NYISO Business Issues Committee Meeting

December 12, 2000

The Desmond
660 Albany Shaker Road
Albany, NY

MINUTES OF THE MEETING

I Welcome & Introduction

Mr. Garry Brown, Chairman of the Business Issues Committee (BIC), called the meeting to order at 9:35 AM and welcomed the members of the Business Issues Committee. The BIC Members then introduced themselves and the parties that they represent.

II Approval of Minutes

The November 30, 2000 meeting minutes were approved and will be posted to the NYISO web site.

Motion # 1:
Motion to approve the November 30, 2000 BIC meeting minutes.
(Motion passed unanimously by show of hands)

III Chairman's Report

Mr. Brown reported on the NYISO 2001 Committee Meeting Schedule. He pointed out that due to the number of meetings to be held and the scheduling complexities involved that the established schedule was firm for the year. Mr. Brown also announced the tentative addition of a January 5, 2001 BIC meeting that is intended to address agenda items that may not be addressed at the December 12 meeting.

Mr. Brown then addressed the subject of Working Groups and Task Forces operating under the Business Issues Committee. He stated that, with the change of the BIC Chairperson, all working groups and task forces were officially dissolved. He then recommended that all existing Working Groups and Task Forces be re-established with their existing Chairpersons. Mr. Brown reported that Jim Scheiderich had accepted, at least on a temporary basis, his invitation to chair the Market Structures Working Group as the current Chairman had declined the chairmanship. Mr. Brown then explained that the BIC had been charged with looking into the ISO refund issue. He thought that this issue would be moved to the Scheduling & Pricing Working Group, possibly to the Circuit Breaker Task Force although he indicated that the formation of a new task force had also been discussed.

Mr. Brown then stated that he expected a revised draft from NYISO showing a new prioritization for projects. He said that this topic would be discussed in January.

Mr. Brown concluded the Chairman's report by proposing that, as a new procedure for BIC meetings, motions would be crafted during breaks and lunch rather than constructing them from the floor.

IV Market Operations Update

Mr. Charles King, Vice President of Market Services for NYISO, provided the Market Operations Update. Mr. King reported that software enhancements have been implemented that change the way gas turbines are modeled. He explained that gas turbines are now modeled as zero cost resources in the forecast commitment pass of SCUC. Mr. King also stated that pro-rata transaction curtailments had been implemented for equal cost external control area transactions at a given external proxy bus. Other changes recently made included allowing the capability of the DNI ramp limitation to be different for each hour of the DAM and that revisions had been made to the internal procedures for interchange and outage scheduling. Mr. King then mentioned that the upcoming FERC Technical Conference was scheduled for January 22 – 23, 2001 but the location for the meeting had not yet been determined. Mr. King concluded the Market Operations Update with a tribute to Mr. James Scheiderich, thanking him for his services as Chairman of the 2000 Business Issues Committee.

V Working Groups Reports/Open Issues

Scheduling & Pricing Working Group (S&PWG)

Mr. James Savitt, of the NYISO Market Monitoring Unit, discussed a proposal to settle external transaction imbalances at BME prices. The proposal represents a short-term end-state for two Extraordinary Corrective Actions -- ECA20000907A and ECA20001006B (ECAs A and B). The proposed rules would require tariff changes and modification of the billing code. Mr. Savitt outlined the proposed rules and discussed the problems that had led to the ECAs. Since BME creates a binding commitment to buy or sell for external transactions at advisory prices, real-time settlement might take place at prices quite different from those used to determine commitments. In addition, Mr. Savitt explained, BME recognizes congestion across the ties and secures correctly, but SCD faces only the net impact of BME's optimization. Thus Market Participants do not consistently bear the costs of their impact on the system when they fail to show up (ECA A), or exacerbate congestion (ECA B).

Mr. Savitt explained how ECA A worked. Failed transactions cause SCD to face a set of resources inappropriate for the upcoming real-time flows and leave the dispatch hour generation short, causing LBMPs to be higher than if the original resources had come on line. Failed exports cause an excess of generation, a decrease in the LBMP, and a likely increase in uplift to compensate for committed but unneeded generation. To impose on the customer whose failed transactions caused the over- or under-commitment in BME, failed imports pay the difference between the real-time LBMP at the proxy bus and the BME offer price of the transaction and failed exports pay the difference between the BME bid price of the transaction and the real-time LBMP at the proxy bus.

