methodology (keep load in zones J and K at forecasted levels and adjust loads in only zones A through I)
 - Keep load in all zones at their forecasted levels and adjust capacity

Discussion Results and Follow-ups:

- ***As a new action item (AI # 50-2), Greg Drake will develop an LCR vs. IRM curve for each of the three methodologies listed above.***
- Anchoring the LCR/IRM remains an open issue. There is a need to assess the tradeoffs between LCR and IRM. Any method selected to anchor LCR/IRM would have to be incorporated into NYSRC Policy 5-0, “Procedure for Establishing New York Control Area Installed Capacity Requirements”.
- ***As a new action item (AI # 50-3), Curt Dahl will prepare a paper discussing the LCR vs. IRM tradeoffs for each of following methods to anchor the LCR/IRM:***
 - ***Based on slope of the LCR vs. IRM curve***
 - ***+/-X% at the “knee” of the LCR vs. IRM curve***
 - ***MW tradeoffs between ROS, NYC and LI capacity***
 - ***Loss of the largest new unit***

6. Fuel Availability

Curt Dahl discussed with ICS his draft fuel availability paper.

Discussion Highlights:

- Curt indicated he needs inputs from John Charlton to complete the paper. John Charlton was not present at the ICS meeting.

- Frank Vitale asked about the loss of the 600 MW in the Levitan Study. John Adams and Ed Schrom both indicated that the loss of 600 MW is due to a break in one natural gas pipeline.

Discussion Results and Follow-ups:

- Curt Dahl plans to finalize the fuel availability paper at the next ICS meeting on April 6, 2005.
- Steve Jeremko indicated that he will have information to report back to ICS at the next ICS meeting on April 6, 2005, on how the PJM Reliability Pricing Model incorporates fuel availability/diversity.

7. Committee Reports

Bill Lamanna briefed the ICS on the status of the Deliverability Report and the NYISO Comprehensive Reliability Planning Process (CRPP):

Deliverability Report – Report has been filed with FERC.

NYISO CRPP – Currently, the NYISO is focusing on the Reliability Need Assessment (RNA) base case. Per Bill Lamanna, Con Edison's planned transmission line from Sprain Brook to Sherman Creek is currently included in the RNA base case. Bill indicated that the key to the Neptune Project is what happens on the PJM side. Some of the preliminary findings are that NYC capacity could fall below the current LCR of 80% by 2010 and New York State could also need capacity then.

8. Other Business

8.1. NERC SAR on Resource Adequacy

Al Adamson reviewed with ICS his draft comments on the NERC Standard Authorization Request (SAR) on Resource Adequacy. Al said he will translate the comments onto the NERC comment form and will circulate that for ICS and EC review.

9. Review Action Items

See attached action item list.

10. Next Meeting

Meeting #51: April 6, 2005, 9:30am – 3:30pm.

Secretary: King Look