

MARKET PARTICIPANT AUDIT ADVISORY SUBCOMMITTEE (MPAAS) MEETING

June 15, 2006

LOCATION: NYISO, Rensselaer, NY

Meeting Minutes

Attendees' Names

Representing

MPAAS Members

Walter Werther (Chair)	KeySpan
Dan Zeppetello (Vice-Chair)	National Grid
Robert Farrell	LIPA
Les Pardo	NYPA
John Ventura	Con Edison

MPAAS Guests

Bill Conner	Con Edison
Rich De Jong (telephone)	Energy East
Lora Gescheidle	Central Hudson
Dave Hall	Energy East
Diane Seitz	Central Hudson

NYISO Staff

Marc Rubin
Ray Stalter
Wayne Bailey

I. Approval of Minutes from March 9, 2006

The minutes from the March 9, 2006 MPAAS meeting were approved and will be posted on the NYISO website.

II. Review of Action Items

- SAS 70 meeting with KPMG – the meeting was held on May 25, 2006.
- Does the NYISO reconcile Inadvertent energy with other control areas?
 - Mr. Rubin indicated that Inadvertent energy was not reconciled individually – but only in total – with the other control areas. MPAAS members noted that Inadvertent was only settled in-kind, not monetarily. They asked how the NYISO knows that the megawatt balances are accurate. Mr. Rubin stated that he would research the information.

- Determine the status of ICAP billing issues raised by the BAWG in February 2006, related to detailed process issues.
 - Members of the MPAAS noted that the subject was being addressed at the June 28th Technical Meeting.
- Mr. Rubin to follow up with business owners related to Mr. Ventura's comments that, without an "echo back" capability for Con Ed, there is inequality of treatment.
 - Mr. Rubin noted that the "echo back" issue was going to be addressed in a larger, web-based reconciliation (WBR) project, currently on the 2007 tentative schedule.
 - Mr. Ventura stated that "echo back" was a critical Market Participant Control Requirement (to confirm the accuracy of data input to the NYISO) from the NYISO's SAS 70, and that Con Ed cannot use the control. Others noted that National Grid, NYSEG, and NYPA also can't use echo-back as designed. Mr. Hall noted that NYSEG can use the control by breaking the file into eight pieces.

III. Audit Briefings under the new briefing protocol and discussion of the briefing

Mr. Rubin provided verbal COSO-type briefings on the following audits performed by Internal Audit (IA):

- 5-05 – Compliance Review
- 6-06 – Load Forecasting

IV. Audit Briefings for other completed audits

Mr. Rubin provided audit briefing overviews of another IA-completed audit:

- 6-07 – Cash Management

V. 2006 SAS 70 Type 2 Discussion Update

Mr. Rubin noted that KPMG had begun fieldwork on the audit.

In addition, he stated that KPMG had listened to the MPAAS's concerns, at the joint MPAAS/BAWG meeting held on May 25, 2006.

Mr. Ventura requested that additional concerns be forwarded to KPMG:

- What is KPMG doing to test controls embedded in processes?

- KPMG should sample billing changes – in change control.
- Is KPMG going to make changes to what they test and how they test?

The MPAAS requested that Mr. Rubin follow up with KPMG on the above questions and suggestions, and ask what changes KPMG is planning to make.

Mr. Rubin noted that the SAS 70 audit period ends on November 15, 2006.

Responding to questions, Mr. Rubin discussed the representation letter process at the end of the SAS 70 audit period. He suggested that anyone with a different end-of-financial audit period advise ahead of that date, and he would prepare an appropriate representation letter.

Mr. Pardo inquired about bidding related to the SAS 70 audit. Mr. Rubin noted that the initial SAS 70 audit had been preceded by bidding and proposals, and thereafter the NYISO Board's Audit & Compliance Committee had renewed the SAS 70 audit.

VI. TCC Settlement

Mr. Ventura reviewed results of the TCC engagement by E&Y, stating that he would follow up for the expected hardbound reports.

In addition, Mr. Ventura stated that he would follow up, confirming final actions from the audit, and subject to that work, the TCC audit is closed.

Mr. Ventura noted that there weren't any material errors found in the adjustments made by the NYISO.

Other items pointed out by the TO's auditor would be worked through by the working groups.

VII. Update on the 2006 Audit Plan

Mr. Rubin noted that modifications to the 2006 IA Plan, related to IA resource turnover, would be reviewed at the following NYISO Board's Audit & Compliance Committee meeting.

Mr. Rubin would be prepared to discuss the changes at the following MPAAS meeting.

VIII. Building Update

Mr. Rubin stated that the new facility – named the Krey Corporate Center (KCC) – was moving forward. Internal Audit had an ongoing project reviewing progress against budget and schedule.

IX. Other Business

a. Meeting notifications by the NYISO

Mr. Ventura stated that there hadn't been enough advance notification of forthcoming meetings. As an example, he mentioned an occasion of only two hours' notification for a TCC audit meeting.

Mr. Hall agreed, stating that in his opinion it was a chronic problem.

Mr. Rubin agreed to advise relevant NYISO management of the concern.

b. Timing of routine maintenance for market prices

Messrs. Ventura and Zeppetello mentioned that in late May, during a spike in New York State temperatures, a software change was deployed, causing MIS to not be available. They noted that Mr. Gonzales (NYISO Staff – Director, Energy Market Operations) was reviewing the problems. They also raised the question of the Dispatch Operator's ability to stop deployment during a period of higher than forecast load.

Mr. Pardo asked what NYISO would do to prevent a similar situation in the future.

c. Delay of final bill close-out settlements

d. Final bill close-outs, 25-day review, 20 pages of manual adjustment

Several MPAAS members noted that the final bill close-out settlement is creating a volume of work for the TOs. They noted the expectation of 14 bills being processed in one month.

Mr. Ventura stated that the NYISO incentive systems (including final bill close-out) worked against billing accuracy.

Mr. Hall suggested that the NYISO give consideration to MP processing requirements when scheduling final bill close-outs.

e. Web-based reconciliations

Mr. Werther noted that the topic had been covered in the Open Issues segment (#1).

f. Other

MPAAS members reviewed the movement to shorten bill cycles. They referred to a current list of changes to be made. They stated that 60% of that list was the same as the one made when moving from a 24-month to 12-month cycle, and believed that the NYISO was not honoring its commitment to address issues on that list.

Members also raised a concern with controls, and noted that the timing of changes could not impact their SOX (Sarbanes-Oxley) requirements.

Mr. Rubin subsequently noted that the BAWG (Billing and Accounting Work Group) had been advised on June 12th of the forthcoming billing changes, and that they only included minor corrections, and an interest adjustment.

Mr. Hall confirmed that BAWG had been advised of the changes, and requested an official notification of the implementation of the changes.

X. Next Meeting

The next MPAAS meeting will be held on August 16, 2006. Mr. Rubin agreed to post the new date and arrange for a meeting location.

Open Items

- Mr. Ventura requested that additional concerns be forwarded to KPMG:
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