Mr. Savitt then explained how ECA B worked with respect to transactions when interfaces are constrained. He stated that BME manages import congestion by selecting the most economic transactions, often leading to very low clearing prices. BME manages export congestion by serving those loads most desiring to be served, leading to high clearing prices while SCD reflects net flows across the interfaces, and real-time prices do not reflect any congestion across the ties. Since prices in SCD can be different from those in BME, he explained, there are no incentives either for counter flow or for Market Participants to change their actions. ECA B therefore makes BME prices an integral part of the financial settlement of the physical commitment. Mr. Savitt explained that imports contributing to congestion settle at the lesser of the SCD or BME determined price at the proxy bus. Exports contributing to congestion pay the higher of the BME or SCD determined price. He also explained that counter flow transactions benefit in either case and that DAM originated transactions would settle imbalances under ECA B.

Mr. Savitt proceeded to propose new rules for replacing the ECAs. He explained that replacing the ECAs would require a redesign of a portion of the market. Mr. Savitt then referred to the following list of proposed rules and consequences:

For all external transactions Day-Ahead imbalances and hour-ahead originated transactions settle at the BME-determined price at the relevant proxy bus.

Failed transactions settle at the difference between the SCD-determined price and their hour-ahead offers such that they cannot gain from the transaction's failure.

Both Day-Ahead and hour-ahead transactions are evaluated on their true merits, as the $20,000 Day-Ahead adjustment is gone.

The settlement mechanism is to replace the SCD-determined LBMP at the proxy bus with its BME-determined counterpart. A Day-Ahead transaction cancelled prior to BME will settle at the BME price at the relevant proxy bus.

Day-Ahead imports not scheduled in BME buy replacement energy at the BME price.

Day-Ahead exports not scheduled in BME sell their energy back at the BME price.

An Import curtailed by the NYISO in the operating hour buys replacement energy at the BME price, but receives a supplement equal to the BME price less the import's BME offer price.

An export transaction curtailed in the hour has its purchase obligation cancelled and receives a credit based on the BME price for that hour. Mr. Savitt added that, if the transaction was cut the Market Participant would be made whole and referred BIC members to his Nov. 25 memo to the S&P WG entitled "The End State of ECA20000907A and ECA20001006B".

Curtailed ICAP export transactions are paid pursuant to the ICAP tariff.

Mr. Savitt presented a few examples to illustrate the settlement impacts on day-ahead and hour-ahead transactions when the second settlement for external transactions is based on hour-ahead prices calculated by BME.

Following Mr. Savitt's presentation, Mr. John Reese, Chairman of the S&P WG, explained that Mr. Savitt's proposal had received broad support from the S&P WG. He also noted that there would be discussion on three white papers dealing with possible longer-term solutions at the upcoming S&P WG meeting.

Responding to questions, Mr. Savitt explained that the plan is to get the software in place as soon as possible and to continue to work towards a long-term solution. He also pointed out that the software changes would impact the accounting software rather than the modeling software. Mr. Savitt then indicated that the implementation would take a few months.

Following a series of specific cause and effect questions Mr. Brown called for a vote on Motion #2.

Motion # 2:

Motion to adopt the short term BME end state as proposed by NYISO staff and the BME working group. The NYISO shall develop draft tariff language for implementation.

(Motion passed unanimously by show of hands)

Mr. Brown then indicated that the proposed motion, listed on the meeting agenda, to change the NYISO DAM close and post times had been withdrawn. Mr. King then led a brief discussion of two possible scenarios concerning closing and posting times. The scenarios described included one where the times would be the same and one where the times would be staggered with respect to the other ISOs. Mr. King stated that the NE Regional DAM Study would review the two scenarios with an interim report expected in January.

Installed Capacity Working Group (ICAPWG)

Ms. Kathy Robb, of Hunton and Williams, initiated discussion on the Stage 1A ICAP Tariff issue and described changes that had been made to the Tariff language since the November 30, 2000 BIC meeting. In a review of the black lined Tariff document supplied to committee members Ms. Robb pointed out that references to UCAP and OPP had been removed from the document and that all other items remained. She also stated that references to ICAP and Six Month OPP had been restored where necessary and that dates had been removed from the Tariff language and moved into procedures documents. Also referenced were a few last minute typographical changes. She also noted that conforming changes would be made to other sections of the tariff such as Section 4.18 to ensure consistency.

