

MARKET PARTICIPANT AUDIT ADVISORY SUBCOMMITTEE MEETING

June 16, 2005

LOCATION: NYPA, White Plains, NY

Meeting Minutes

Attendees' Names

Representing

MPAAS Members:

Arthur Brennan	NYPA
Robert Farrell (Chair)	LIPA
John Ventura	Con Ed
Walter Werther (Vice-Chair) (telephone)	KeySpan
Daniel Zeppetello (telephone)	National Grid

MPAAS Guests:

Rich deJong (telephone)	Energy East
Laura Foehrenbach	Central Hudson
Kevin Kipers	NYPA
Les Pardo	NYPA
Diane Seitz	Central Hudson

NYISO Staff:

Marc Rubin
Leigh Bullock (telephone)
Brad Kranz
Andy Ragogna (telephone)

Mr. Farrell called the meeting to order.

I Approval of Minutes from March, 2005

The minutes from the March 24, 2005 MPAAS meeting were approved and will be posted on the NYISO website.

II Action Items

Mr. Rubin reviewed the action items from the March 24th MPAAS meeting:

- SMD2 Pricing issue from March 20th was analyzed and found to be correct.
- TCC Surcharge was tested in BAS and reviewed by two separate NYISO departments. Simulations were done and same numbers came up. Funds were paid out of working capital. Mr. Rubin informed the group that the spreadsheet is available on the NYISO website.
- SAS 70 Audit – KPMG confirmed that they do review the use of spreadsheets.

- Two sets of TCC issues – original and residual – were identified. Mr. Rubin stated that, on their own, the different issues could not be determined because they were not isolated. Research was performed and the BIG/MPs/the NYISO's Board of Directors was advised.
 - A question was asked regarding the TCC issues: were these added to the BIG list? Mr. Rubin will verify and report back to the MPAAS.
 - KPMG, by October, knew that TCC (912 MW-related) errors were corrected during the summer of 2004. The MPAAS asked why the corrections didn't just represent the settlement; but also other errors that were found? Mr. Rubin explained that the other errors were part of getting the resolution corrected, and also that the errors couldn't be isolated because of their inter-relationships, within the TCC resolution. Responding to a question, Mr. Rubin noted that the other (prior period) errors weren't determined to both (1) exist prior to the 2002-2004 auction periods, and (2) be material, until January 2005. The NYISO Board of Directors was not advised of the residual errors until January 2005. They were advised that the summer corrections included other elements as well.
 - A question was asked about the differences between the internal and external billing lists. Mr. Rubin will look into this and check on the differences.
 - It was asked that Mr. Rubin check on whether or not auditors have attended Billing/Accounting workshop and if not, look into having them attend.
- TCC Action Item: Mr. Rubin agreed to check on whether the BOD was advised on whether there were elements in the TCC Settlement other than residual errors. The BOD was not advised of the TCC residual errors until January. Mr. Rubin would check on whether the BOARD was advised that this included other elements as well.
- KPMG Staff – a decision was made by the NYISO Board's Audit & Compliance Committee to replace the KPMG Engagement Partner on the SAS 70 audit. The MPAAS reacted favorably to this news.
- Testing of TCCs – Mr. Rubin reported that this was included in the scope of the SAS 70 audit.
- Mr. Kipers discussed the issue of feedback to market participants when residuals spike.

III Update on the 2005 Internal Audit Plan

Mr. Rubin provided an update on the 2005 Internal Audit plan. The status list was passed out to members of the group.

Mr. Rubin was asked to check on the new facility's contract. Was the contract for a lump sum or for time and materials?

IV 2005 SAS 70 Type 2

Mr. Rubin briefed the group on the 2005 SAS 70 audit. The MPAAS would like to give KPMG their input on issues they want to be sure are covered as well as voice their concerns to the auditors. Mr. Rubin will look into having KPMG brief MPAAS members on SAS 70 work.

MPAAS members will provide Mr. Rubin with a list of specific concerns for KPMG to address at the meeting.

V Article 10 audit process update

Mr. Rubin briefed the group on the Article 10 revised confidentiality section in paragraph 13. At the March meeting, an issue was raised with the wording in this section, and it was agreed to make revisions. The group expressed concern with the new revisions. They believed that the wording in this section may allow information to be intentionally withheld. They stated that they thought the wording should be similar to that in the E&Y contract. Mr. Ventura will send the wording in the E&Y contract to Mr. Rubin so he can have the NYISO attorneys review the wording.

VI Update on the TCC audit engagement

Mr. Ventura reported that the engagement agreement had been completed. There will be an open meeting at the NYISO – Washington Ave to discuss objectives, roles, liaison, and the tentative schedule. Mr. Rubin asked that the meeting representatives' names be submitted to him by Friday.

The group discussed the sensitivity analysis and the certification process.

VII Other business – SMD2 Implementation

It was reported that MP dispatchers (and not necessarily the billing staff) are pleased with SMD2. Mr. Rubin reported that the TCC Automation Project is underway and implementation is scheduled for 2006. It was asked that Mr. Rubin check on Bearing Point conducting a briefing for MPAAS members of the work that was performed.

Mr. Kranz discussed the ICAP Automation project, including the market trials that had been performed.

VIII Next Meeting

The next MPAAS meeting will be held on August 17th at the NYISO Washington Ave.

IX Adjourn

X Other:

Mr. Rubin agreed to schedule at the next MPAAS meeting (for August 17th) the risk assessment interview, part of the IA/ERM risk assessment process

Action Items

1. Mr. Rubin will check to see if the TCC issues were migrated to the BIG list.

2. Mr. Rubin will look into the multiple billing lists and also check on the differences between the internal and external lists.
3. Mr. Rubin will determine whether or not auditors from KPMG have attended Billing/Accounting workshop and if not, look into having them attend.
4. Mr. Brennan/Mr. Ventura will send wording in E&Y contract (for Article 10) to Mr. Rubin so he can have attorney review.
5. Mr. Rubin will determine whether a briefing from Bearing Point on their TCC consulting work would be appropriate.
6. Mr. Rubin will determine whether the facility contract is based upon lump sum or time and materials.
7. For the TCC settlement Issue, Mr. Rubin will determine whether the NYISO Board of Directors was advised that TCC errors included elements other than residual errors.
8. Mr. Rubin will look into having KPMG brief MPAAS members on SAS 70 work.
9. MPAAS members will get back to Mr. Rubin on their request to speak with KPMG, by providing specific concerns for KPMG to address at the meeting.
10. Mr. Rubin will follow up on the 8/14/03 system event evaluation, to determine whether any of the commitments had not yet been started.
11. Mr. Rubin will determine whether D&T (as part of their financial audit) reviewed officer/director expenses.
12. Mr. Rubin agreed to schedule at the next MPAAS meeting (for August 17th) the risk assessment interview, as part of the IA/ERM risk assessment process.