

NYISO Business Issues Committee Meeting Minutes

March 7, 2007
Holiday Inn Express
8 Empire Drive
Rensselaer, NY

1. Welcome and Chairman's Report:

Bill Palazzo (NYPA), Chairman of the Business Issues Committee (BIC), called the meeting to order at 10:04 a.m. and welcomed the members of BIC.

2. Approval of minutes for Feb. 7 and Feb. 13, 2007

Frank Francis (NYISO) said the minutes were circulated to MPs and sent out for review. Stuart Nachmias (ConEd) offered changes to a quote he made at the Feb. 7 meeting. Mr. Palazzo accepted those changes and asked for a motion and a second.

Motion #1:

(Motion passed unanimously by show of hands with abstentions).

3. Market Operations Report

Rana Mukerji (NYISO) presented the Market Operations report. Mr. Mukerji noted that Natural gas prices rose significantly (51 percent) in February compared to January, due to much colder weather. Day-Ahead and Real-Time LBMPs rose as well.

Bart Franey (National Grid) asked the NYISO staff for an explanation on the recent increase in frequency of Central East congestion. Mr. Franey said the Central East constraint had been relatively infrequent in the last few years. National Grid has observed in November and December 2006 that it has become more frequently binding. He asked if there had been a reduction in the total transfer capability of the interface, or if the problem was attributed to the ISONE ICAP market design and whether the ISO could provide any explanation.

Rick Gonzales (NYISO) said the NYISO has examined the issue from an operational point of view and prefaced his statements by saying that his findings are not based on statistical or quantitative analysis.

The primary operational reasons that are believed to be contributing to the recent higher frequency of Central East constraints were identified as:

- Reduction in levels of Capital Zone generation.
- Increased levels of exports to ISO-NE from NYISO.
- Increased Capital Zone to Hudson Valley Zone transfer capability due to the Leeds-Pleasant Valley thermal constraints being less restrictive during the winter capability season than in the summer capability season.
- Reduction in Central East voltage transfer limits by approximately 100 MW in summer 2006.
- Reduction in Central East voltage transfer limits due to reduced Oswego Complex generation commitments.

There may be other less significant contributing factors as well.

Mr. Franey asked if it was Mr. Gonzales' opinion that the Capital Zone generation levels and Oswego Complex generation commitments were attributable to the increase in the cost of natural gas. Mr. Gonzales said he believed it was likely. Mr. Gonzales offered to memorialize his comments in the meeting minutes.

Rick Mancini (Galt Power) said that at a recent PRLWG meeting, a Market Participant requested the Demand Response registration information to publish monthly. He asked if there was a way to have that information published on a monthly basis. He suggested it might be included in a monthly BIC report made by Mr. Mukerji.

4. Regional Market Enhancements

Mr. Mukerji presented the Regional Market Enhancements Report. He provided an update on the following initiatives:

- Regional Resource Adequacy
- Cross-Border Controllable Line Scheduling
- ISO-NE Phase II HVDC Evaluation
- Modeling of Netted Transactions at the NYISO-HQ Interface
- NY-PJM Proxy Bus Clearing Price Calculations

5. Minimum Oil Burn

Robb Pike (NYISO) gave the presentation. The proposal calls for providing a Margin Assurance payment to generators named in the application of NYSRC's Local Reliability Rule IR-3. Payments would be made to units to compensate for increased costs associated with operating on a more expensive fuel. The Margin Restoration payments would be payable only during periods when the unit is obligated to operate under minimum oil burn conditions and oil is more expensive than gas. Payments would be based on actual incremental operating costs to comply with minimum oil burn obligations. Costs would be recovered from the local load.

Payment will only be made to minimum oil burn units when the unit has established reference fuel prices based on the most economic fuel, minimum oil burn conditions have been activated and the unit has implemented oil burn operations.

Mark Younger (Indeck Energy Services, Inc.) asked if there will be a listing of the minimum oil burn rule at the NYISO, on a tech bulletin or similar document, placed in a central location once it was finalized. Mr. Pike agreed to issue a tech bulletin.

