
NYISO Business Issues Committee Meeting Minutes

December 9, 2009

10:40 a.m. – 2:30 p.m.

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

Mr. Glenn Haake (Dynergy), the Chair of the Business Issues Committee (BIC) called the meeting to order at 10:40 a.m. The meeting was delayed due to the inclement weather. He welcomed the members of the BIC and meeting participants introduced themselves and their affiliations. It was agreed to move the standard Committee meeting time to 10:15 am to accommodate the committee members who travel a distance to attend NYISO Committee meetings. Mr. Haake then announced the chairs of the upcoming years working groups for the Business Issues Committee working groups:

- BAWG – Patti Caletka (NYSEG)
- ESPWG – Deidre Altobell (Con Ed)
- IITF – Frank Francis (Brookfield)
- MIWG – Ray Stalter (Edison Mission)
- ICAP – Bob Boyle (NYPA)
- PRLWG – Alan Ackerman (Customized Energy Solutions)
- CPWG – Norman Mah (Con Ed)
- LFTF – Brian Irrgang (LIPA)

2. Approval of Minutes

The October 21, 2009 meeting minutes were presented for approval.

Motion #1:

Motion to approve the minutes of the October 21, 2009 Business Issues Committee meeting.

The motion passed unanimously

3. Market Operations/Seams Report

Dr. Nicole Bouchez (NYISO) reviewed the market performance highlights for the month of November 2009 (see presentation).

Mr. Robb Pike (NYISO) presented an update on the Broader Regional Markets initiative by announcing a technical conference planned for Tuesday December 15th at the Midwest ISO to respond to the questions raised at the first technical conference held jointly with Midwest ISO, PJM and IESO to discuss the Lake Erie Loop Flow issue. He also noted this indicated a white paper regarding the initiatives discussed by all the ISO's involved will be made available prior to the conference and will be distributed to stakeholders as well as posted on the Midwest ISO site. These initiatives and those related to the January 12 FERC report will be discussed at the January 5 MIWG meeting.

Mr. Kevin Jones (LIPA) asked what the timetable was to address the Interregional Transaction Scheduling and the reciprocity with NE ISO events. Mr. Pike replied that the technical

conference is about the Lake Erie Loop Flow FERC filing and the remediation for it. He continued by stating a timetable of events regarding joint efforts to address seams issues with ISONE is planned to be presented for the January 5 MIWG meeting.

Mr. Howard Fromer (PSEG) requested information regarding an article written in an industry publication, which stated an additional 15 MW of the Linden VFT was to be auctioned off by GE. Mr. Henry Chao (NYISO) reported that NYISO staff recently received a request from GE to determine if the additional 15 MW on the line would result as a material change. NYISO Staff has not made a decision yet. It was agreed to include this as an item to be discussed at the next TPAS meeting.

4. Planning Update

Mr. Chao began the planning update by stating the EIPC is waiting for the approval for the proposal for the FOA 68 task 1 study. IPSAC is scheduled to meet on December 18 to discuss the NCSP report and discuss the NYISO and PJM study performed during the year. He added an ESPWG meeting is scheduled for December 11 to discuss the preliminary results with stakeholders prior to the IPSAC meeting. There was some discussion regarding when studies are to be performed which resulted in an agreement to include the time line reported to FERC in the seams report. Mr. Chao introduced the concept of developing an inter-regional task force or working group to fulfill the need to discuss the progression of the outlier groups (IPSAC, EIPC). He added that this would allow Stakeholders the ability to provide guidance and input to better serve NYISO customers. Mr. Chao reported this concept will be addressed at the December 11 ESPWG meeting.

An update was requested regarding the status of the Michigan Ontario PARS. Mr. Pike reported that there is no new status.

5. Congestion Assessment and Resource Integration Study (CARIS)

Ms. Branka Niernberg- Brilosec (NYISO) presented the CARIS report (see presentation) by discussing the back ground of the development of the report. CARIS started through FERC Order 890 that included the Transmission Owner's planning and a statewide economic planning analysis in the NYISO's planning process. She then highlighted the objectives of the CARIS process; to identify congestion on the NY State bulk power system based on a 5 year historic and 10 year projected congestion assessment. This assessment is used to select three studies and develop three solutions, that are assumed viable, for transmission, generation, and demand response thought to alleviate the congestion. Ms. Nirenberg-Brilosec reported the assessment indicated that Leeds-Pleasant Valley had the highest absolute value for congestion followed by Central East and then West Central –OP.

