

NYISO Management Committee Meeting

August 3, 2004

Teleconference Meeting
10:00 a.m. – 12:30 p.m.

MINUTES OF THE MEETING

1. Introductions, Meeting Objectives & Chairman's Report

Joe Oates of Consolidated Edison, Chairman, called the meeting to order at 10:12 AM and welcomed the members of the Management Committee ("MC"). The meeting objectives are to approve minutes from the July MC meeting, and vote on three items before the MC today.

2. Approval of the Minutes

Several corrections to the July Minutes were supplied by market participants and incorporated prior to the vote on the motion to approve them.

Motion #1:

Motion to approve the Minutes from the July 7, 2004 MC, with indicated changes.

Motion Passed

3. President's Report

Garry Brown of the NYISO discussed some NYISO internal organizational changes. Belinda Thornton has been named Assistant VP of Market Services, reporting to Chuck King. Elaine Robinson has been named the acting Director of Regulatory Affairs. Brad Kranz will be the acting Manager of Committee Support and Liaison to the MC. A new position was created under Vinny Budd to manage database integrity. An email will be sent out to the members describing these changes.

Market Performance Highlights for May 2004

Mr. Brown stated that average costs for the month declined slightly, despite higher system loading. Monthly average reserve prices reached historic lows for July. This is attributed to

low summer loads and high generator availability. The DAM committed unit-hours mitigated in NYC percentage continues to be low, and remains essentially unchanged from July. The percentage of SCD intervals corrected declined in July.

Standard Market Design ("SMD") Update

The SMD2 project team conducted two Market Trial exercises during the month of July including the first real-time market simulation which was significantly more complex than the previous exercises. The tests were largely successful and problems that were identified during the tests are being addressed.

Jim Scheiderich of Select Energy asked a specific question having to do with the NYISO running stress tests on the system during the market trials. Jim was informed that stress testing will not occur due to earlier problems encountered with the simulator. Rob Pike of the NYISO commented that real time events will be simulated during the next market trials. Mr. Scheiderich noted it would be helpful to announce these real time events when they are planned to occur, or when they actually occur, in order to facilitate adequate market response.

Mayer Sasson stated he was informed that his desire (noted in the July minutes) about testing, taking bids from the current legacy systems and placing them into the SMD system was not possible, under the current testing regime.

Ray Kinney of the New York State Electric and Gas ("NYSEG") noted that skepticism exists with the market trials results. NYPA and LIPA also expressed their concerns. Mr. Kinney stated that if the need for more market trials exists, all effort should be made to make sure further trials are indeed executed.

Mr. Scheiderich asked about the possibility of rolling back to the Legacy system if SMD2 systems are not functioning properly. During further discussion on this issue, the NYISO indicated it was working on such a plan and that it agreed one was necessary. Ms. Robinson stated she would work with Mr. Scheiderich and Mr. Oates to provide the market with information on the fallback plan.

TCC Update

The proposed settlement received FERC approval on July 22. The initial implementation activities were completed on July 30. The NYISO held an August Reconfiguration Auction on July 26 and results were posted July 30. Third-party database reviews were completed. The NYISO solicited comments on proposed autumn 2004 auction schedule and comments are due August 6. Calculations of the Historic Shortfall are underway, and are scheduled to be completed by September 1. The September Reconfiguration Auction is to be held on

August 9. Information on the initial implementation revenue and payments is included in the President's Report. Tariff language will go out for review today, and comments are due Thursday of this week.

Mr. Brown stated that on July 30, wire transfers were made to the Transmission Owners and those who offered up TCC's for sale for the summer of 2004 shortfalls through July 12.

4. Update on Seams and Market Improvement Projects

Charles King of the NYISO presented the update.

Current Quarter Deliverables

Nothing to report

Recent Initiatives

? Elimination of Rate Pancaking - The NYISO is continuing to monitor progress toward the elimination of Rate Pancaking in ISO-NE.

? Virtual Regional Dispatch ("VRD") - Phase 1 is a pilot program that NYISO and ISO-NE staff is currently developing. A proposal to test VRD in 2004 will require Tariff changes and will come before the BIC, MC, and then the Board by September of 2004. Phase 2 will include a review of the pilot program with a potential initial implementation of VRD. These efforts may focus on further testing of the VRD processes during shortage conditions, or other alternatives to improve the use of the interface. A Whitepaper explaining the Pilot program is scheduled to be released Friday, August 6.

? Cross-Border Controllable Line Scheduling – Mr. King commented that the project is currently being worked on for a June 2005 deliverable date. Initial focus will be geared toward the Cross Sound Cable. The software was designed to be generic in order to accommodate future controllable lines and normal, "garden variety," Phase Angle Regulators (PARs).

Mark Younger of Slater Consulting asked about the status of David Patton's review of persistent dragging. Brad Kranz of the NYISO commented that we will post the information as soon as it is available.

Doreen Saia of Mirant asked if anyone was working with ISO-NE staff on their proposal for ICAP demand curves. Mr. King stated John Charlton is advising ISO-NE.