Dave Clarke (LIPA) asked if an operator would be eligible if the operator switched its reference level from gas to a gas/oil blend.

Mr. Pike said no. Margin restoration payment eligibility exists if the reference price is the lowest cost fuel available for the unit.

Howard Fromer (PSEG) asked what the project's implementation schedule will be.

Mr. Mukerji said the NYISO expected to have it ready for implementation as soon as June 1.

Motion #2:

The BIC recommends that the Management Committee approve a tariff amendment to add a Margin Assurance Payment for Generators named in the application of NYSRC's Local Reliability Rule I-R-3, and any Generator named in future revisions to the application, pursuant to the calculation of and conditions for such payment as described in the presentation made on March 7, 2007 to the BIC.

(Motion passed with 100% affirmative votes)

6. Proposed Changes to Ancillary Services Manual

Robert DeMello (NYISO) presented the proposed changes to Section 3.6 of the manual Ancillary Services Manual. The changes were minor in scope and were intended to provide clarity to the reactive power testing and demonstration.

Mr. Nachmias supported the proposed changes and asked that the NYISO provide an explanation of the reason for the changes.

Mr. Demello said the NYISO would investigate if it was a matter of physical withholding and it impacted market outcomes or system reliability.

Mr. Nachmias suggested that the following language be included in the Ancillary Services Manual that requires a generator to provide a reason for any reduction in its VAR capability from one year to the next: "If the results indicate a reduction in the generating unit capabilities with respect to the previous most recent test performed, an explanation should be provided for the NYISO review with the technical reasons for the reduced capability."

Mr. Demello indicated that the NYISO already has the authority to ask for that information if it chooses to.

Mr. Clarke said from an administrative point of view, LIPA would prefer not to provide the information unless the NYISO requests it.

Mr. D'Andrea said he didn't object to the NYISO asking for an administrative report if necessary, but he wouldn't want it as a requirement in the manual.

Mr. Nachmias said the reason ConEd is asking is because reactive power is critical to the system. He asked that the minutes reflect the insert that ConEd suggested and that further discussion of that insert occur at the next Market Issues Working Group meeting or SOAS.

Motion #3:

The Business Issues Committee ("BIC") hereby approves revisions to the NYISO Ancillary Services Manual, as discussed at the Market Issues Working Group on February 5, 2007, and as presented to the BIC on March 7, 2007.

(Motion passed unanimously by show of hands with abstentions)

7. Implementation of the Norwalk-Northpoint Intertie as a Scheduled Line

Alex Schnell (NYISO) presented the proposal. Mr. Schnell stated that the initial capacity of the line will be in the 100-150 MW range. The NYISO expects that the posted TTC/ATC will be the same for imports and exports. Implementation is planned for June 2007. Changes to the tax-exempt financing language of the OATT are required. Other possible Tariff changes are being discussed with LIPA.

Jose Rotger (Cross Sound Cable) asked if the inclusion of the 1385 cable require any changes to controllable lines scheduling provisions in tariff and elsewhere. Mr. Rotger also queried whether the pending replacement of the 1385 line will necessitate changes to its treatment as a controllable line.

Mr. Schnell said there are two very minor tariff changes, absent these tax-exempt financing issues, that need to be made. Identifying the new facility in the definitions section of the Tariffs and adding it to the list of Scheduled Lines. There is no change to Attachment M. As for pending replacement of 1385, the facility may be out of service for some period of time, but that will not change the way 1385 is operated as a scheduled line.

Mr. Schnell said there will be tariff changes involved. There may also be changes to the ISO Agreement and the ISO TO Agreement.

Motion #4:

The Business Issues Committee (BIC) hereby recommends that the Management Committee approve Revisions to the NYISO's (1) Market Services Tariff and (2) OATT, and also, to the extent necessary, the (3) ISO Agreement and (4) ISO-TO Agreement, that are necessary to implement the Northport-Norwalk intertie as a Scheduled Line.

