

## **NYISO Business Issues Committee Meeting Minutes**

Oct. 11, 2006

The New York State Nurses Association

11 Cornell Road

Latham, NY 12110

### **1. Welcome and Chairman's Report: 10:16 a.m.**

Mr. Ray Kinney (NYSEG/RG&E), Chair of the Business Issues Committee (BIC), called the meeting to order at 10:16 a.m. and welcomed the members of BIC. Meeting participants introduced themselves and their affiliations.

### **2. Approval of minutes for Sept. 13, 2006:**

Mr. Frank Francis (NYISO) presented the packet of minutes from Sept. 13, 2006 and asked for comments. No additional comments were provided by the BIC.

#### ***Motion #1***

Motion to approve the minutes of the September 13, 2006 BIC meetings.

***Motion passed unanimously by show of hands.***

### **3. Market Operations Report**

Mr. Rana Mukerji (NYISO) provided an overview of the Market Operations Report:

- The LBMP for September 2006 was significantly lower than August 2006
- September experienced lower loads and fuel prices, contributing to lower prices compared to August. The weather in September was significantly cooler than in September 2005, which also helped shape the LBMP of September 2006.
- Uplift has decreased this month relative to August; uplift was 46 cents/mw in September 2006, down from \$2.28/mw in August.
- Regulation average prices, as well as 10 and 30-minute reserve average prices, decreased from August.
- The Virtual Market showed a decrease in activity in September compared to August.

### **4. Regional Market Enhancements**

Mr. Mukerji presented the Northeast Seams Report.

- **Cross-Border Controllable Line Scheduling:** The NYISO is planning to implement software at the Dennison proxy bus with Hydro-Quebec in October. The interface is set to be activated for bidding in the first quarter of 2007.
- **ISO-NE Phase II HVDC Evaluation:** All three recommendations in the May 6, 2005 report are to be implemented. PJM will

improve the calculation for the marginal Phase II limit; ISO NE will post the NYISO and PJM Real-Time limit for Phase II; and an analysis for significant curtailments will be made with the ISO-NE administering the reporting function.

- **Modeling of Netted Transactions at the HYISO-HQ Interface:** The NYISO has proposed to implement a second proxy bus with HQ to account for wheel-through transactions. Each HQ proxy buses will have separate ramp limit and will split the available ramp for that interface. The NYISO plans to establish an implementation date for this for the end of 2006.
- **Elimination of Rate Pancaking:** PJM will supply transaction data regarding volume and rate for PJM exports into NY. That data is imminent expect to have it in October.
- **Limitations Due to Loss of Large Source:** ISO-NE is reviewing the origins of the limit and will provide a report on current practices.
- **Coordination of Interregional Planning:** The NYISO, ISO-NE and PJM will seek input from stakeholders on future deliverables at IPSAC meetings in fall 2006. Meeting is being scheduled.

Mr. Stuart Nachmias (ConEd) asked about the Cross-Border Controllable Line Scheduling. He said in the report there used to be a reference to the NYISO/PJM border looking at the proxy bus and trade across the border. He didn't see it in the current report and asked if and when it had changed.

Mr. Mukerji suggested it be put in as a placeholder in the Seams report for next month.

## **5. Working Group Updates**

### **A. Billing and Accounting (BAWG)**

Mr. Dave Hall (NYSEG/RGE) reported that the BAWG met on Sept. 19 and via phone on Sept. 22.

On Sept. 19, the BAWG:

- Addressed shortening the final bill motion. Comments were due the NYISO at close of business on Oct. 11 and a phone conference was scheduled for Oct. 12.
- Discussed goals for 2007. Listed BAWG suggestions and recommendations made to Wayne Bailey (NYISO) and the NYISO's potential goals.
- Heard a presentation from Art Storey (NYISO) on the Customer Relations Department reorganization. The BAWG also reported that:
- The Customer Settlements Report noted a July 2006 customer billing error; it will be corrected in the four-month settlement. The impact is roughly \$1.6 million, which will go back to the loads in the ConEd sub zone; \$1.3 million of

these charges will be charged to the Central Hudson sub zone, with the rest spread around the state.

