

NYISO Business Issues Committee Meeting Minutes**July 11, 2012****10:00 a.m. – 1:30 p.m.**

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

The chair of the Business Issues Committee (BIC), Mr. Alan Ackerman (Customized Energy Solutions), 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. Approval of Meeting Minutes***Motion #1:***

Motion to approve the meeting minutes from June 1, 2012 and June 13, 2012.

Motion passed unanimously.

3. Market Operations Report and Seams Report

Mr. Rana Mukerji (NYISO) reviewed the Market Operations Report and Seams Report.

On June 15, 2012, IESO returned the L4D and J5D PARs to service. Since that date, the PARs on all four lines crossing the Michigan-Ontario border have been in service. Mr. Mukerji said the NYISO could report on how the PARs were performing at the Management Committee (MC).

On June 27, NYISO activated 15-minute scheduling at the Keystone proxy bus. Mr. Mike Kramek (Edison Mission) asked if there is consistency in the megawatts that are scheduled. Mr. Shaun Johnson (NYISO) said it is intermittent by hour, but the NYISO is seeing performance better than it originally expected. Mr. Rich Miller (Con Ed) asked if the NYISO could provide an update on CTS discussions with PJM. Mr. Mukerji said PJM indicated earlier this year that it had agreed to work with the NYISO over the summer to present the conceptual outline to stakeholders later this year. In response to a question about Market to Market (M2M) Coordination, Mr. Robb Pike (NYISO) said the planned activation of M2M Coordination is January 15, 2013. The NYISO is still awaiting for FERC to approve the filing. The NYISO will closely monitor the outcomes in real time. At this point, the NYISO does not have plans to put the entitlements in the day ahead market nor in the TCC auctions.

4. Planning Update

Mr. Henry Chao (NYISO) provided the planning update. An IPSAC webex was held on June 22nd to continue discussions on inter-regional issues. For EIPC, all of the technical work on the three scenarios is done and posted on the EIPC website. The production cost simulation of the three scenarios will commence through a Modeling Working Group. Mr. Chao encouraged NY stakeholders to participate.

5. Market Mitigation and Analysis – NYISO Reference Manual

Mr. Timothy Duffy (NYISO) reviewed the presentation included with the meeting material. This manual was developed as one of two final deliverables in response to stakeholders concerns with the timeliness and transparency of the reference-level consultation process. The other deliverable is a quarterly scorecard that will be presented at the Market Issues Working Group. Mr. Scott Brown (NYPA) asked if there was a timeline for the future enhancements that would be included in the manual. Mr. Duffy said the enhancements would take place in the Q3 or Q4.

Mr. Mark Younger (Slater Consulting) questioned the effectiveness of the scorecard and how it measured the number of tickets that were closed. Mr. Duffy said the NYISO is open to suggestions and will look into modifying the scorecard. Mr. David Clarke (LIPA) agreed that there needs to be a better scorecard, but also expressed a concern about whether the backlog of tickets is increasing or decreasing.

Mr. Clarke thanked the NYISO's efforts in improving and measuring the processes. Ms. Doreen Saia (Gen On) appreciated the work of the NYISO, but raised a concern that it is not included in the tariff. Mr. Miller praised how this process worked out and the NYISO's responsiveness to stakeholder comments. He noted that there is an outstanding action item regarding providing additional information in an electronic notice that is provided to a supplier when it is mitigated. Mr. Duffy said this is still being worked on, but it is not related to this manual. Mr. Dan Congel (TC Ravenswood) said he would abstain, but did appreciate the NYISO's efforts.

Motion #2:

The Business Issues Committee (BIC) approves the Reference Level Manual as presented to the BIC on July 11, 2012.

The motion passed with abstentions.

6. Intermittent Operating Status for Refuse Burners

Mr. Yuan Gao (NYISO) reviewed the presentation included with the meeting material. Refuse burners have historically been exempted from persistent undergeneration charges and paid for all Energy above their basepoints under PURPA contracts. These contracts are beginning to expire. The proposal would include refuse burners as Intermittent Power Resources so that these exemptions will continue even if their contracts expire. The NYISO conducted audits at one facility to review the plant process and observed different output levels due to variable fuel quality and quantity. Analyses on historical data of all refuse burning generators were made which consistently show significant variation in their outputs.

Mr. Younger expressed concerns that this proposal was not yet ready to bring to the BIC. His first concern is that if the penalties are set correctly, then there is a charge for exempting these burners from the penalty because the penalty results from going off their schedule. His second concern is that difficulties in operating to schedule/basepoints apply to all solid fuel facilities. The impacts of moisture and snow and ice apply to other facilities. His third concern is that these units are not controllable because they are not trying to control their fuel supply. Mr. Johnson said after the NYISO audited these facilities, it's the NYISO's belief that these facilities are unable to follow basepoints and as such it would be inappropriate to penalize them.