The proposed tariff revisions are needed to: (a) identify the Northport-Norwalk interface as a Scheduled Line, (b) permit LIPA to provide "blanket" pre-approval of specific classes of transaction over the Northport-Norwalk intertie by Market Participants (c) permit the NYISO to use SCUC and RTC to determine Day-Ahead and Real-Time schedules on the Northport-Norwalk Scheduled Line for transactions that fall within one of the pre-approved categories, and (d) if, and to the extent necessary, permit the NYISO to reduce schedules and/or curtail transactions on the Northport-Norwalk Scheduled Line to preserve reliability.

In addition, the BIC recommends that the NYISO not implement the Northport-Norwalk intertie as a Scheduled line until: (i) the NYISO receives adequate assurances from LIPA that the tax exempt status of various bond issuances by LIPA or by NYSERDA on LILCO/LIPA's behalf will not be jeopardized thereby, and (ii) the NYISO and LIPA implement any operating or other procedures that may be necessary to protect the status of the LIPA financings and/or to protect reliability.

(Motion passed unanimously by show of hands with abstentions)

8. Proposed Changes to Attachment J of the ICAP Manual

John Charlton (NYISO) presented the proposed changes to Attachment J of the ICAP Manual. It is a general update to Attachment J, with the exception of changes to Section 3.3 which are still under development. Attachment J contains

most of the calculations that apply to calculating UCAP for resources accounted for in the ICAP market.

Mr. Fromer said the language should be clear, but didn't call for a change. He said he wanted it reflected in the minutes that "he didn't want anyone relying on the language in this manual as somehow giving them the opportunity to argue that some resource out in Ohio that goes through this calculation is necessarily going to be given..."

Mr. Charlton said there are provisions in the manual that explain what any External Resources must do to qualify as a NY Installed Capacity Supplier, whether using Import Rights or married to UDR facilities.

Motion #5:

The Business Issues Committee ("BIC") hereby approves revisions to Attachment J of the NYISO Installed Capacity Manual, as discussed at the ICAP Working Group on February 27, 2007, and as presented to the BIC on March 7, 2007.

(Motion passed unanimously by show of hands with abstentions)

9. Targeted Demand Response Proposal

Norman Mah (ConEd) made the presentation. The proposal would separate the demand response providers of Zone J into sub-zones, which would reduce customer activations that are not needed. It is consistent with NYPSC recommendation in its Long Island City report.

Nine sub-zones are proposed, totaling 412 megawatts (MW) enrolled, based on 2005 enrollment. The presentation listed a number of proposed activation procedures. ConEd requested revisions to the Market Service Tariff and NYISO manuals to implement its proposal.

Mr. Mah said the sub-zonal SCR program would be voluntary and responsible for complying for sub-load pocket calls without being subject to penalties. Costs would be allocated and assigned to customers in Zone J. There would be no 20-hour cap, as previously proposed.

Mr. Fromer asked if a voluntary request for localized response could be made if conditions arise.

Mr. Mah said if conditions arise, the NYISO would be informed of system conditions. There would be advance notice for the following day, which would allow participants to make reductions.

Dave Lawrence (NYISO) stated that both the ICAP Working Group and the PRLWG discuss SCR issues. He said the NYISO supports the motion.

Mr. Nachmias asked that it be reflected in the minutes that network-to-network needs were noted by ConEd as important and would be looked at again as described in the motion.

Mr. D'Andrea asked if it would "set price" if someone responds to a voluntary call.

Mr. Lawrence said the proposal says they will not set scarcity pricing when they are called.

Mr. D'Andrea questioned whether the proposal was starting to "tamper" with retail or distribution system issues and straying from the wholesale market. Reliability is important, but there may come a time where this becomes a retail distribution issue and not a NYISO issue.

Erik Abend (Epic Merchant Energy NY) asked if these calls would only impact prices if the scarcity pricing rules were triggered.

Mr. Mah said that was correct.

Mr. Abend said he thought those rules were for operating reserve shortages.

Mr. Mah said that was correct. He said he didn't believe an operating reserve shortage would require a targeted call.

Motion #6:

The Business Issues Committee (BIC) hereby recommends that the Management Committee (MC) approve the proposed changes to the demand response program for Zone J so that response could be called on an individual targeted basis when necessary for reliability, as described and modified at the Business Issues Committee on March 7, 2007.