- An error in the August 2006 clearing account manual adjustment was made, adjusting it to zero. The market was charged \$1.38 million when it should have been credited that amount. The error was corrected and MPs should have seen dollars on consolidated invoice for September 2006.
- The February 2005 final bill closeout was delayed but the NYISO reposted the February 2005 final bill closeout on Oct. 9 for a 25-day review period.
- The NYISO noticed the market that they declared an extraordinary circumstance in the March 2005 final bill closeout. It will be discussed as part of the 3 p.m. joint MSWG/BAWG phone meeting on Oct. 10.

The BAWG is still waiting for information on the Mirant \$999,000 manual adjustment. BAWG plans to discuss how manual adjustments are socialized. IT has put a timeline together for a discussion on the data retention straw man. There will be discussion with MPs prior to implementation. Billing and Accounting Manual review is progressing and should wrap up in the next few weeks.

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

Mr. Tariq Niazi (NYS Consumer Protection Board) reported that the ESPWG met on Sept. 20 and held a conference call on October 10.

On September 20, the ESPWG discussed:

- Cost allocation/cost recovery – Transmission Owners are considering a proposal. Once the Transmission Owners have come to consensus, they will finish cost recovery and bring it to the working group.
- Lessons learned from the 2005 CRP and 2005 RNA.
- Proposed scenarios for the 2006 CRP were discussed.
- Delay in the completion of the 2006 RNA. The NYISO informed the ESPWG that the project is almost three months behind schedule. The ESPWG is looking at getting initial draft by the end of November and sending it to the NYISO Board of Directors for their January 2007 meeting. The NYISO has allocated more resources and people to the 2006 RNA and a fairly aggressive meeting schedule has been set to complete the project as quickly as possible.
- On Oct. 10, the ESPWG discussed: procedures for monitoring project status and the criteria for evaluating proposed solutions.

Mr. Nachmias expressed concern that the RNA delay will take time away from MPs and responsible Transmission Owners to comment on the RNA report. He cautioned the ESPWG not to try to make up lost time by cutting MP

comment time. Mr. Niazi said the working group will make sure there is enough time for market solutions and backstop solutions.

Mr. Tim Foxen (NRG Power Marketing) requested the ESPWG give an update on the status of the proposed solutions in the 2005 RNA.

Mr. Niazi said he would make sure that gets on the ESPWG agenda for its next meeting.

#### **C. Resource Adequacy Issues Task Force (RAITF)**

Mr. Francis reported:

- There was no RAITF meeting held since the last BIC meeting. RAITF members were invited to a GE/VARs data scrub session held on Oct. 5.
- A Sept. 29 report was filed with FERC regarding National Grid's complaint.

#### **D. Interconnection Issues Task Force (IITF)**

Mr. Mukerji spoke on the details of the upcoming Oct. 30 meeting.

The IITF group:

- The NYISO will report on a test of model generation to access the deliverability issue.
- IITF will be looking at forward capacity markets, resetting the demand curve the IRM and LCRs, there will also be deliverability discussions at the IITF meeting.

#### **E. ICAP Working Group**

Mr. Francis reported:

- A special meeting held on Sept. 26 to address import rights allocation.
- The ICAP WG also met on Oct. 4. Mr. Francis circulated a written description of the ICAP Working Group's activities to the MPs.
- The ICAPWG's next meeting is set for November 2.

#### **F. Market Structures Working Group (MSWG)**

**Mr. Francis reported:**

During the Sept. 27 MSWG meeting:

- The NYISO presented a Long-Term Firm Transmission Rights ("LFTR") compliance straw proposal for MP comment.

Mr. Jim Schreidrich (Select Energy Inc.) asked the NYISO what percentage of the system is tied up in grandfathered TCCs and how much was off the table as ETCNLs.

Ms. Kathy Whitaker (NYISO) said that the NYISO is pulling the information together.

Mr. Nachmias asked if there was a date for written comments for the straw proposal.

Mr. Francis said there was no definitive date set, but that MPs should provide comments to him as soon as possible.

**G. Price Responsive Load Working Group (PRLWG)**

The PRLWG will next meet on Oct. 20.

**H. Scheduling and Pricing Working Group (S&PWG)**

The next S&PWG meeting is set for Oct. 18.

**6. Proposed Revisions to Attachment M of the ICAP Manual**

John Charlton (NYISO) made the presentation.

