
DRAFT**NYISO Management Committee Meeting Minutes****June 14, 2011****10:05 a.m. – 12:00 p.m.**

1. Introductions, Meeting Objectives, and Chairman's Report

Mr. Stu Nachmias (Consolidated Edison), the Chair of the Management Committee (MC), called the meeting to order at 10:05 a.m. and welcomed the members of the MC. Meeting participants introduced themselves and their affiliations. There was a quorum.

2. President and CEO Report

Mr. Rich Dewey (NYISO) gave an update on the infrastructure master plan and the smart grid investment grant projects.

Infrastructure Master Plan Update

At the Carman Road site, construction is proceeding on schedule, with completion targeted before the end of this year. The NYISO is tracking at two percent under budget. The NYISO is pleased with this progress.

For the Krey Blvd site, the NYISO is in the process of finalizing the remainder of municipal approvals, which are required in order for the NYISO to close the loan. The NYISO needs to get easements for the second power feed. Site work should begin in September or October. Market Participants should expect to see changes to the property and parking lot during that time. This portion of the project is moving forward and within budget.

Mr. Nachmias asked about the interest rate for the financing. Mr. Dewey said it is a variable rate. Ms. Mary McGarvey (NYISO) is looking at interest rate swaps and assessing the economics of converting to a fixed rate. In response to a question from Mr. Nachmias, Mr. Dewey agreed this issue could be included in the budget discussions.

In response to questions from Mr. Paul Gioia (TOs), Mr. Dewey said the NYISO will be paying interest only for the first three years, and interest and principle for the remaining 17 years. The NYISO has the opportunity to refinance any portion of this debt during the course of the loan to either fixed or variable interest rates.

Smart Grid Investment Grant Update

The three-year project is proceeding along on schedule with the completion of the project's first year occurring at the end of this month. The first capacitor and PMU are to be installed later this month.

Mr. Mark Younger (Slater Consulting) asked if the capacitors being installed would change the transfer capability. He didn't recall seeing a study done. Mr. Dewey said there was a study done that showed that it will reduce losses. He wasn't sure if the study looked at the transfer capabilities. In response to a further question from Mr. Younger, Mr. Dewey reported that the NYISO would get back to the Market

Participants on Mr. Younger's request to present the changes to the transmission system losses that are expected as a result of the DOE project.

In response to a question from Mr. Bart Franey (National Grid) . Mr. Dewey said the NYISO could consider adding a project scorecard of what's been completed and what's coming up next month to the more thorough presentation the NYISO was developing. In response to a further question from Mr. Franey, if Mr. Dewey said the DOE funds for the project end in three years . The NYISO talked to the DOE about a possible extension in case the project is delayed for some unforeseen circumstance, and the DOE clearly said there will be no extension. Mr. Dewey added that June 30, 2013 will be the last day of the project.

In response to a question from Mr. Frank Francis (Brookfield) Mr. Dewey said the total project cost was \$75 million, with the DOE reimbursing half of that, which is \$37.5 million. Further responding to questions from Mr. Francis, Mr. Dewey responded that the NYISO requests reimbursement bi-monthly. In response to a question about financing if the the project is not completed on time, Mr. Dewey indicated that he had no clear answer because of the complications presented by involvement of TOs and the NYISO.

Mr. Dewey said the NYISO has taken a different approach from the other ISOs/RTOs. The NYISO is designing the details and then procuring later. This will make sure that the equipment works with the TO systems. Other ISOs/RTOs are procuring the equipment first and then piecing it together.

3. Consumer Initiatives Update

Mr. Richard Barlette (NYISO) provided an update on the NYISO's latest consumer initiatives. The NYISO has identified a candidate for the position of consumer liaison. The NYISO hopes that person becomes a staff member over the summer. The NYISO will detail the logistics of this position.

Mr. Barlette said the NYISO's Consumer Advisory Council will be meeting on both August 15 (5:00 p.m. – 6:30 p.m.) and on August 16 (9:00 a.m. – 11:30 a.m.) at the Desmond Hotel in Albany, NY. The NYISO Board of Directors will be in attendance. All Market Participants are welcome to attend and RSVP to both events. On August 16, MPs will be able to meet with the council and share their perspectives on consumer issues.