Ms. Robb said that she had not incorporated last minute comments that had not been discussed by the ICAP WG and that a new Stage 1A ICAP manual is under development and will be distributed by December 22, 2000. Ms. Robb then added that revised Tariff language, with UCAP and the new OPP would be circulated with the opportunity to address language changes. She expected the new draft to be available in January.

Questions followed concerning sanctions for non-compliance with SRE resource availability requirements and the methods by which NYISO would communicate with Market Participants in the event SRE resources were called upon.

A motion was presented to accept the Stage 1A ICAP Proposed Tariff. A friendly amendment was accepted to include a NYISO requested revision to section 5.12.10 of the proposed Tariff language.

Prior to the vote on Motion #12 a motion was introduced to remove the provisions requiring a response from ICAP suppliers to an SRE. Mr. Robert Thompson, of NYISO, responded to several questions and stated that penalties would be applied for the withholding of resources when resources are available. Several Market Participants responded that they did not agree with the requirement stating that “if a generator can run it will run” and that the sanctions were not necessary.

Motion # 13:
Motion to amend the Stage 1A ICAP proposed Tariff language by removing provisions requiring response to an SRE from all ICAP suppliers.
(Motion failed with 42.93 % affirmative votes)

Motion # 12:
Motion to accept the Stage 1A ICAP Proposed Tariff language dated December 7, 2000 as amended (with the new 5.12.10 language).
(Motion passed by show of hands)

Market Structure Working Group (MSWG)
Mr. Bob de Mello, of NYISO, gave a presentation on Virtual Bidding and Zonal Price-Capped Load Bidding, which he introduced with a proposed motion: "Move that the NYISO proceed with the implementation of zonal price-capped load bidding and virtual bidding for simultaneous deployment no later than the fall of 2001." Mr. de Mello stated that both virtual load and generation were supported through the proposal. He also explained that generation is to be defined as negative load, virtual bids would be submitted on a zonal basis and that virtual bids may be price sensitive under the terms of the proposal.

Mr. de Mello defined the benefits of the plan to be equal access to the markets for all market participants; the ability to mitigate risks; increased liquidity; reduced transaction costs; and that the plan would provide a foundation for faster market development. He also defined the benefits of increased liquidity to be an increase in transaction volume; the ability to hedge capacity addition costs through financial markets; lower borrowing costs on capacity addition projects; a faster solution to the under-capacity problem; and long term reliability.

With respect to zonal price-capped load bidding, Mr. de Mello explained that price-capped load would be bid into a specific zone, rather than a specific bus. He also explained that the plan would accommodate negative load bids, that net bid load would be automatically spread out among busses in a zone and that zonal LBMP would be used to decide whether the load is served day-ahead. Mr. de Mello added that bus-specific price-capped load bidding is available today on a limited basis, although not available to virtual bidders. He said that the decision to serve load day-ahead is based on bus-specific LBMP but that financial settlements use zonal LBMP possibly leading to unrealistic concentrations of load skewing the optimal use of resources.

In discussing the benefits of zonal price-capped load bidding, Mr. de Mello stated that it would offer protection to market participants from price fluctuations and that it would be widely available for use by physical as well as virtual market participants. He also stated that the simultaneous introduction of zonal price-capped load bidding and virtual bidding would provide fair and equal treatment to all market participants, provide protection to all market participants and is widely supported by market participants and the NYISO.

A discussion followed Mr. de Mello's presentation concerning the scheduled implementation date of fall of 2001. Several Market Participants called for implementation prior to the 2001 Summer Capability Period. It was explained that a simultaneous implementation of both Virtual Bidding and Zonal Price-Capped Load Bidding could not take effect by the Summer Capability Period due to the complexities involved with the development of the Virtual Bidding requirement. It was then suggested that implementation be staggered, with implementation of Zonal Price-Capped Load Bidding for the upcoming Summer Capability Period and the implementation of Virtual Bidding to follow. Several Market Participants objected to this suggestion and expressed a concern that the implementation of Zonal Price-Capped Load Bidding without the simultaneous implementation of Virtual Bidding could create an unfair advantage for some at the expense of others.

Following the discussion Motion #5 was presented. Motion #5 was then amended per Motion #6.