In April, revisions to the ICAP Manual added several references to a new Attachment M. It was presented to the BIC in August and sent back to the ICAP WG for further discussion. A change was made to the version presented last month adding language to the provisions of the manual addressing Ambient Condition-Dependent units to reflect the possibility of ambient air and water temperature dependencies.

Mr. Charlton explained that the rules in Attachment M reflect current practices and have previously been documented in Technical Bulletin 75 and 76.

Mr. Nachmias questioned the authority to include cooling water temperature as an appropriate ambient condition because he didn't know how much discussion on the issue occurred at the ICAP Working Group and more discussion of the issue is needed.

Mr. Charlton said the issue was discussed at an October ICAPWG meeting and was not controversial. The temperature adjustments are reflected in the IRM studies.

Mr. Charlton added that NYISO Market Monitoring recognizes cooling water as an appropriate Ambient Condition-Dependency.

Mr. Jim D'Andrea (KeySpan-Ravenswood) asked what the tariff said.

Mr. Charlton responded that the tariff refers to ambient conditions and doesn't specify air or water.

Mr. Cadwalader said the concern here is that the IRM may be calculated under the assumption that the capacity is available no matter what the water temperature.

Mr. Nachmias said some units, if the water temperature is higher, can increase their flow rate without an impact on DMNC.

Mr. Kevin Jones (LIPA) said the proposal is a clarification that better tracks unit performance.

Mr. Kinney said the environmental restrictions discussed in the definition of an Energy Limited Resource in the Services Tariff would cover the discharge, the cooling water issue. Mr. Kinney then suggested that the Tariff's discussion of temperature dependencies in addressing Normal Upper Operating Limits, Capacity Limited Resources, and ICAP Supplier bidding obligations is less explicit, but could encompass air and water restrictions.

Mr. Alex Schnell (NYISO) agreed that it could.

Mr. Nachmias said his clients want to better understand:

- The reliability implications
- Input from the Reliability Council
- The NYISO's temperature curves and how these units are impacted
- How the NYISO will verify water temperature for individual units to determine if they are capacity-limited units

Mr. Kinney said the tariff requires these units to provide justification to the NYISO.

Mr. Charlton said there is a litany of reporting requirements for these units, including GADS data, etc.

Mr. Jones moved a motion to approve the proposal.

Mr. Nachmias made a countermotion suggesting the word "water" be taken out of the proposal and for it to be sent back to the ICAPWG for review.

Ms. Doreen Saia (Mirant) said that she'd rather not vote on the motion if references to water were to be removed.

Mr. Charlton said the motion should be voted on as-is.

Mr. Jones deemed Mr. Nachmias' motion as an unfriendly motion.

Mr. Nachmias' motion did not receive a second, so it wasn't voted on.

The BIC considered the original motion.

#### **Motion #2:**

The Business Issues Committee (BIC) hereby approves Revisions to Attachment M of the Installed Capacity Manual ("ICAP Manual") addressing the procedure to apply for a Capacity Limited Resource ("CLR"), Energy Limited Resource ("ELR") or Ambient Condition-Dependent Classification, as discussed at the ICAP WG on October 4, 2006, and as presented to the BIC on October 11, 2006.

***Motion passed by majority show of hands with abstentions.***

Mr. Nachmias asked that the BIC minutes reflect that there should be further discussion at the ICAP WG on further clarification of ambient CLR conditions.

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#### **7. Pro Rata Allocation of Import Rights**

Ms. Whitaker gave the presentation.

She said the proposal was meant only to be "illustrative" and that the BIC is not being asked to approve Manual changes that accompany the presentation. The BIC will be asked to vote on whether or not the ICAP WG should develop a Pro Rata Allocation process.

A report titled "FERC Order on Import Rights Review of Pro Rata Allocation" was distributed to MPs.

- The NYISO informed FERC in Aug. 29 Compliance Filing that the NYISO would draft manual language describing a Pro Rata approach that could be used by MPs to decide whether to move to a Pro Rata Allocation process.
- The proposal was reviewed with ICAP WG on Sept. 26. There was almost no support for a Pro Rata approach at that meeting.

- A BIC vote is needed to decide if the NYISO should move to a Pro Rata Allocation process. If the BIC votes to adopt this approach, the details of the process would have to be worked out with the ICAP WG.
- The NYISO will use the results of the BIC vote to inform its October 27 FERC filing.

Mr. Younger requested a roll call vote.