Mr. Clarke appreciated the hard work the NYISO did in researching this issue. He said these units are very unlikely by FERC to be forced to generate according to the NYISO's basepoints given their technology status. Even if the LSE were to file for an exemption, the LSE would be unlikely to get an exemption from their PURPA requirements. There are reasons why these units can't follow their basepoints. He said they are trying to control their output and he has observed the various ways they control their output. However, there are limits to what these units can control. Municipal solid waste is a public policy and it is important to remove municipal waste. LIPA fully supports NYISO's approach in exempting these facilities.

Mr. Miller asked if NYISO, in its audits, determined why some refuse facilities performed better than others. Mr. Johnson said the NYISO determined the driving factors for better performance was due to the recycling policies of the local municipalities and how strictly those policies are enforced.

Mr. Haake asked if the definition of municipal solid waste excludes such facilities that are owned by private companies. Mr. Johnson it was his understanding that the definition covers facilities that use refuse as a fuel. Mr. Bob Boyle (NYPA) said it is important that these refuse facilities be defined in the tariff. Ms. Mollie Lampi (NYISO) said the DEC suggested to the NYISO that it look at the term the industry uses for itself in the Renewable Portfolio Standard. The industry calls itself Municipal Solid Waste (MSW) to Energy Facilities. The NYISO used the term MSW in the presentation. Ms. Lampi said the NYISO could add the term to the tariff if stakeholders preferred.

Mr. Miller noted that this discussion is not about being for or against refuse burners, but it is about what are the justifications for exempting facilities from over or under generation and whether they deserve an exception from the rule that all generation should be treated equally. Mr. Miller said Con Ed is willing to move the motion, but would like the NYISO to address Con Ed's concern on whether NYISO should be providing the exemption to new waste facilities. Con Ed would also ask the NYISO to commit to a further review of the performance of all refuse facilities and the continued need for the exemption after one to two years. Mr. Clarke said it's unclear if a new unit would be a PURPA unit, but LIPA is not adverse to Con Ed's suggestion.

A discussion continued as to what waste as a fuel would qualify a generator as eligible under this exemption particularly concerns that processing the waste in some fashion, or new technology itself would eliminate the need for the exemption as a unit with such a fuel type or new technology may be able to follow basepoints. Ms. Lampi said the NYISO could define the fuel type in the tariff.

The discussion also reviewed whether the exemption centered around public policy goals as there was a variety of opinions on the status of MSW as a public policy goal. When asked whether the wind and landfill gas exemptions were public policy based, Mr. Johnson noted that the NYISO did not propose exemptions for wind and methane resources for public policy resources, but based on their ability to follow the NYISO's basepoints and this same logic applies to refuse units. Mr. Younger noted that this would increase the regulation needs and the cost would be passed to loads. IN a question from Mr. Frank Francis (Brookfield) regarding the status of run-of-river facilities, Mr. Johnson noted that run-of-river hydro are exempt from these penalties today regardless of PURPA status.

Ms. Lampi noted the NYISO definition will describe the fuel type used for the basis of the exemption and ensure it is the fuel type that is causing the exemption. It will not allow for fossil fuel burned at these facilities. Mr. Miller asked that the minutes reflect that the NYISO will return to address the concerns raised today. Mr. Garrett Bissell (Multiple Intervenors) agreed that there are many open issues that need to be resolved.

Motion #3:

The Business Issues Committee hereby recommends that the Management Committee approve revisions to the NYISO's Tariffs to include power suppliers that depend upon municipal solid waste for their fuel as Intermittent Power Resources, as is more fully described in the presentation made to this BIC meeting on July 11, 2012.

The motion failed with 55.43% affirmative votes.

7. DSASP Aggregations

Ms. Donna Pratt (NYISO) reviewed the presentation included with the meeting material. Ms. Pratt discussed the participation requirements, enrollment process, the modeling and measurement for DSASP resources, and proposed tariff language. The NYISO will present the DSASP changes to the Ancillary Services Manual in August for BIC approval.

Mr. Haake asked what caused the limitation for DSASP providers that can meet the 1 MW requirement in the summer, but cannot meet the 1 MW requirement in the winter. Ms. Pratt said these resources are modeled in MIS as a supplier so they have to follow the same rules.

Ms. Carrie Pasch (Energy Spectrum) asked if the NYISO would reference in the tariff the responsibility of the Transmission Owner (TO) to send instructions to DSASP resources under the optional direct communication with the TO. Ms. Pratt said when a DSASP provider directly communicates with the NYISO, the DSASP provider is responsible for sending instructions to its DSASP resource. When a DSASP provider is communicating through a TO, it is the responsibility of the TO for sending instructions to the DSASP resource. The reason there is no clarification in the tariff is because suppliers already receive dispatch signals from the TO.