A question was asked why the LTTP plans are used in this process. Mr. Carl Patka (NYISO) informed the group that under Order 890 transmission planning process included the local Transmission Owners process to be conducted in a transparent manner and be consistent with the nine steps outlined in the planning process as described in the FERC 890 Order.

Mr. Kevin Jones, on behalf of the Transmission Owners, offered the following statement: The NY TOs recognize the considerable effort of NYISO staff in completing this first CARIS analysis and report. As we conclude Phase I of this first CARIS process, it is

important that the NYISO conduct a “lessons learned review” with stakeholder input to ensure that we benefit from what we learned in this process and use that knowledge to improve both the quality of the input assumptions and results of future CARIS analyses and reports. As an example, increased transparency of the study assumptions is central to improving the CARIS process. Future CARIS cycles need to quickly and efficiently disseminate model input assumptions for stakeholder review and reflect the suggested changes in system models. Periodic summaries of the modeling data and assumptions should be presented for stakeholder review before analyses are conducted. This is just one example of how conducting a “lessons learned review” can improve the CARIS process going forward and continue to improve the value of the CARIS process for all stakeholders.

Mr. Rich Miller (Con Ed) added that Con Edison and O&R generally support the CARIS Phase I report, in accordance with its purpose, which is “to provide information concerning the potential to reduce congestion and obtain production cost savings in New York.” Mr. Miller noted that the results of the first CARIS do not show material net benefits from pursuing transmission expansion, new generation or DSM projects at this time. He also noted that CARIS shows a step change in Leeds-PV congestion under the base case due to the assumed retirement of the Athens Special Protection System (SPS) protocol in 2011. While the continuation of the SPS is not modeled, it is a viable no-cost alternative that would provide significant congestion reduction benefits. While this SPS has been characterized as “temporary,” there are others in New York which has existed over many years. Moreover, Mr. Miller noted that the CARIS properly bases system production costs on actual marginal costs rather than seeking to simulate future market efficiency or bidding behavior, transmission outages, virtual bids, or other factors. Accordingly, Mr. Miller explained, the methodology employed more appropriately identifies actual change in production cost resulting from a potential project. Finally, with respect to Phase 2, Con Edison believes that the NYISO should seek improvements in the process that would allow it to use the most up-to-date assumptions in that Phase and that the NYISO should promptly commence discussions with its stakeholders on the most appropriate way to update.

Mr. Bart Franey (National Grid) stated that while National Grid supported this years CARIS study, National Grid would like to note two concerns that it has:

- 1) National Grid is concerned that the model consistently under represents the level of congestion relative to historic levels. National Grid intends to actively participate in the lessons learned process and we will be focusing its efforts on the needed improvements to assumptions so as to align the historic levels of congestion with more reasonable forecasted levels of congestion.
- 2) National Grid believes that the language regarding the Athens SPS is inappropriate for inclusion in the CARRIS study, and disagrees with Con Ed’s position that the Athens SPS should be made more or less a permanent feature of the NYCA. The Athens SPS was only intended to be in operation temporarily. Making this device permanent not only creates an unacceptable long-term risk to National Grid’s equipment, but thereby, also threatens system reliability.

Mr. Howard Fromer (PSEG) commended NYISO staff for its efforts in terms of accommodating market participants by providing a huge abundance of data and a broad range of information to the marketplace.

The CARIS report motion was presented for approval.

Motion #2:

The Business Issues Committee (BIC) recommends that the Management Committee recommend that the Board of Directors approve the NYISO 2009 Congestion Assessment and Resource Integration Study - Phase 1 as presented by the NYISO to the BIC at its December 9, 2009 meeting. The 2009 Congestion Assessment and Resource Integration Study - Phase 1 was the subject of prior review by the Electric System Planning Working Group and the Transmission Planning Advisory Subcommittee.

The motion passed with abstentions

6. ICAP Manual Revisions – Discussion and Vote

Ms. Kathy Whitaker (NYISO) presented the ICAP Manual Changes revisions (see presentation). She provided the background for the need to make changes, and stated that to minimize the potential for disputes regarding the ICAP information submission, NYISO staff proposed to revise the manual which was discussed at the November ICAPWG meeting. The manual changes included an explanation of the deadlines in the ICAP Manual to section 1, as well as reference the deadlines in the ICAP event calendar along with reference specific dates for data. And for further clarification, the manual will use the words, “receive, provide and register in place of submittal.

The ICAP Manual changes motion was presented.

Motion # 3

The Business issues committee (BIC) hereby approves the ICAP manual revisions as presented to the BIC on December 9, 2009.

