

DRAFT**NYISO Business Issues Committee Meeting Minutes****August 12, 2015****10:05 a.m. – 12:30 p.m.**

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

The chair of the Business Issues Committee (BIC), Ms. Patti Caletka (NYSEG) called the meeting to order at 10:05 a.m. by welcoming the members of the BIC. The members of the BIC identified themselves and attendance was recorded. A quorum was determined.

2. Meeting Minutes**Motion #1:**

Motion to approve the Minutes of the July 15, 2015 meeting.

Motion passed unanimously.

3. Market Operations Report

Mr. Mike DeSocio (NYISO) reviewed the market operations report included with the meeting material. In response to a question from Mr. Mark Younger (Indeck), Mr. DeSocio said the NYISO would discuss the warm weather performance in greater detail at the August 13th Operating Committee meeting.

4. Seams Report

Mr. DeSocio reviewed the seams report included with the meeting material. There were no questions.

5. Planning Update

Mr. Zach Smith (NYISO) reported that, in July, the PSC issued an order for a public policy need in Western NY and the NYISO will consider projects that would increase Western NY transmission capability in order to transmit the full output of the Niagara facility maintain imports from Ontario and maintain transmission security in Western NY. The NYISO will present base line results to the August 27th ESPWG and then solicit solutions to meet the public policy transmission need. In response to a question from Ms. Caletka, Mr. Smith said he would discuss the solicitation timeframe in greater detail at the ESPWG. He noted that the solicitation window would not begin immediately after the August 27th ESPWG meeting.

6. TCC Manual Revisions

Ms. Lisa Travalay (NYISO) reviewed the presentation included with the meeting material. There were no questions.

Motion #2:

The Business Issues Committee (BIC) hereby approves the revisions to the Transmission Congestion Contracts Manual as presented and discussed at the August 12, 2015 BIC meeting.

Motion passed unanimously with abstentions.

7. Consumer Impact Analyses: 2016 Project List

Mr. Tariq Niazi (NYISO) reviewed the presentation included with the meeting material.

Mr. Scott Butler (Con Edison) complimented the NYISO for identifying the 2016 project list much earlier. He opined that the Fuel Assurance: Fuel Constrained Supply Bidding project may not need any

consumer impact analysis because of the difficulty in estimating the efficiency savings. Mr. Dan Mahoney (NYPA) asked if there was a lot of stakeholder support for the identified 2016 project list for consumer impact analyses. Mr. Niazi said he believed they had significant support, but other projects with bigger impact on consumers could also be identified. Mr. Mike Kramek (Boston Energy) expressed a concern that the projects in the presentation were being prioritized without going through the project prioritization cycle. Mr. Niazi said the projects were not finalized and his presentation only sought to identify and discuss potential candidates for consumer impact analyses with stakeholders much earlier in the process.

Mr. David Lawrence (EnergyConnect) asked if the NYISO would go to the BPWG to discuss the 2016 projects not selected in the presentation and describe any secondary candidates that could also be potentially considered for consumer impact analyses in 2016. Ms. Jane Quin (Con Edison) agreed with Mr. Lawrence's request. Mr. Niazi said he would consider discussing it, but stakeholders could also at any time ask the NYISO to look at other projects that should be considered for consumer impact analyses.

8. Changes to the Reference Level Manual & MST Attachment H

Mr. Giacinto Pascazio (NYISO) reviewed the presentation included with the meeting material. Mr. David Clarke (LIPA) thanked the NYISO for making changes to the Reference Level Manual since the last Market Issues Working Group (MIWG).

Regarding the documentation needed to assert higher fuel commodity costs, Mr. Clarke said he took issue with the ability to cite a posting on a trading platform that was posted for a reasonable period of time as evidence that the gas market is illiquid. Mr. Clarke said LIPA did not believe that proposal made sense because one cannot post an out of cycle offer on the ICE trading platform.

Mr. Dan Congel (TC Ravenswood) commented that sub-bullet b of section 6.3.2.2 was vague, and asked if the language could be amended to say "could be reasonably predicted." Mr. Clarke stated that the ISO's proposal to reject gas balancing costs that an MP could "reasonably anticipate" was an arbitrary and subjective standard. Mr. Alex Schnell (NYISO) said the NYISO was proposing changes to the Reference Level Manual to give more clarity and guidance to generators and also give a warning to generators that if they are incurring the same amount of gas penalty charge day after day, then the NYISO will not be allowing the gas balancing charges to continue to be recovered because instead of regularly incurring a high gas balancing charge, at some point the generators need to start procuring gas. Mr. Clarke said his issue is that FERC should consider whether a vague revision is an appropriate standard. Mr. Schnell said the NYISO has an obligation to make sure the costs are reasonable and if an organization is incurring balancing charges day after day, eventually the NYISO has to take exception. The proposed change seeks to explain how the NYISO would evaluate costs. Mr. Butler said it was helpful to have a procedure in place than to not have one.

