

NYISO Management Committee Meeting

April 6, 2005

Desmond

10:00 a.m. – 12 p.m.

MINUTES OF THE MEETING

1. Introductions, Meeting Objectives & Chairman's Report

Chris Wentlent of AES, Chairman, called the meeting to order at 10:03 AM and welcomed the members of the Management Committee ("MC"). The meeting objectives are to:

- Act on March 2, 2005 Minutes
- Act on Sales Tax Language
- Act on Proposed Revisions to Performance Exemption Limits for Con Edison Steam Suppliers.

Mr. Wentlent noted that the Sales Tax Language issue on the agenda would be changed from a motion to a discussion. A special MC conference call will be scheduled by April 20 for a possible action on this issue. He also announced the solicitation of stakeholder representatives for the 2005 Eastern RTO/ISO Conference "Examining Wholesale Electricity Markets" to be held on May 11 & 12, 2005 at the (Metro Center), Washington, D.C.

Approval of the Minutes

Motion #1:

Motion to approve the Minutes from the March 2, 2005 MC meeting.

(Motion passed unanimously by show of hands)

2. President's Report

Mark Lynch, CEO of the NYISO, welcomed the members of the MC.

▪ **Market Performance Highlights**

Mr. Lynch stated that both average cost per MWh and LBMP prices have increased relative to the month of February. Fuel prices have also increased relative to January's levels. Mr. Lynch also stated that evidence to date suggests that costs previously captured in uplift are now being more directly reflected in LBMPs.

- **New Facility Update**

The NYISO has completed all negotiations for the purchase. The Purchase/Sales Agreement and lease agreement have been filed with the title company. The closing date is still targeted for June 30, 2005, which is contingent on the Municipal Government's approval of the renovations and security work, completion of reasonable PILOT agreements, and financing approval from the PSC. The NYISO intends to commence relocating to the new building toward the end of 2005, and continuing through 2006 and 2007.

- **TCC Issue Update**

The residual TCC issues impacted settlements from May 2000 through October 2002. The issues were broken down into two groups:

- Group 1-Revenue allocation issues and
- Group 2- Auction modeling issues.

A proposed resolution plan was discussed with Market Participants on April 1 to correct the Group 1 issues as part of an ongoing close-out settlement process and to seek a waiver from FERC, which would be necessary in order to refrain from correcting the Group 2 issues. A meeting was scheduled for 4/6/2005 to discuss the next step in resolving the issues. The NYISO has also taken significant actions internally to ensure the accuracy of future auctions.

Ray Kinney, of NYSEG/RG&E commented on the numerous price corrections made outside the bounds of the tariff-approved five-day period and the impending waiver to extend that period for SMD2. Mr. Kinney expressed concerns and requested that the NYISO explain the basis for its action to move outside the tariff-approved period. Mr. Lynch replied that the five-day window would have been hard to meet based on the price anomalies experienced with SMD2. The duration of the waiver request from five days to ten days is intended to last through the summer in order to keep the NYISO from having to make frequent filings whenever an extension is necessary.

Mr. Kinney further clarified his concerns that the price corrections were made outside the five-day window prior to the deployment of SMD2 and commented that the NYISO should insure there are tariff provisions to accommodate all price corrections made outside the five-day window.

Doreen Saia, representing Mirant, requested that the NYISO provide information at the next S&P/MSWG meeting with the frequency of price corrections outside the five-day window, the reasons for those price corrections, and an explanation of what authority the NYISO has to make such corrections.

4. Billing Issues Update

Charles Garber, NYISO CFO, updated the MC on the billing issues affecting post-SMD settlements.

- The February 2005 price corrections are pending and will be incorporated into February's 4-month true up in July 2005.
- A fix will be deployed in April 2005, to correct the DAM Margin Preservation not provided for reserves and regulation. This will be completed in time for the April 2005 invoicing.
- The February 2005 RT sub-zonal load was not profiled at RTD intervals. This resulted in flat RTD interval LSE loads, affecting energy and residual costs. A fix was deployed in time for the accurate March 2005 invoice. The correction will be incorporated into February's 4-month true up which will be invoiced in July 2005.