The motion passed with abstentions.

7. ICAP Capability Period Adjustment – UDR’s

Mr. Kevin Jones (LIPA) presented ICAP Capability Period Adjustment (see presentation). He stated this issue pertains to the misalignment of the capability years with other ISOs. The capability year issue will be reviewed during 2010 at ICAPWG meetings and as a software project. An interim solution is proposed for the mismatched month - May -- where the actual emergency assistance is assumed to be available on the controllable line. Mr. Dave Lawrence explained that a couple of options discussed at ICAPWG meetings were a one time only election of a UDR rights holder that is binding on the entity the UDRs were issued to, or a one-time election per rights holder of UDR’s. Mr. Lawrence continued by saying the NYISO plans to move forward on which ever of these two methods the stakeholders decide. Ms. Gloria Kavanah (NYISO) stated that the rights holders are the Installed Capacity Suppliers and under the proposed tariff language, the ICAP Suppliers would receive a one time election. Dave Lawrence (NYISO) indicated that the election would have to be reflected in the locational studies. Ms. Kavanah stated that the information needs to be received by February 1. Mr. Mark Younger (Slater Consulting) indicated that clarification is needed to ensure that the only purpose of using the information is to calculate the LCR; that someone cannot make a UDR election by August 1 and then after August 1 want it represented differently in the IRM analysis. Ms. Kavanah indicated this will be reflected in the ICAP manual.

Mr. Jones stated that LIPA sees this as a structural difference between the markets, and would prefer to correct the structural difference if that could have been implemented in 2010. This

interim proposal is giving a UDR rights holders the opportunity for a one month transition to reflect the actual status of the UDRs. Mr. Younger stated he understands the capability year issue but it seems implicit in the proposal that the monthly market in our neighboring areas is not very robust. Mr. Jones agreed. He stated that it has been LIPA's belief that when you have entities in the neighboring regions in a forward market with an annual commitment period that makes that region's monthly market less robust than in NY. He said he believes there are structural market differences, if LIPA could have addressed it commercially, LIPA would have.

Further discussion was held regarding the UDR rights holders and how the one time option is granted, and whether the NYISO would post an Installed Capacity Supplier's one-time election. Ms. Kavanah indicated she would have to discuss internal whether posting the election needed to be kept confidential. Mr. Lawrence said that the information would be apparent from the locational requirements, which were posted. Mr. Glen McCartney (Constellation) stated that this is a seams issues and the NYISO should work expeditiously to align the markets. Mr. Franey said he did not support the change of the Capability Year and that a possible change needed further discussion.

Motion #4

The Business Issues Committee (BIC) recommends that the Management Committee Approve the concepts that are embodied in the Draft Capability year adjustment tariff changes as presented at the December 9, 2009 BIC.

The motion was approved with abstentions

8. Discussion of Uplift Cost Goals

Dr. Nicole Bouchez and Mr. Rick Gonzales (NYISO) discussed the 2010 NYISO incentive goal pertaining to uplift. NYISO Stakeholders had requested the NYISO be available for questions because of concern and opposition to having uplift measures included as part of the 2010 incentive goals. Ms. Doreen Saia (Greenburg Traurig) stated that NYISO incentive goals should not include a goal to keep the uplift level from exceeding a dollar amount at the risk of losing 15% of the bonus/incentive pay (even if the dollar amount is adjusted for changes in the price of natural gas). She added the NYISO's job is to ensure prices are correct; tying a compensation level to the price loses that independence. A goal to define the reasons for uplift within a certain number of days is fair, but to define it to not to exceed a certain cost is not appropriate. Mr. Younger added that a direct conflict of interest would be created between the NYISO employees' own self interest and the NYISO's obligation to be independent.

Dr. Bouchez stated that the goal is a market efficiency goal and that there is an optimal level for uplift and that the goal of the NYISO is to come as close to that as possible. She added that, because of previously expressed concerns about the incentive of Market Mitigation and Analysis Department ("MMA") staff when evaluating Reference Levels and the inputs into Reference Levels, the NYISO is looking into removing the MMA staff from this part of the incentive payout so that their incentive pay would not be impacted by the performance on this goal. By removing NYISO MMA staff most, but not all, of the stakeholder concerns would be addressed.