Mr. Liam Baker (US Power Gen) thanked the NYISO for moving the proposal forward and asked for clarification that the penalty charges were related to daily balancing charges and not if a generator signs up with an LDC and receives monthly charges. Mr. Pascazio said that was correct. Mr. Baker suggested clarifying the manual language to make it clear that it was for daily charges.

Mr. Mike Novak (National Fuel Gas Distribution Corporation) said Section 6.3.2.4(a) of the reference level manual should impose stronger and clearer obligations to coordinate with LDCs and pipelines because a generator should be able to check in advance to see if natural gas was available on the pipeline. Mr. Pascazio said the manual implements the rules in the tariff, which relate to recovery of gas costs in generator reference levels. The NYISO expects a generator would coordinate with its gas

supplier to ensure the services used were authorized. Mr. Novak said generally his organization supported the NYISO's proposal.

Mr. Congel said he supported the proposed changes, but did offer a comment that Section 6.3.3 of the Reference Level manual contains language about the weighted average fuel costs, and he said a scenario could occur where one could make large volume purchases intra-day, and if the NYISO was looking at weighted average fuel costs, that evaluation may not capture intra-day price increases for a specific unit. Mr. Pascazio said the language Mr. Congel was alluding to is designed to address an average of fuel cost for a portfolio of units. In trying to determine that cost, the NYISO would include intra-day purchases that could offset the charges incurred. Mr. Clarke added that it was a section that LIPA proposed to delete in its version of the redlined manual. Mr. Schnell said Section 6.3.3 explains what the NYISO will be evaluating. It will help a generator understand why the NYISO is asking questions.

Regarding the proposed MST Attachment H revisions, Mr. Clarke said one of the issues with Attachment H Section 23.3.1.4.6 – "Reference Level Calculations" is that it incorporates by reference what penalty gas is based on the tariff of each of the LDCs and it would make sense from a legal perspective to define what "penalty gas" means in the ISO's Tariff and to define it as burning through an OFO. Mr. Novak disagreed with that change. He said an LDC is going to make changes in the PSC jurisdictional tariffs to make it abundantly clear and consistent what is/is not permitted. The NYISO tariff should not trump the PSC jurisdictional tariff of an LDC to whatever shipper is delivering to a generator. Mr. John Borchert (Central Hudson) agreed with Mr. Novak and said he didn't think the NYISO creating a definition of unauthorized use or penalty gas that could be in conflict with the local LDC tariff would be desirable. Mr. Joe Nelson (LIPA) said FERC has been very consistent that it doesn't incorporate by reference matters and standards it has not reviewed. The NYISO has to revise the Tariff language to address which costs it would allow/disallow in a reference level. The problem is that the rates, terms, conditions and services have to be approved by FERC. Mr. Novak said that may be true, but the problem from an LDC view is that if you are recovering the cost of an LDC penalty from the NYISO, then the penalties aren't preventing undesirable behavior. Gas system operational integrity must be preserved. Mr. Shaun Johnson (NYISO) said that FERC would have to decide on the concerns raised by Mr. Nelson.

Mr. Butler offered and Mr. Baker seconded a motion to approve the NYISO's proposed changes to the Tariff and Reference Level Manual. Mr. Clarke made a motion to amend and the motion to amend was seconded by Mr. Antinori (NYPA). Mr. Clarke described his proposed amendments to Attachment H included with the meeting material.

Mr. Schnell said LIPA had not articulated its concern at previous MIWG meetings to Attachment H Section 23.3.1.4.6, but LIPA proposed to remove the language. Mr. Nelson said the concern was that changing the existing tariff from using the "best information available" to "best fuel cost information available" raises a question on whether the NYISO would now exclude information it had been using in the past. The second concern is the last sentence could be interpreted as requiring the NYISO to publicly report on a confidential Market Monitoring inquiry. In addition, the NYISO intends to use this language to avoid an obligation to seek a waiver from the violation of the tariff based on an inaccuracy that does not have a market impact. Mr. Johnson said to the purpose of the revision is to address when NYISO experiences a software glitch that has no impact on prices. In these cases, there is an error, but there is no market impact to report to FERC. The NYISO will continue to notify FERC of any market impacts. Mr. Johnson said the NYISO will continue to report errors that impact market clearing prices and is not seeking a waiver of that reporting obligation.

Regarding LIPA's edit to Section 23.3.1.4.6.1.1.1, Mr. Schnell asked if LIPA's amendments are intended to permit generators to burn penalty gas and recover the costs of burning that penalty gas through the NYISO. Mr. Nelson said the point was defining unauthorized natural gas use. Mr. Nelson said at this point in time, LIPA was trying to identify unauthorized gas. If the NYISO wants to define penalty gas and wants to propose language specifics for when it is penalty gas, then that is an appropriate definition, but the NYISO has not done that. LIPA said its proposed language grants the ability to burn imbalance gas and to be able to recover the costs, but not be able to burn unauthorized gas during an OFO. The OFO is where LIPA is drawing the line.

Mr. Baker said LIPA's proposed edits were recent information and asked if there was anything in the LIPA's proposed edits that would make NYISO want to reconsider the proposed revisions. Mr. Johnson said the answer was no.