Mr. D'Andrea asked why the BIC was being asked to vote on the motion.

Mr. Kinney said there is a requirement for tariff change. There is a FERC order directing the NYISO to consider this measure.

Dave Yannarell (PPL EnergyPlus, LLC) said that it has been PPL's position for at least four years that the current allocation method has problems. The alternative explored by PPL was Pro Rata; it is a step forward from today's the all-or-nothing allocation. PPL still believes that something needs to change to some degree to resolve the problems even if the solution isn't Pro Rata allocation.

**Motion #3:**

The Business Issues Committee (BIC) hereby recommends that the NYISO staff work with the members of the ICAP Working Group to prepare a proposed set of changes to the Installed Capacity Manual (and to the NYISO's Market Services Tariff, as and if needed) to reflect a *pro rata* approach to the allocation of Installed Capacity Import Rights, as a replacement for the current first-come, first-served process, as discussed at the ICAP Working Group on September 26, 2006, and as presented to the BIC on October 11, 2006. The proposed set of changes prepared by the NYISO and the ICAP Working Group will be presented to the BIC for review.

***Motion failed with 14.69% affirmative votes.***

**7. Proposed Revision to Section 6.1.2 of the ICAP Manual**

Mr. Charlton presented. The proposal is a change to the ICAP Manual, Section 6.1.2 to mirror what was filed with and approved by FERC to re-establish the sanction for failing to bid, schedule or notify. This is the only change being made.

John Dowling said the wording in Section 6.1.2 seems to imply that ICAP providers would pay a deficiency charge based on the full amount of ICAP they were contracted to provide, not the deficient net amount.

Mr. Schnell initially said Mr. Dowling's read of the tariff was reasonable.

Mr. Jones said the intent is to penalize for the deficient net amount. If there is NYISO uncertainty about this, it needs to be cleared up.

Mr. Bill Palazzo (NYPA) agreed that the NYISO must clarify the issue. Reversing his initial statement and apologizing for any confusion he may have caused, Mr. Schnell said: "Given the language that is in the section above the red-lined section, and that also appears in the tariff. I don't know that there is any lack of clarity with regard to this particular

section. What I'm commenting on is the statement that the ISO may impose a financial sanction up to the product of the deficiency charge pro-rated on a daily basis and the maximum number of megawatts that the Installed Capacity supplier failed to schedule or bid in any hour in that day. I think the clarity you're looking for is there for this provision. I think it might be worth the ICAPWG looking at the other penalty provisions."

Mr. Kinney asked if there was a problem with waiting a month before bringing the manual into compliance with the tariff.

Mr. Jones said that if the penalty only applies to the deficient megawatts and is clarified as such in the minutes, he would support the measure.

Mr. Schnell said his understanding is consistent with that of Mr. Jones. He said the "maximum number of megawatts not bid in any hour of the day would cap the possible penalty."

Mr. Kinney said the NYISO would interpret what the maximum number of megawatts is. The ICAP WG will look at this provision and all other ICAP penalty provisions to ensure that ambiguity is addressed at the next ICAPWG meeting. He asked for a motion on the proposal.

**Motion #4:**

The Business Issues Committee (BIC) hereby approves Revisions to Section 6.1.2 of the Installed Capacity Manual ("ICAP Manual") addressing the failure to bid, schedule and notify the NYISO of outages applicable to Installed Capacity Suppliers, as discussed at the ICAP WG on October 4, 2006, and as presented to the BIC on October 11, 2006.

***Motion passed unanimously by show of hands with abstentions.***

The BIC broke for lunch at 12:13 p.m. The meeting resumed at 12:45 p.m.

**8. NYISO Customer Relations Department Reorganization**

Mr. Art Storey (NYISO), the manager of the NYISO's Customer Relations Department, provided the presentation.

Mr. Storey spoke about the NYISO's merger of its Customer Relations and Training departments and outlined how the reorganized Customer Relations Department will serve MPs.

The department's objectives are accuracy, speed and customer service.

The department's functions are to:

- Track all inquiries and questions from MPs via phone and/or e-mail.
- Triage all inquiries by separating out what can be answered quickly
- Pass along more complicated questions to "Tier 2," Customer Relations personnel, who will deal with those inquiries.

Mr. Nachmias asked if account representatives will be informed and trained so they can answer questions regarding critical real-time issues.