Items under review:

- NTAC not being applied to station power invoices and
- The OATT Attachment N Methodology

Closeout Settlement Schedule:

- Dependent upon the TCC resolution in April 2005. Issue is currently under discussion.
- May 2000 closeout rescheduled due to extension to comply with the March 4, 2005 FERC ruling.

Ms. Saia asked if the NTAC not being applied to Station Power invoices was retroactive to the beginning of the NYISO's market. Mr. Garber indicated that the NYISO would take that question under advisement and provide a response.

Jim Scheiderich, of Select Energy NY, asked if the corrections that were put in place to correct the sub-zonal loads RTD intervals affected the NYISO reconciliation report sheet and whether the posted files already reflect the changes. Mr. Garber indicated that he would research the question and respond at the next meeting.

5. SMD2 Status Report

Rich Dewey, of the NYISO updated the MC on the SMD2 operation. Mr. Dewey noted that the systems continue to perform well. Power system applications were reliable and produced consistently accurate solutions.

- Several issues have been identified and addressed:
 - Synchronization of data with the alternate site
 - Hardware failure on primary site systems on March 26.
- Multiple, successful fail-over tests have been staged
- Issues identified during early operation have been corrected:
 - Ramping algorithms in RTS software and,
 - Load forecasting model alignment

On the markets update, NYISO staff continues to closely monitor SMD2 market results for consistency and correctness. Mr. Dewey noted that more data is required before a full assessment of market performance can be performed. On the price correction update, the NYISO has sought a waiver from the FERC so as to be able to provide price

corrections outside the window identified in the tariff. The price correction backlog is on schedule to be posted by April 15th.

Glenn Haake of IPPNY requested that the NYISO confirm that a generator that is net positive for the month is not responsible for any transmission charge, including NTAC.

6 Sales Tax Tariff Language, as revised with Tax Department

Rob Fernandez, NYISO General Counsel, presented the Sales Tax Tariff Language, as revised with the NYS Tax Department. The amendment acts to relieve the NYISO from becoming a tax collector and to avoid the potential for Market Participants ("MPs") to absorb uncollected amounts of sales taxes that may result from a default by other MPs. It also requires all MPs to provide some form of documentation to the NYISO indicating that they are exempt from paying sales tax or deal directly with the New York State ("NYS") Tax Department. The tax language also calls for a ten-day notification to the NYISO in the event there is a:

- Termination of Certificate of Authority for any reason,
- Purchases are no longer being made for resale,
- Revocation of Exempt Organization Certificate or loss of Federal Tax Law exemption,
- Purchases occur which are no longer for an exempt use,
- Revocation of Direct Payment Permit.

Failure by MPs to provide documentary evidence to the NYISO will prohibit them from participating in the NYISO markets. Upon either formal notice or otherwise being made aware of an MP's change in status, the NYISO must immediately notify the Department of Taxation and Finance ("DTF") of the following:

- Name, address and Federal Identification Number,
- The change in status of the MP,
- The change in status of any MP agent that may exist.

Subsequent to the change in status, the NYISO must keep records of the type, price, quantity and point of delivery of any purchases by the MP, or its agent, after the change in status. Such information must be furnished to the DTF in the form the Commissioner requests.

Damian Hovancik, of Whiteman, Osterman & Hanna LLP, entertained an open discussion with MPs on the various certificates. "A number of market participants expressed concerns about the need for, and details of, the revised Sales Tax Tariff Language, and it was agreed that a S&P working group meeting would be convened within the next few weeks to further discuss this issue with a special MC call subsequent to that meeting if necessary."

7. Proposed Revision to performance Exemption Limits for Con Edison Steam Suppliers

Bob Thompson of the NYISO presented the proposed revision to performance exemption limits for Con Edison generators that also provide steam supplies to the New York City steam system. He noted that the NYISO recommends, and the BIC has approved, a tariff change to raise the exempted amount of steam capacity from 365MW to the 499MW level. The BIC also requested that this increase in the exemption be evaluated as part of a broader scheduling and dispatch rules examination in light of several pending developments such as additional wind energy, combined cycle modeling, 15-minute scheduling, and start-up/shutdown penalty examination. The ISO agrees and such an examination has been initiated.