Mr. Miller asked if more details of the measurable and verifiable load reduction would be noted in the manual. Ms. Pratt said the DSASP provider provides the NYISO totalized values of its DSASP resources, not the individual values. The DSASP needs to retain the individual resource values for five years. Mr. Miller said Con Ed had a concern whether the TO would still be kept in loop if a DSASP provider chose to communicate through the NYISO. Ms. Pratt said the TO would be able to access that information.

Mr. Haake thanked the NYISO for the hard work in developing these rules and explaining them to stakeholders. He noted an issue of limiting aggregation resources at the zonal level and hoped the NYISO could decrease the limitation from the current limit of 1 MW at some point in the future. Mr. Miller also thanked the NYISO for establishing direct communication with DSASP providers and it is Con Ed's position that NYISO should directly communicate with all suppliers.

Mr. Bissell asked if the NYISO would be open to considering the possibility of allowing a demand side resource aggregator to elect to forgo its right to use non-synchronous PTID in order to separate out operating reserves from regulation. Ms. Pratt said the NYISO would have to take that back because the NYISO never envisioned DSASP resources as regulation only resources.

Mr. Aaron Breidenbaugh (EnerNoc) expressed a concern that customers may have to make choices they may not wish to make with regards to non-synchronous reserves and regulation.

Motion #4:

The Business Issues Committee ("BIC") recommends that the Management Committee recommend to the NYISO Board that it approve for filing at FERC the addition of three new definitions in Section 2.4 and modifications in Sections 4.1.6, 4.2.1.3.3, and 4.2.1.9 of the Market Services Tariff described in the presentation titled "Proposal for Participation of Aggregations in the NYISO's Demand Side Ancillary Service Program (DSASP)" and as presented at the July 11, 2012 BIC meeting.

The motion passed with abstentions.

8. Working Group Updates

- a) **BAWG** – The meeting notes from the last BAWG are posted on the BAWG webpage.
- b) **CPWG** – No report.
- c) **EGCWG** – The group is scheduled to meet on June 14.
- d) **ESPWG** – The group is reviewing the 2012 RNA. Stakeholders have been engaged with the NYSIO in discussing the modeling and analysis techniques for both LOLE violations and transmission security violations. The NYISO agreed to provide a comparison of RNA transmission security results to benchmark between PSSE and PowerGen software used for N-1-1 analysis. The NYISO is still anticipating bringing the 2012 RNA for stakeholder

approval in August. Mr. Miller noted for the minutes that Con Ed also requested an overview of the software that was being used in the analysis.

- e) **ICAPWG** – The group reviewed the demand curve reset RFP and that process will be underway soon. Mitigation measures on both repowering projects and increased CRIS rights for additional MWs have also been discussed. Mitigation rules for potential new capacity zones have been discussed and the NYISO has filed at FERC. Issues coming up are FERC’s E-11/42 complaint on assumption used for mitigation determination decisions and a first draft from the consultant of the new capacity study is expected soon.
- f) **IPTF** – Stakeholders are reviewing proposed Attachment Y tariff language and a straw proposal for a public policy process as required by Order 1000.
- g) **LFTF** – No report.
- h) **MIWG** – The group discussed on June 21: west zone modeling, NYPA presented compensation for auto-swap units in the Min Oil Burn program, DSASP aggregations, and the MMA reference manual. On July 3, the group discussed the Hudson transmission project scheduled line, intermittent operating status for refuse burners, and Min Oil Burn tariff revisions. Reliability resource compensation will be discussed on July 12 at a joint ICAP/ESPWG/MIWG.
- i) **PRLWG** – No report.
- j) **EGCWG** – The group discussed ongoing activities in other electric/gas groups and the NYISO updated the group about the status of regional gas study that will be studied by NYISO and its neighbors.

9. New Business

Mr. Francis asked that the rules governing the utilization of CRIS rights on the HQ interface be discussed at a joint ICAPWG/IITF meeting. It is Brookfield’s observation that these rules may need to be revisited to reflect a just and reasonable treatment to the CRIS right holders, particularly the commitment offer cap and how it is established; the three strike rule; and the penalty assessment. Ms. Karen Gach (NYISO) said these rules could be discussed at the joint ICAPWG/IITF.

Mr. Ting Chan (Central Hudson) wanted to inform committee members that Central Hudson will request at ICAPWG for the NYISO to present technical details of a new capacity study.

Meeting adjourned at 1:30 p.m.