

NYISO Business Issues Committee Meeting Minutes -- DRAFT
Wednesday, July 21st, 2004

NYS Nurses Association, Latham, NY

1. Welcome & Meeting Objectives

Wes Yeomans, Chair of Business Issues Committee (BIC) called the meeting to order at 10:02 AM and welcomed the members of BIC. Attendees introduced themselves, naming the organizations they represent.

2. Approval of May and June minutes

NYISO staff distributed final drafts of the minutes from May 19th and June 16th to BIC members before the meeting.

Motion #1:

Motion to approve the Minutes from the May 19th and June 16th, 2004 BIC meetings.
(Motion passed unanimously by show of hands)

3. Chair's Report

Mr. Yeomans noted that the Management Committee approved the Planning Process document at the July meeting. Tariff language will be drafted with stakeholder involvement prior to FERC submission and approval.

The PPT met on July 7th. Most of the meeting was focused on SMD schedules and related projects. Billing and Accounting System changes are ready for market trials. The BAWG will likely discuss BAS changes as well. Several market participants have expressed concerns about billing data accuracy and verification. Mr. Yeomans noted that the Manual describing these processes appears to be out-of-date, and still based on NYPP processes. EMS and SCADA Data processes will now be overseen by OC and CDAS; billing data, billing meter data will be overseen by BIC. The Control Center Requirements Manual will be unbundled into two Manuals - one for operational data, and the other for billing data. The Metering Task Force, CDAS, and BIC are working on the Manuals. The NYISO will soon review with Market Participants a RFP to evaluate billing processes and data correction processes.

4. Market Operations Report

David Lawrence of the NYISO presented the Market Operations Report. Average energy costs remained level from the May Report. Uplift increased in June, largely due to Thunderstorm Alert costs. The percentage of DAM mitigated hours continues to be low following the DAM Mitigation software change deployed on May 1. Real time mitigated hours increased. Price corrections were lower in June.

Mr. Lawrence then moved on to present an update on Persistent Dragging. Earlier in the year, NYISO staff met with generators that were dragging in order to understand the causes. Audits conducted by MMU found and corrected metering issues. These efforts have resulted in the resolution of 250-350MW of previously dragging generation. Generator dispatch seminars were also held in May and June. The NYISO is developing reports in DSS to assist in monitoring dragging.

5. Regional Market Enhancements

Mr. Lawrence then presented the Regional Market Enhancements report. The quarterly Seams Report was posted. RTS is on track for an on-time completion. Two DAM exercises have been successfully completed. Regional Adequacy Model-related activities continue to be focused on internal analysis being conducted by each of the ISOs/RTOs. NYISO staff is drafting a description of the VRD pilot project, which should be available in August. Work continues on CSC and Controllable Lines projects.

Garry Brown of the NYISO presented an update on the TCC Issue. The settlement offer was filed with FERC on July 13. Validation of the pre-auction TCC and billing databases is underway. Mr. Brown presented the timeline of events under the settlement offer. Mike Mager of Multiple Intervenors requested that the NYISO provide historical data and analysis concerning the TOs congestion rent shortfall amounts. NYISO staff took this request as an action item.

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Belinda Thornton of the NYISO presented details concerning pre-auction database verification. BearingPoint (formerly KPMG) performed an independent review, which was completed on July 20th. No unresolved issues remain. The NYISO will institute a self-verification program. Listings of TCCs will be sent to TCC holders each June and December, and each holder will be required to verify accuracy of data. An independent auditor will validate any database changes before the reconfiguration auction. Several market participants expressed concern that the auction data be more transparent to the marketplace, and that BearingPoint did not possess sufficient expertise to properly audit auction results. BearingPoint is also verifying TCC Auction Controls, with a report to be issued to the NYISO before the Autumn 2004 TCC Auction.

Art Desell of the NYISO presented recommendations for the Autumn 2004 TCC Auction. The Transmission Capacity available for sale in the Autumn Auctions consists of 20% of one-year TCCs sold in Autumn 2003, and 50% of six-month TCCs sold in Spring 2004. Mr. Desell then reviewed the pre-auction audit and validation activities that are underway, as well as the timeline for the Autumn 2004 TCC Auction.

6. Project Prioritization Team Report

Tim Schmehl of the NYISO presented the PPT Report. PPT met during July – project priorities remained unchanged, given staff's focus on SMD 2.0. Mr. Schmehl noted that many of the projects currently on the PPT list are related to SMD.

6a. Web Presence Presentation

Carol Murphy and John Bub of the NYISO presented an update to BIC concerning developments on the NYISO website. NYISO plans to release graphical presentations of operational and market data on the web that presently resides in raw data format. Mr. Bub then presented prototype graphs to the group. The graphs to be provided this summer include: LBMP Map, LBMP Graph, Loads and Flows Map, Load Map, Load Graph, Internal and External Interface Flow Graph, and PAR Flow Graph. NYISO staff requested that market participants review prototypes and provide feedback.