Mr. Butterklee (Con Ed) said downstate market participants have difficulty in attending. He asked if the NYISO could arrange a future event near NYC where the load is. Mr. Barlette said he wasn't aware of any upcoming events with the Consumer Council that would take place near NYC, but he will note Mr. Butterklee's comments.

Mr. Nachmias asked if the NYISO would be conveying consumer impact analysis to MPs on upcoming items. Mr. Barlette said the NYISO has consumer impact analysis in place for projects. It looks at the annual list of projects that MPs approve and identifies market changes as a result of those projects throughout the year. The NYISO is planning a presentation to MPs in July.

Mr. Butterklee asked if it is limited to projects or other items that come up through the committee process. Mr. Bolbrock (NYMPA) indicated he had expected that it would be an ongoing process, and not

an annual review. It should provide guidance for the NYISO. Mr. Barlette said it will be an ongoing process to help the shared governance process.

Mr. Mager recommended that the NYISO make an initial presentation in July and then seek stakeholder feedback before finalizing its internal processes for this. Mr. Mager added that this has never been done before by an ISO and this will make MPs comfortable with how the NYISO proceeds with its consumer analysis on an ongoing basis. Mr. Barlette said the NYISO will note his concern.

Mr. Gioia said there is not much definition of the Consumer Advisory Council. It might be useful for the NYISO to out present a detailed scope for the Council. Mr. Barlette said the NYISO will lay out the function of the Council after the August meeting.

Mr. Saul Rigberg (Consumer Protection Division) said these initiatives are not transparent enough. He said a year has gone by with the liaison position and there has been no progress. The consumer impact analysis has not been discussed with MPs with regards to the metrics and it is just being told to consumers. And with the council, he said he would like the NYISO to discuss the expectations of the council in July so we have something to think about before the August meeting. These consumer issues are being handed down to the sector without input from end use consumers. Mr. Barlette explained that what may appear to be a lack of transparency was in reality a picture of initiatives that are still developing. The NYISO's previous consumer liaison left and the NYISO has been looking for a replacement ever since. Mr. Rigberg responded that he was unaware of liaison work done previously and, from the CPD's perspective, we've had a year without a liaison. Mr. Rigberg said the end use sector would like to have a dialogue at the July meeting.

Mr. Butterklee said people are happy that the NYISO is taking these steps, but there is a concern about how they are rolled out. MPs would like to have more input. Mr. Barlette said he appreciated the feedback and has captured everyone's comments.

Mr. Mager said the End Use sector has been asking for these initiatives for a long time. He said the Council was a decision by the Board alone, without any MP impact. MPs are wondering what the Board has in mind with this council and what is the ultimate goal. Mr. Barlette said the Council is more or less a tool for the Board. Mr. Barlette said he will certainly take everyone's comments back.

4. Update from FERC

Mr. Nachmias welcomed Ms. Jignasa Gadani (FERC – Director of Division of Electric Power Regulation – East) and Mr. Travis Allen (FERC) to the MC. Ms. Gadani provided an update of FERC's latest initiatives. She said her office tracks NYISO issues along with other ISO/RTOs and unorganized markets along the east coast. She said she was speaking on her own behalf, and not for the Commission. FERC has a strategic plan for 2009 – 2014. FERC's mission is to assist consumers in obtaining reliable, efficient, and sustainable energy prices and services at reasonable costs through appropriate regulatory and market means. She said the NYISO has provided beneficial information to the Commission. Steve Whitley (NYISO) spoke at the Commission's meeting in January and briefed FERC on Broader Regional Markets; capacity markets; transmission planning and cost allocation; demand response resources in the energy and ancillary markets; and discussion on the gas and electric industries.