Ms. Saia stated that this goal has the ability to affect the order of project management by correcting market inefficiencies when they are tied to incentive goals. Mr. Liam Baker (US PowerGen) stated that there is a better metric to determine appropriate market efficiency other than uplift. He encouraged the NYISO to develop metrics to address market efficiencies other

than uplift. Mr. Miller (Con Edison) stated the Company supported an uplift reduction incentive and agreed that a goal of the incentive was to encourage market efficiency by having fewer costs reflected in uplift because they should be part of the energy market price. He added that it may be possible to craft the metric differently to achieve this goal and that any proposed modifications to the NYISO's current proposed uplift incentive should be discussed with stakeholders. Dr. Bouchez and Mr. Gonzales indicated they would bring the goal back for discussion with a possible alternative at the next Management Committee meeting.

9. Self Supply of Reserves

Mr. Shaun Johnson (NYISO) presented on the self supply of reserves (see presentation) provided a brief background physical self supply of reserves and on the NYISO reserve market. He explained that the actual benefits to be seen to further optimization for the allocation of reserve between East and West locations if put into effect could potentially yield an estimated range of \$120,000 - \$350,000 payments, however when the east to west capacity is available to support such a transfer the west – east price differentials are minimal, obviating the benefit of the transfer. NYISO feels this would be a major initiative to put this concept into effect with little advantage as a hedging mechanism. Con Edison asked that the NYISO provide an estimate of the cost of implementing the changes to the reserves market and the NYISO estimated that the cost of this initiative would be in the range of \$1 million. Mr. Johnson (NYISO) indicated with the additional pass to SCUC as well as the impact to the outlier systems such as scarcity pricing, settlements, this implementation is likely to cost well over a million dollars.

Motion #5:

WHEREAS: The NYISO has completed the analysis called for in the October 2005 Management Committee resolution

WHEREAS: It appears technically feasible to pursue ten minute reserve optimization by adjusting the current reserve allocation from East to West based upon unused west to east transfer capacity in the DAM, it appears to yield minimal actual economic benefit and the probability of high implementation cost

WHEREAS: It also appears that the process required to complete design and implementation of the transmission optimization enhancement concept tested would be prohibitively costly given the limited estimated benefit

WHEREAS: The lack of substantive benefit demonstrated by testing the most likely optimization method against recent actual DAM historical results leads to the reasonable conclusion that no actual need exists for additional hedging mechanisms beyond the two currently provided by the NYISO tariff **NOW, THEREFORE, IT IS MOVED THAT** the Business Issues Committee:

1. Concurs with the conclusions of the NYISO analysis with respect to current market conditions
2. Recommends that the Management Committee approve a filing with the FERC to close this docket (ER03-836-000)

3. Further recommends that the NYISO continue to monitor the reserves market and if there are any significant changes in market conditions, perform an updated cost/benefit analysis and provide it to the Business Issues Committee for consideration

The motion passed with an abstention

10. Billing and Accounting Manual – Installment 8

Mr. Randy Bowers (NYISO) presented the eighth installment of the billing and accounting manual.

Motion #6

The Business Issues Committee (BIC) approves the eighth installment of the revised Billing and Accounting Manual, as recommended by the Billing and Accounting Working Group members on November 24, 2009, and as described to this BIC meeting on December 9, 2009. Installment 8 includes (a) removal of the itemization of specific Market Participant Responsibilities in Section 2 and the inclusion of a cross reference to the Market Participant Users Guide, where his information will be maintained going forward; (b) DAM Margin Assurance Payments in Section 4.1.5 and Appendix H; (c) Transmission Congestion Contract Congestion Rent settlements in Section 9 and Appendix L; (d) Net DAM Congestion Rent Balancing settlements in Section 10.1 and Appendix L; and (e) monthly NTAC payments to NYPA in Section 10.2 and Appendix K.

The motion passed with abstentions

11. Strategic Tariff Review – Revenue Metering

Mr. Paul Edmondson (NYISO) gave the presentation on Strategic Tariff Review for Revenue Metering. After taking several technical questions it was decided that tabling this issue to allow for further discussions would be beneficial. Mr. Haake requested the group to forward any questions to Ms. Leigh Bullock (NYISO).

12. Strategic Tariff Review – TCC's Attachment M & N

Mr. Greg Williams (NYISO) presented the Strategic Tariff review of the TCC's attachment M and N (see presentation). These corrections are viewed as a clean up measures which will help in moving forward with the fixed priced TCC initiatives.

Motion #7

The Business Issues Committee recommends that the Management Committee approve amendments to the OATT and Services Tariff with regard to the Strategic Tariff Review of Transmission Congestion Contract provisions in both tariffs as presented to the Business Issues Committee on December 9, 2009.

The motion passed with abstentions.

13. Working Group Updates - No updates were provided.

14. New Business

There was no new business.