Motion # 5:
Motion that the NYISO proceed with the implementation of zonal price-capped load bidding and virtual bidding for simultaneous deployment in the fall of 2001.
(Motion amended per Motion #6)

Motion # 6:
Motion to amend Motion # 5 to read as follows: Move that the NYISO proceed with the implementation of zonal price-capped load bidding for deployment prior to the summer of 2001.
(Motion passed with 65.06 affirmative votes)

Motion # 7:
Motion that the NYISO proceed with the implementation of zonal price-capped load bidding for deployment prior to the summer of 2001.
(Motion passed by show of hands)

Discussion on the need for simultaneous implementation continued with questions about the prioritization of the Virtual Bidding process. Mr. Thompson pointed out several technical issues that would make it impossible to implement Virtual Bidding for the upcoming Summer Capability Period. It was then moved that the Market Monitor develop market safeguards in the absence of Virtual Bidding as defined by Motion #8.

Motion # 8:
Motion to direct the Market Monitor to implement, in parallel with price cap load bid, a circuit breaker and/or other protective procedures to deal with inappropriate underbidding of load in the DAM.
(Motion tabled – see Motion #9)

A motion to table Motion #8 was then presented.

Motion # 9:
Motion to table a motion to direct the Market Monitor to implement, in parallel with price cap load bid, a circuit breaker and/or other protective procedures to deal with inappropriate underbidding of load in the DAM.
(Motion passed with 60.17% affirmative votes)

Following further discussion Motions #10 and #11 were presented and voted.

Motion # 10:
Motion to move that we proceed with the adoption of virtual bidding before Summer 2001.
(Motion failed with 44.02% affirmative votes)

Motion # 11:

Motion to move that we proceed with the adoption of virtual bidding no later than Fall 2001.
(Motion passed with 70.98% affirmative votes)

Price Sensitive Load Working Group (PSLWG)
Mr. Stephen Fernands, of Customized Energy Solutions, presented a proposal for an Emergency Demand Response Program. Mr. Fernands defined the goals of the program to be: "Provide for additional reliability during high demand emergency periods; Provide sufficient financial incentives for end use customers to reduce consumption during emergency conditions; and allocate the costs of the program in an equitable manner."

Mr. Fernands then presented an overview of the proposed program. He explained that a Curtailable Service Provider (CSP) could be the LSE that is currently serving the load, or another LSE. The CSP may also be a direct ISO customer, a NYISO-approved curtailment customer aggregator or a curtailment program end use customer. Mr. Fernands then outlined the end use customer requirements: customers must be able to curtail their load by a minimum of 100kW, either through reduced load or on-site generation, they must be interval metered and they may be involved in other programs as long as those programs do not exclude participation in the proposed program.

Mr. Fernands explained that the program would be limited to times when the NYISO is in a major emergency situation, called in conjunction with Special Case Resources. The NYISO would contact the CSP who would, in turn, contact the end use customer. The end use customer would curtail usage and the CSP would report back to the NYISO concerning the performance of the curtailed customers.

With respect to the financial settlements involved, Mr. Fernands proposed that the program be voluntary, stating that if the end use customer fails to curtail the customer does not get paid or penalized. He also proposed that the NYISO pay the CSP the higher of $500.00/MWh or the zonal LBMP and that NYISO charge those that benefit from the execution of the program on a zonal or system wide basis. As a timeline, he proposed that a more complete proposal be presented at the January BIC meeting with initial implementation of the program planned for May 1, 2001. He suggested that the program run through October 31, 2002 with an evaluation of the program to follow the Summer Capability Period.

Questions followed on how specifics of the program would be implemented. The selection of the $500.00/MWh minimum payment amount was also questioned. Mr. Fernands explained that the program would be called in after all economic generators had been dispatched. He also stated that the price, under such conditions, would presumably be around $500.00/MWh or even higher.

Mr. Larry DeWitt, of Pace Energy Project, then presented changes to the document describing the program that was originally distributed to Market Participants (see Amended Agenda Item 5E as posted on the NYISO within the meeting materials for the December 12, 2000 BIC Meeting). Motion #14 was then presented.

Motion # 14:
Motion to accept the Price Responsive Load Working Group's proposed Emergency Demand Response Program as outlined on the document dated December 8, 2000 that describes this program as amended during the 12/12/00 BIC meeting (See amended agenda item 5E).
(Motion passed with 80.93 % affirmative votes: after Motions #15 & #16 to amend failed)

Prior to the vote on Motion #14, Mr. James Parmelee, speaking on behalf of several Transmission Owners, proposed amendments to the Emergency Demand Program as presented. The changes proposed are outlined in the document previously distributed and identified as the "Alternative Proposal of Transmission Owners". The resulting Motion #15 was then moved and voted.