Howard Fromer of PSEG, requested that the motion, as presented at the Business Issues Committee ("BIC") addressing the "Proposed Revision to performance Exemption Limits for Con Edison Steam Suppliers," be reflected in the MC minutes "to indicate that the BIC's approval of the enhanced Con Ed steam penalty exemption was part of a broader package of approved actions that included dealing with penalty relief for other technologies including combined cycles." The subject motion from the March 16, 2005 BIC concerning Con Edison exemption for the Steam Suppliers was as follows:

1) Recommends the Management Committee (MC) approve modifications to Section 3.0(ii) of Rate Schedule 3-A, and Section 4.5(ii) of Article 4 of the Market Services Tariff to increase the current 365 MW exemption from under-generation penalties to up to 499 MW, consistent with the presentation made to the BIC on March 16, 2005, to become effective by May 1, 2005.

2) Approves of the on-going comprehensive assessment of scheduling, dispatch, compensation and penalty rules by the ISO and requests that the ISO Staff report to the MSWG in April with a description of the issues being addressed and the plan for working with Market Participants to complete the initial assessment by no later than October, 2005 and present its findings to the BIC for discussion and, as needed, action at no later than its November meeting and to the MC for discussion and, as needed, action at no later than its December meeting. BIC further requests the ISO to provide regular progress reports to MSWG as dictated by the need to confer with Market Participants in the process of resolving issues but at a minimum of every two months.

3) Requests that the ISO prepare and present to the BIC at its April meeting the ISO's Plan for dealing with start-up and shut-down penalties for generators, including combined cycle generators, as agreed to by the ISO in its quarterly reports to FERC in Docket Nos. ER04-230-002 et. al., for the period beginning June 1, 2005.

Motion #2:

The Management Committee (MC) approves modifications to Section 3.0(ii) of Rate Schedule 3-A, and Section 4.5(ii) of Article 4 of the Market Services Tariff to increase the current 365 MW exemption from under-generation penalties to up to 499 MW, consistent with the presentation made to the BIC on March 16, 2005, to become effective by May 1, 2005.

(Motion passed unanimously by show of hands with abstentions)

8. New Business

No new business

9. Adjourn

The meeting was adjourned at approximately 12:32 p.m.

NYISO Management Committee Meeting

April 6, 2005

The Desmond Hotel

MOTIONS FROM THE MEETING

Motion #1:

Motion to approve the Minutes from the February 2, 2005 MC meeting.

(Motion passed unanimously by show of hands)

Motion #2:

The Management Committee (MC) approves modifications to Section 3.0(ii) of Rate Schedule 3-A, and Section 4.5(ii) of Article 4 of the Market Services Tariff to increase the current 365 MW exemption from under-generation penalties to up to 499 MW, consistent with the presentation made to the BIC on March 16, 2005, to become effective by May 1, 2005.

(Motion passed unanimously by show of hands with abstentions)

New York Independent System Operator - Committee Membership

Management Committee - Attendance April 6, 2005- Albany, NY - Parties Checked in Attendance