7. Working Group Updates

- A. Billing and Accounting** (Chair: Kevin Kipers): The NYISO is preparing information concerning SMD-related billing changes, and will make it available shortly. The Metering Task Force has begun a process to review the Control Center Requirements Manual and develop a new metering Manual focused on settlements issues. The NYISO is planning to issue an RFP concerning metering, and the Metering Task Force and CDAS hope to provide input into the RFP.
- B. Electric System Planning (Joint OC/BIC WG)** (Chair: William Palazzo): The Management Committee approved the planning process at its July meeting. Draft tariff language was sent for market participant review on July 16th. Comments were reviewed, distributed, and will be discussed in a meeting of the Committees Chairs following the July BIC meeting. The NYISO Board of Directors has committed to filing the planning process tariff with FERC in August.
- C. Installed Capacity** (Chair: Howard Fromer): The draft ICAP Demand Curve evaluation report from Levitan & Associates will be issued imminently, and discussed at the next ICAP Working Group meeting. The finalized report is anticipated to be ready by August 13th, and will be discussed at the August 27th ICAPWG meeting. The NYISO will issue proposed ICAP demand curves by mid-September, with a 30-day window to follow for market participants to provide comments and feedback.
- D. Interconnection Issues Task Force** (Chair: Glenn Haake): The IITF has been charged with performing the Deliverability Study. The NYISO is revising the Scope of Work for the study, and will coordinate the work with the NYSRC. The revised scope will be available shortly. The IITF will also discuss cost allocations for system upgrade facilities and congestion shortfalls due to interconnections at the next meeting.
- E. Market Structures** (Chair: Jim Scheiderich): No report given.

F. Price Responsive Load (Chair: Bob Loughney): No report given.

G. Scheduling and Pricing (Chair: Ray Kinney): No report given.

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

Brad Kranz of the NYISO presented these tariff changes, which involved including the three RTD intervals following the termination of a reserve pickup or a maximum generation pickup in BPCG calculations.

Motion 2:

The Business Issues Committee (BIC) 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 BIC on July 21st, 2004, and recommends to the Management Committee that the NYISO should be authorized to submit to the FERC the proposed tariff amendment.

(Motion passed unanimously by show of hands)

9. Proposed Forgiveness of GT Penalties

Mr. Kranz next presented these tariff changes, which relate to a change that BIC approved in late 2002 concerning undergeneration penalties for GTs. The proposal waives undergeneration penalties for units that came online and did not achieve their scheduled level incurred from June 2003 through tariff approval (November 2004). The total GT penalties through November 2004 should not exceed \$750,000. The tariff change specifically identifies these GTs as the units for which the penalties will be forgiven.

While LIPA is making this motion, it does not believe that this change requires a tariff change, but is interested in supporting the process. ConEd abstains as it also does not feel the tariff change is necessary.

Motion 3:

The Business Issues Committee (BIC) approves the Proposal to forgive Gas Turbine Penalties, as presented to the BIC on July 21st, 2004, both going forward and retroactive to June 01, 2003, and recommends to the Management Committee that the NYISO should be authorized to submit said 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 by show of hands)

10. Proposed Tariff Modifications addressing the Status of PURPA Units in SMD

Mr. Kranz next presented these tariff changes, which would exempt from the PURPA exclusions any unit that is bidding flexibly (ISO-Committed Flexible or Self-Committed Flexible) and therefore participating in the reserves market.

Motion 4:

The Business Issues Committee (BIC) approves the Proposal related to the treatment of PURPA Units in RTS, as presented to the BIC on July 21st, 2004, and recommends to the Management Committee that the NYISO should be authorized to submit said Tariff Modifications to the FERC.

Slater Consulting, IPPNY, Keyspan Ravenswood, Freeport Electric, Jamestown BPU, OPG, abstained from the vote.

(Motion passed unanimously by show of hands)

11. SMD Market Trials Report

Andrew Hartshorn of LECG presented information concerning the validation of SMD Market Trials Report. LECG is validating the SMD market software, as well as building tools to evaluate market results on an

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ongoing basis after SMD is deployed. Mr. Hartshorn reviewed the various tests LECG is conducting to verify the market results, and stated that LECG has found no problems with the first two SMD DAM market trials conducted thus far that would prevent the NYISO from (i) producing prices consistent with the LBMP pricing methodology, and (ii) committing and dispatching load and generation consistent with a minimized bid production cost.

12. New Business

Elaine Robinson noted that the NYISO has identified a sales tax collection issue related to retail sales by the NYISO that will affect a small subset of customers, and that a proposed solution to collect these taxes will be brought to a working group shortly.

13. Administrative Matters

None

Meeting was adjourned at 3:00 PM

Respectfully Submitted,

James Considine
Recording BIC Secretary

NYISO Business Issues Committee

July 21, 2004

The New York State Nurses Association

MOTIONS FROM THE MEETING

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(Motion passed unanimously by show of hands)

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(Motion passed unanimously by show of hands with abstentions)

Motion #4:

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