Motion # 15:
Motion to amend Motion #14 as contained in the "Alternative Proposal of Transmission Owners" on Emergency Demand Response Program
(Motion failed with 29.69 % affirmative votes)

It was then moved that the $500.00MWh hour payment be removed and replaced with real-time zonal LBMP as defined by Motion #15.

Motion # 16:
Motion to amend Motion #14 to remove $500 payment and replace with the Real Time zonal LBMP.
(Motion failed with 54.41 % affirmative votes)

Following the conclusion of the voting for Motions #14, 15 and 16 Mr. Parmelee requested that the BIC review the actual Tariff language for the program. Mr. Brown responded that he would consider the request.

Billing & Accounting Working Group (BAWG)
Mr. Wesley Yeomans, Chairman of the Billing & Accounting WG, presented the BAWG December 2000 Report. Mr. Yeomans first presented the group's accomplishments for the year, which included: the establishment of two sub-working groups, resolution of the TCC under/over collection problem, the establishment of a process for initiating re-bills and a notification process for format changes. He also described several outstanding issues including: the modification of true-up software to capture code corrections, capturing code corrections in rebills for June 2000 to current, the need for code corrections for start-ups for Reserve Pick-ups and that many VSS payments for November 18, 1999 through current still need to be made.

Mr. Yeomans then discussed the confusion in the time customers had to challenge their settlements as defined by the OATT, Services Tariff and the Billing & Accounting Manual. He recommended that the OATT, Services Tariff and B&A Manual all provide a standard twelve-month time frame within which to bring a challenge.

Mr. Yeomans then presented a list of eight specific projects and recommended that they be added to the NYISO project list. Motion #3 was presented as follows and voted.

Motion # 3:
Motion to accept the BAWG recommendation that all eight Billing Data & Format Sub WG projects (as defined in the BAWG Chairperson's report) be added to the NYISO project list.
(Motion passed unanimously be show of hands)

Mr. Yeomans next addressed an issue pertaining to actual sub-zone loads within Consolidated Edison. He stated that Con Edison has been providing state estimator load for use as the actual sub-zone load. Mr. Yeomans explained that this process could occasionally result in a load that is lower than generation plus or minus sub zone tie. In such cases the residual load must be divided between all LSEs in Rate Schedule 1.

Following a discussion concerning the accuracy of available metering and a lack of revenue grade metering it was moved that the NYISO implement a BAWG recommendation that Con Edison provide actual sub zone loads based upon actual generation and sub zone tie metering as provided by the defined Metering Authorities for the actual sub-zone loads for the true-up settlements. Additional discussion concerning the availability of revenue grade metering followed the presentation of the motion and the motion was subsequently withdrawn.

Mr. Yeomans then stated that the Metering Sub Group of BAWG had developed a functional requirements document for a project to develop the necessary infrastructure to allow TOs to quickly and efficiently review other sub-zone ties and the NYISO sub-zone loads. He proceeded to recommend that the project be added to the NYISO Project List. Motion #4 was then voted and passed.

Motion # 4:
Motion to accept the BAWG recommendation that the Metered Billing Determinant Data Management Project be added to the NYISO Project List.
(Motion passed unanimously be show of hands)

Interconnection Issues Taskforce (IITF)
Not addressed at this meeting.

VII New Business
Addressed within the Chairman's Report.

VII Administrative Matters
Motion #6 to remain tabled until another meeting. Other items addressed within the Chairman's Report.

VIII Adjournment
A motion to adjourn the meeting was made and seconded. The meeting was adjourned at approximately 4:10 PM.

Motion # 17:
Motion to adjourn the BIC meeting.
(Motion passed by show of hands)

It was noted that Mr. James Scheiderich, of Select Energy, objected to the adjournment pending action on the motion for the NYISO to implement changes to enhance the TO's abilities to discount TSCs.

Respectfully submitted,
Jonathan A. Mayo
Secretary, Business Issue Committee

Business Issue Committee – Action Item Listing

Number	Action Items	Assigned to
BIC.12.12.00-1	Stage 1A ICAP Manual to be distributed by Dec. 22, 2000.	K. Robb