Organization	Sector	Representative	Alternate1	Alternate2	Alternate3	Alternate4	Alternate5	Proxy	Guest
NYS Energy Research & Develop. Auth. The City of New York	End Use - Gov. Agency/Aggr. End Use - Gov. Agency/Aggr.	Paul DeCotis Michael Delaney	David Coup Gil Quiniones	Erin Hogan Thomas Simpson	Chris Hall Jonathan Wallach	John Spath Tim Daniels			
Alcoa/Reynolds Metals Company Helmstley-Spear Inc.	End Use - Large Consumer End Use - Large Consumer	Robert Loughney David Bomke	✓ Michael Mager George Diamantopoulos	Morgan Parke Edward Strauss	Herb Rose				
IBM Corporation Occidental Chemical Corp. Praxair Inc.	End Use - Large Consumer End Use - Large Consumer End Use - Large Consumer	Robert Loughney Robert Loughney Robert Loughney	✓ Michael Mager ✓ Michael Mager ✓ Michael Mager	Morgan Parke Morgan Parke Morgan Parke					
Xerox Corporation Metropolitan Transportation Authority American Sugar Refining, Inc.	End Use - Large Consumer End Use - Large Cons. Gov. End Use - Small Consumer	Robert Loughney Jesse Samberg John Gebhard	✓ Michael Mager Gary Caplan Quintin George	Morgan Parke Walter McCarroll Catherine Luthin	✓ John Dowling	Jennifer Kearney			
Association for Energy Affordability, Inc. Beth Israel Health Care System Building and Realty Institute	End Use - Small Consumer End Use - Small Consumer End Use - Small Consumer	David Hepinstall Catherine Luthin Herb Rose	Larry DeWitt ✓ John Dowling Judith Mondre	Jennifer Kearney Ted Lee	✓ Tariq Niazi ✓ Tariq Niazi	Doug Elfner			
Columbia University Mount Sinai Medical Center New York Presbyterian Hospital	End Use - Small Consumer End Use - Small Consumer End Use - Small Consumer	Catherine Luthin Catherine Luthin Catherine Luthin	✓ John Dowling ✓ John Dowling ✓ John Dowling	Jennifer Kearney Jennifer Kearney Jennifer Kearney	✓ Tariq Niazi ✓ Tariq Niazi ✓ Tariq Niazi	Doug Elfner Doug Elfner Doug Elfner			
New York University NY State Consumer Protection Board AES NY	End Use - Small Consumer End Use - State Agency Generation Owners	Catherine Luthin ✓ Tariq Niazi ✓ Christopher Wentlent	✓ John Dowling Doug Elfner Rick Santorski	Jennifer Kearney Jennifer Kearney Charles Sjoberg	✓ Tariq Niazi	Doug Elfner			
American National Power, Inc. Astoria Energy LLC Calpine	Generation Owners Generation Owners Generation Owners	Dorothy Capra Joseph Swift Thomas Kaslow	Bill Henson Leonard Singer Tracee Bersani	✓ Richard Felak					
East Coast Power Linden Holding LLC Edison Mission Marketing & Trading Energy Nuclear Northeast	Generation Owners Generation Owners Generation Owners	Thomas Hoatson ✓ William Roberts Marc Potkin	Robert Licato Jeffrey Ellis Angelo Vai	Kathy Benini Peter Brown Ron Mackowiak	Rich Mooney				
Indeck Energy Services KeySpan Ravenswood, LLC Mirant New York, Inc.	Generation Owners Generation Owners Generation Owners	Mike Ferguson Jim Brennan James Mayhew	John Schrage Rich Hohlman ✓ Doreen Saia	Mark Younger Joe Vignola Vicki Lynch	✓ Jim D'Andrea	✓ Madison Milhous	Rich Rapp		
Orion Power New York Selkirk Cogen Partners, L.P. Sithe Energies, Inc.	Generation Owners Generation Owners Generation Owners	✓ Liam Baker Tim Biittig Scott Silverstein	Bill Berg Steve Kamppila Joe Klimaszewski	Jim Verna					
TransCanada Power Marketing Advantage Energy, Inc. Amerada Hess Corporation	Generation Owners Other Suppliers Other Suppliers	William Taylor Kyle Storie Hemant Jain	Elaine Beaudry	Blas Hernandez	George Braulke				
Brascan Energy Marketing Inc. Cinergy Capital and Trading Con Edison Energy Con Edison Solutions	Other Suppliers Other Suppliers Other Suppliers Other Suppliers	Robert Ricketts Jason Barker Ken Bekman Ken Bekman	Daniel Whyte Walt Yeager Ivan Kimball Stephen Wemple						
Conectiv Constellation New Energy Inc. Constellation Power Source Coral Power, LLC	Other Suppliers Other Suppliers Other Suppliers Other Suppliers	Bill Fehr Peter Duprey Daniel Allegretti Matt Picardi	John Foreman Carrie CullenHitt ✓ Glen McCartney Marc Overdyk	Sara O'Neill Mary Lynch Carrie CullenHitt	Susan Chamberlin Carrie CullenHitt				
DC Energy Dominion Energy Marketing, Inc. Duke Energy North America, LLC Dynergy ECONergy	Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers	✓ Bruce Bleiweis Wes Walker Stacy Dimou ✓ Alan Foster Saul Horowitz	Dean Wilde Lou Oberski Del Disher Jason Cox Tom Halleran	Andrew Stevens Michael Bekker	Kevin White				
Epic Merchant Energy Exelon Generation - Power Team Fortistar/Lockport Energy Associates, L.P. FPL Energy HQ Energy Services	Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers	Mike Kinsey Scott Silverstein Roger Kelley ✓ David Applebaum ✓ Michel Prevost	Erik Abend Joe Klimaszewski Tom Gesicki Fernando DaSilva ✓ Paul Norris	Wade Sullivan Jim Verna Mark Younger	✓ Glenn Haake				
KeySpan Energy Services Morgan Stanley Capital Group NRG Power Marketing NU / Select Energy Ontario Power Generation Inc. PP&L Energy Plus PSEG Energy Resources & Trade	Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers	Terrence Kain Patrick Murray ✓ Tim Foxen Gunnar Jorgensen Barry Green Other Suppliers ✓ Howard Fromer	✓ Jim D'Andrea Karen Kochonies Katie Sullivan ✓ Jim Scheiderich Tasos Karatsoreos John Brodbeck Michael LaFalce	Edwin Kichline Levon Kazarian Peter Chamberlain	James Cross Doron Ezickson	John Vaughn Nikolai Markarian			
				Ken Lacivita ✓ Joseph Langan	Scott McArthur Sharon Weber	✓ David Barr	✓ Glenn Haake		