5. Presentation on new NYISO facility

Andy Ragogna of the NYISO presented this issue. Comments from the BS&P were incorporated in the presentation. Feedback and comments regarding the presentation are encouraged and should be sent to the committee liaisons. The need for a prompt decision is driven from a Department of Energy recommendation concerning separation of the PCC and ACC.

6. Proposed Tariff Modifications addressing the Status of PURPA units in SMD

Brad Kranz of the NYISO presented this issue. SMD changes the reserve commitment scheduling process. Current Tariff provisions need to be revised to reflect this change. Kevin Jones of LIPA stated that he did not know why the exemption should apply to Capacity Limited Resources or Energy Limited Resources. NYISO counsel agreed and the motion was amended.

Motion #2:

The Management Committee (MC) approves the Proposal related to the treatment of PURPA Units and other units, as mentioned in the presentation, but not to ELR's and CLR's, in RTS, as presented to the Business Issues Committee (BIC) on July 21, 2004 and the MC on August 3, 2004, and recommends to the Board of Directors that the NYISO should be authorized to submit said Tariff Modifications to the FERC. Motion passed unanimously by show of hands.

(Motion passed unanimously)

7. Proposed Tariff Modifications related to BPCGs for Reserve and Maximum Generation Pickups in SMD

Mr. Kranz of the NYISO presented this issue. This proposal is designed to amend the necessary tariff sections to include the 3 intervals immediately following the termination of a reserve pickup or maximum generation pickup, as part of the separate BPCG calculation under SMD2 for these time periods.

Motion #3:

The Management Committee (MC) approves the Proposal, including a draft tariff amendment, related to Bid Production Cost Guarantees for Reserve and Maximum Generation Pickups in SMD, as presented to the Business Issues Committee (BIC) on July 21, 2004 and the MC on August 3, 2004, and recommends to the Board of Directors that the NYISO should be authorized to submit to the FERC the proposed tariff amendment.

(Motion passed unanimously)

8. Proposed Forgiveness of GT Penalties

Bob Thompson of the NYISO presented this issue. This motion will authorize the NYISO to seek FERC approval to forgive penalties incurred from the time the NYISO began to set the UOL of a GT equal to its actual output for purposes of dispatch and reserves monitoring (June 2003) to present, and to eliminate penalties for GT under-generation once a GT had reached 70% of its UOL pending addition of the web based derate function. Mr. Thompson noted that this proposal would not be handled through a manual billing adjustment and historic penalties would continue to accrue until the necessary billing software changes could be made to waive these penalties going forward. Total GT penalties through November 2004 should not exceed \$750,000 at the historic GT penalty rate of approximately \$50,000 per month and refunds will be made with interest. In response to Ray Kinney of NYSEG, it was stated that a tariff modification was needed for this issue since the settlement software was not changed to automatically derate GT Upper Operating Limits.

Motion #4:

The Management Committee (MC) approves the Proposal to forgive Gas Turbine Penalties, both going forward and retroactive to June 01, 2003, as presented to the Business Issues Committee (BIC) on July 21, 2004 and the MC on August 3, 2004 and recommends to the Board of Directors that the NYISO should be authorized to submit tariff modifications to the FERC and to request permission to waive such penalties between June 1, 2003 and the effective date of said tariff amendments.

(Motion passed unanimously)

9. New Business

Ray Kinney commented that due to the fact that imperfections with the current billing system exist, NYSEG expresses concerns moving to a new billing system with many known problems with current billing systems.

Jim Scheiderich stated that serious consideration should be given to shortening the final bill challenge period for months not yet up to the two year final bill in an efforts to ramp down the amount of time bills remain open. This was based on staff remarks that nearly all bill challenges come at the end of the period - which until October 2003 was 12 months after the final bill."

Mr. Kinney and Mr. Scheiderich agreed to document issues that they saw as needing to be addressed by BIC/BAWG.

Tim Bush of Navigant stated proper level of support should be given to Randy Bowers, and noted that the current level of IT support given to Mr. Bowers is totally unacceptable.

Mr. King stressed that the NYISO has been and continues to give billing issues a high priority within the organization and that billing issues are reviewed internally by both an executive level team and a managerial team on a weekly basis. Mr. King noted that he participates directly in the executive level team, chaired by Mr. Calimano, which addresses both strategic and tactical billing issues and initiatives. Since the inception of this multi-level, multi-department approach a great number of outstanding billing issues have been resolved and corrected. Mr. King added that the MC can expect to see particular attention paid to new billing projects in the new 2005 project plan that will be presented to the PPT and all NYISO Market Participants during the upcoming 2005 business plan and budget discussions.

Randy Bowers of the NYISO stated the NYISO is looking into releasing specific sections of the Billing and Accounting manual as soon as a legal and technical review of those sections is completed.

Mr. Kinney asked for a monthly update on billing issues to be given to the MC and the NYISO agreed.

10. Adjourn

Meeting adjourned at approximately 12:58 PM.