Mr. Storey explained that inquiries will be dealt with to the extent they can be at Tier 1. Otherwise, they will be passed to Tier 2.

All calls except those to customer account representatives should come into Tier 1. Those numbers will be distributed when the NYISO assigns MPs to market reps. Inquiry calls should come in to 518-356-6060.

Mr. Hall asked if MPs would all have specific customer relations representatives.

Mr. Storey said yes, but there are only three of them. The actual reps will be more concerned with general company issues. MPs should call questions into the 6060 line. For the present, MPs should continue to send e-mails to their current customer representatives.

Mr. Mukerji explained the NYISO's intent is to launch the department sometime between mid-October and mid-November.

### **9. Update on NYISO Lean Six Sigma initiative**

Frank Deno (NYISO) presented a report titled "LSS Update."

Mr. Deno explained that the NYISO is in its initial acceleration stage of Lean Six Sigma. The goal is excellence, doing more with the same resources and getting it done right.

- The LSS initiative started in 2005 with 15 projects. Three projects are in control phase; the rest of the projects are set to be completed this month. All projects set a primary metric target; these goals have been exceeded.
- The NYISO has launched 46 Green Belt projects. Twenty percent will be in the Measure phase in the first month; 50 percent will complete the Define phase before Week 2 of training. To date, 96 percent of projects are on schedule.
- All of the projects are targeted to increase efficiency and decrease defects. Most projects reduce cost and/or cycle time. Some are geared to improve processes.
- The 2007 focus will be on continuous improvement and build integrity through coaching and leadership training. Key points are measurement and communication.
- Mr. Deno said the Voice of the Customer is the cornerstone of Lean Six Sigma and asked MPs to let him know if customer expectations are being met.

Mr. Franey said that the NYISO's Lean Six Sigma initiative hasn't been very transparent. MPs don't know the metrics or the projects, or if the NYISO is succeeding.

Mr. Deno said the NYISO is working on themes, areas of improvement that MPs want to see at the NYISO. Those are the areas that would be shared directly with MPs.

Mr. Mukerji said the NYISO's LSS program is aiming to achieve more work with same amount of people, more accuracy and efficiency,

throughput and higher quality. Green Belt projects are close to an employee's area of work – making it more efficient, seamless and accurate.

Mr. Paul Gioia (NYTOs) said:

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- MPs have been asking the NYISO to make the Lean Six Sigma initiative more transparent since the project was undertaken more than a year ago.
- There has been no NYISO effort to ask for customer input about the projects the NYISO has selected for Lean Six Sigma. It would be a good thing for the NYISO to know what its customers think.
- In terms of metrics, the MPs have been asking for more than a year to see the metrics. Instead, MPs are repeatedly given presentations that say the metrics are being exceeded. But MPs don't know what the metrics are.
- One important objective of Lean Six Sigma is to enhance MP confidence in the NYISO. To do that, MPs need to be able to measure the progress.
- He said MPs should be given a list of the 46 projects and explanations of how they were selected, the metrics (where things are now and anticipated gains), and what the time frame for completion is.

Mr. Mukerji said Lean Six Sigma is part of the NYISO's Excellence in Execution initiative. The goal is to have every eligible NYISO employee trained in LSS techniques over the next three or four years. Training across the board allows LSS to become part of the company's culture, which is the only way the program will work. The process never really ends.

As for project transparency, Mr. Mukerji said a determination has to be made on how to make the information accessible to MPs. The NYISO will find a way to summarize the 46 projects and their progress, as well as sharing the data with MPs.

Mr. Nachimas noted that many LSS projects involved cycle time and improvements of things that exist. To the extent that new processes are being developed, it would be nice if MPs had some certainty that the new projects are being developed with Excellence in Execution in mind.

Mr. Deno said Design for Six Sigma methodology is a substantial change that requires a considerable amount of training. That is where the NYISO is headed.

## **10. New Business**

Mr. Nachmias provided an update of the Budget Standards and Performance (BS&P) subcommittee. A BS&P conference call meeting was set for Oct. 19. The BS&P is considering the 2007 NYISO budget and a NYISO five-year plan.

**The meeting was adjourned at 1:59 p.m.**

Respectfully Submitted,  
Michael A. Lisi  
Recording BIC Secretary