The Special Case Resource Program participants would be voluntarily responsible for complying with targeted calls and would not be subject to penalties for such targeted calls as set forth in the NYISO tariff. Emergency Demand Response Program participants would also be subject to sub-zonal calls in zone J, pursuant to NYISO tariff provisions for that program. As these calls are designed to provide for local reliability in Zone J, the costs associated with such events will be allocated consistently with the provisions applicable to Local Reliability Rules and therefore assigned solely to customers within Zone J.

Further, the BIC asks that the results be reported and discussed at the PRLWG at its regular Fall meeting as part of the review of the prior summer demand resource program's performance, with further consideration of network by network needs. If indicated, any actions should be pursued through the stakeholder process to be in place for the following summer.

(Motion passed unanimously by show of hands with abstentions)

10. Working Group Updates

A. Billing and Accounting (BAWG)

Dave Hall (NYSEG/RGE) presented the report, included in the BIC meeting materials.

B. Electric System Planning (Joint OC/BIC WG)

Tariq Niazi (NYS Consumer Protection Board) reported on the Reliability Needs Assessment and actions taken at the committee's March 1 meeting. The next ESPWG meeting is set for April 5.

Mr. Nachmias said Order 890 should be considered. This needs to be addressed at ESPWG.

Mr. Fromer asked if the NYISO will seek clarification or a rehearing on the order.

Mr. Mukerji said it will be handled by John Buechler (NYISO), who will address it at ESPWG. The possibility of asking FERC for a rehearing is under review by NYISO Legal.

Mike Mager (Multiple Interveners) asked the NYISO to circulate documents pertaining to discussions brought up at past ESPWG meetings.

C. ICAP Working Group (ICAPWG)

Glenn Haake (IPPNY) reported. Two meetings were held in February. He reviewed the agendas for and actions at those meetings for MPs.

D. Interconnection Issues Task Force (IITF)

Mr. Haake reviewed the most recent IITF meeting, a conference call in February.

E. Resource Adequacy Issues Task Force (RAITF)

Mr. Haake said the Upstate-Downstate study is in the process of being completed and is due this spring.

F. Market Issues Working Group (MIWG)

Norman Mah (Con Edison) reported that the MIWG met once in February. A written report was included in the BIC meeting materials.

G. Price Responsive Load Working Group (PRLWG)

Mr. Mancini reported. The PRLWG met on March 6; the discussion centered on the targeted Demand Response proposal. A joint ICAP/PRLWG meeting is tentatively set for March 22.

11. Administrative Matters

Joseph Williams (NYISO) discussed a March 6 FERC order on the NYISO's Dec. 22, 2006 filing proposing changes to the ICAP market mitigation measures for New York City. FERC rejected the filing and initiated its own investigation into the NYISO's in-city ICAP markets, deferred a hearing and set the matter for settlement proceedings. The NYISO is looking at the issue and there are concerns with the breadth of FERC's investigation.

Aaron Breidenbaugh (EnerNoc) said if the ICAP markets will be run for the better part of the summer. If mitigation is deemed necessary after that, it sounds like there is a potential for MPs to have to "give back" money.

Mr. Fromer says the order does not say where potential refunds would go. Nothing can be ruled out.

Mr. Williams said he wasn't sure where the settlement talks would go, if they would be successful and how FERC will rule. FERC established a refund effective date but has not ordered refunds at this time.

Mr. Williams said the NYISO plans on communicating with parties to the FERC case.

Mr. Nachmias commented that the data related to the Capacity market should be retained by the NYISO so it is available if it is needed later. He also supported holding meetings in New York City.

Mr. Fromer asked if it was the NYISO's view that only those named parties in the document will be allowed to participate in settlement discussions.

Mr. Williams said the NYISO's plan is to work with parties to the proceedings.

12. New Business

Mr. Francis said the Central East issue that Mr. Gonzales responded to was an action item from the BIC. A summary of Rick's responses will be included in the minutes.

The meeting was adjourned at 1:51 p.m.

Respectfully Submitted,
Michael A. Lisi
Recording BIC Secretary