Ms. Kelli Joseph (NRG) said she understood the importance to include reference to the LDC tariff, but all of the LDCs have different tariff language. She thought LIPA might have a valid concern.

Mr. Clarke requested a roll call vote for all of the motions.

Motion #3a:

Motion to amend motion 3:

The Business Issues Committee ("BIC") hereby recommends that the Management Committee approve changes to the NYISO's Services Tariff Attachment H as described in the presentation entitled "Changes to the Reference Level Manual & MST Attachment H", made to the BIC on August 12, 2015 and, with respect to revisions to MST Section 23.3 as further amended pursuant to the document titled, "LIPA Amendments to Proposed Revisions of MST Section 23.3 (Aug. 10, 2015)."

Motion failed with 25.24% affirmative votes.

The BIC voted on the original motion.

Motion #3:

The Business Issues Committee ("BIC") hereby recommends that the Management Committee approve changes to the NYISO's Services Tariff Attachment H as described in the presentation entitled "Changes to the Reference Level Manual & MST Attachment H", made to the BIC on August 12, 2015.

Motion passed with 80.18% affirmative votes.

Mr. Clarke made a motion to amend and the motion to amend was seconded. Mr. Clarke described his proposed edits to the Reference Level Manual included with the meeting material. He said LIPA believed the OFO changes had broader support and LIPA proposed to delete the balancing charge provisions.

Mr. Younger noted that the BIC voted on changes to the tariff and motion #3 was approved today. He said the Reference Level Manual would need to be consistent with the tariff. He asked the NYISO if the LIPA's proposed changes to the Reference Level Manual would be consistent with motion #3. Mr. Clarke said LIPA's proposed changes were deletions. Mr. Younger said he was not sure if deletions would still be consistent with the tariff. Mr. Schnell said the tariff is always the rule and the manual is the guidance. Market Participants would lack guidance on how the NYISO implements certain tariff rules with LIPA's proposed changes.

Motion #4a:

Motion to amend motion 4:

The Business Issues Committee (“BIC”) hereby approves the Reference Level Manual updates as presented, and discussed and amended at the August 12, 2015 BIC meeting to be implemented the same day as the related Services Tariff (Attachment H) changes also presented to the BIC on August 12, 2015 and described in the presentation entitled “Changes to the Reference Level Manual & MST Attachment H.” The amended changes to the Reference Level Manual updates approved by the BIC are set forth in the document titled, “LIPA Amendments to Proposed Reference Level Manual Updates (Aug. 10, 2015).” Approval of the Reference Level Manual updates is contingent on FERC’s acceptance of the related Services Tariff changes with no substantive modification.
Motion failed with 25.24% affirmative votes.

The BIC voted on the original motion.

Motion #4:

The Business Issues Committee (“BIC”) hereby approves the Reference Level Manual updates as presented and discussed at the August 12, 2015 BIC meeting to be implemented the same day as the related Services Tariff (Attachment H) changes also presented to the BIC on August 12, 2015 and described in the presentation entitled “Changes to the Reference Level Manual & MST Attachment H.” Approval of the Reference Level Manual updates is contingent on FERC’s acceptance of the related Services Tariff changes with no substantive modification.
Motion passed with 74.76% affirmative votes.

9. Working Group Updates

BAWG – Ms. Debbie Eckels (NYISO) reported that BAWG met on July 24th and reviewed the grid accounting report. They also reviewed the KPMG report.

CPWG – Ms. Eckels reported that the CPWG discussed the Q4 credit projects which are on schedule. They also reviewed the balance of period TCC credit policy.

ESPWG – Mr. Butler reported that ESPWG has had a couple of meetings. They discussed the public policy need in Western NY. They also discussed the nuts and bolts on how to propose public policy projects and become qualified as a potential developer. They will continue to work on the generic solutions for the CARIS report.

ICAPWG – Mr. Bob Boyle (NYPA) reported that ICAPWG met on July 23rd and discussed the ICAP Spot Market Credit Enhancements and Behind the Meter: Net Generation. On August 10th, they discussed the RMR compliance filing. The ICAPWG had five additional meetings scheduled in late August and early September.

IPTF – The group did not meet.

LFTF – The group did not meet.

MIWG – Mr. Chris LaRoe (IPNNY) reported that MIWG met to discuss the Reference Level Manual and Attachment H revisions. They also talked about the NYISO’s participation in a REV working group.

PRWLG – The group met jointly with ICAPWG to discuss Behind the Meter: Net Generation.

EGCWG – Mr. Baker said the group had not met, but they are looking to schedule a meeting in September. Stakeholders can submit comments to Ms. Joseph or him.

10. New Business

Mr. DeSocio said Mr. Mahoney had a question earlier about the stakeholder support for 2016 projects and he noted that the July 13th BPWG meeting materials contains documents for the NYISO score and the Market Participant score for the 2016 project candidates.

Ms. Caletka reported that the NYISO would be issuing a vice chair solicitation to all Market Participants for nominations. Stakeholders should contact Ms. Eckels if interested.

Meeting adjourned at 12:30 p.m.