She spoke of recent rulemakings that the Commission has decided:

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- Demand Response Compensation in Wholesale Markets was issued on March 15. The compliance filings are due July 22, and subsequently ISOs have to provide results of their studies by September.
 - Credit Policy Reforms for Organized Markets issued in October. FERC has dealt with rehearings on this topic. Compliance filings are due by the end of June.
 - RTO Performance Metrics. That report was sent to Congress on April 7, 2011. The next steps are going to be to explore metrics for non-ISOs.
 - FERC issued two NOPRs in April related to Electric Market Transparency and E-tagging. Comments are due by the end of June.
 - FERC is also working on Horizontal Market Power Guidelines that were issued by DOJ and the FTC. Those comments came in May and FERC is currently reviewing those comments.
 - Technical Conferences on efficiency of software enhancements. This continues to be an ongoing issue.
 - Variable energy resources. This requires public utility transmission owners to offer services for more efficient integration of variable energy resources. That NOPR was issued last November and comments came in March. FERC is currently reviewing them.
 - Frequency regulation compensation proposed rule. That was February 2011. Comments were due by May. FERC is determining the next steps.
 - Transmission rulemaking. Several orders issued last year related to the other markets (SPP and MISO) re: cost allocation. FERC recently put out a Notice of Inquiry (NOI) at the last Commission meeting re: transmission rate incentives. Since then, FERC received questions on incentive policy. FERC has been doing it on a case by case issue. The NOI was issued so FERC can receive feedback on what needs to change.
 - In terms of reliability, FERC issued a final rule in November 2010 related to Bulk Electric System definition so that FERC is aware of any gaps in overseeing the bulk electric system.

Mr. Bruce Bleiweis (DC Energy) said the EQR NOPR focuses on FERC getting data from NERC. Would FERC be open to have broader data submittal to market monitoring for more transparency? Ms. Gadani said at this time, FERC put out that notice realizing that there was more transparency FERC would be interested in. As for that information to be more public there has been no decision made yet.

On the enforcement side:

- In September, FERC issued penalty guidelines for enforcement cases. Over the last three years, FERC has released annual reports of enforcement cases. These publications show how FERC has implemented its enforcement authority
- FERC affirmed an initial decision of a \$30 million fine to Enron trader in April for violating the Commission's anti-manipulation rules. Hearings are pending.

Mr. Bleiweis asked how MPs can help FERC with the many complex issues. Ms. Gadani said that she has appreciated working with various agencies in the industry, such as ISOs/RTOs and state regulatory bodies. Mr. Travis Allen works with stakeholders and talks to them often. It helps to hear the issues before the filing comes before FERC. It's difficult to know when to have a discussion, when people are still trying to understand issues.

Mr. Jim D'Andrea (TransCanada) asked what is FERC's prioritization process. Ms. Gadani said FERC is like any other organization that doesn't want to have a backlog, so FERC works on everything. Statutory

items have to come first. The Commission drives the issues that deal with rulemaking. Outside factors also impact FERC's timeline of important issues that need to be completed.

Ms. Hogan (NYSERDA) asked how consumer costs are taken into account when FERC is developing the NOPR because NY is going to be confronted with significant costs when implementing the Bulk Electric System rules. Ms. Gadani said FERC's statutory authority comes from the Federal Power Act and FERC examines just and reasonable rates.

Mr. Mager asked if FERC performs a cost/benefit analysis of these Bulk Electric System rules. Ms. Gadani said she was not aware of any analysis being done.

5. 2011 NYISO/ISO-New England Symposium Update

Mr. Barlette gave an update of the Symposium. He said it's a joint NYISO/ISO-NE Symposium. It's an all-day event on November 1, 2011 at the NYC Hilton. There will be two panels.

- The first panel will discuss the Future of Competitive Markets. This panel will be the ISO/RTO panel. The CEOs of the NYISO, NE, PJM, MISO and Ontario will be on the panel.
- The second panel is Innovation and Technology. The panelists will discuss technology that is developing through competitive markets and the impact on consumers. Invitations were sent to the CEOs of Horizon Wind, General Electric, the Association of Demand Response and Smart Grid, Storage Provider, and PHEV provider.

The NYISO also sent an invitation to Governor Cuomo for opening remarks. The governor's staff indicated they are receptive. There will also be a technology and exhibition hall where attendees can view upcoming technology. A special website for registration was created for this event (www.isoenergyconference.com)

6. New Business

No new business. Meeting adjourned at 12:00 p.m.