New York Independent System Operator - Committee Membership

Management Committee - Attendance April 6, 2005- Albany, NY - Parties Checked in Attendance

Organization	Sector	Representative	Alternate1	Alternate2	Alternate3	Alternate4	Alternate5	Proxy	Guest
Reliant Energy Services, Inc.	Other Suppliers	✓ Liam Baker	Bill Berg						
Sempra Energy Trading	Other Suppliers	Dan Staines	Maria Agovino	Scott Englander	Barry Trayers				
SESCO Enterprises, LLC	Other Suppliers	Mike Schubiger	Jim Thoresen						
Strategic Energy LLC	Other Suppliers	✓ Francis Pullaro	Michael Swider	Jeffrey Knox	Brian Vayda				
Strategic Power Management, Inc.	Other Suppliers	✓ Mario DiValentino	Thomas Folchi						
TransEnergie U.S. Ltd.	Other Suppliers	José Rotger	Michael Jacobs						
Williams Power Company	Other Suppliers	David Singer	Mark Lassman	Robert O'Connell					
Long Island Power Authority	Public Power - Authorities	Jim Parmelee	✓ Kevin Jones	Jim Wittine					
New York Power Authority	Public Power - Authorities	Robert Hiney	✓ William Palazzo	Kim Byham					
American Wind Energy Association	Public Power - Environmental	Valerie Strauss	Larry DeWitt	Douglas Ward	Mike Jacobs				
Environmental Advocates	Public Power - Environmental	Anne Reynolds	Larry DeWitt						
Nat'l Resources Defense Council	Public Power - Environmental	Dale Bryk	Larry DeWitt						
Pace University	Public Power - Environmental	Edward Smeloff	Larry DeWitt						
Scenic Hudson	Public Power - Environmental	Larry DeWitt							
Bath Electric, Gas & Water Systems	Public Power - Munis & Co-ops	✓ Tim Bush	Jim Hamilton	Matthew Benesh	Ken Moore	Jack Brown			
City of Jamestown Board of Pub. Util.	Public Power - Munis & Co-ops	David Gustafson	Wally Haase	✓ Tom Rudebusch					
Lake Placid Village	Public Power - Munis & Co-ops	Peter Kroha	✓ Tim Bush						
Municipal Commission of Boonville	Public Power - Munis & Co-ops	Kenneth Stabb	✓ Tim Bush						
Plattsburgh Municipal Lighting Dept.	Public Power - Munis & Co-ops	Jack Brown	✓ Tim Bush	✓ Paul Pallas					
Village of Arcade	Public Power - Munis & Co-ops	Larry Kilburn	✓ Tim Bush						
Village of Fairport	Public Power - Munis & Co-ops	Ken Moore	✓ Tim Bush	✓ Paul Pallas					
Village of Freeport	Public Power - Munis & Co-ops	Hubert Bianco	Anthony Fiore	✓ Tom Rudebusch					
Village of Rockville Centre	Public Power - Munis & Co-ops	✓ Paul Pallas	Jim Hamilton	Matthew Benesh	Jim Hamilton	Jack Brown	Ken Moore	✓ Tom Rudebusch	
Village of Solvay	Public Power - Munis & Co-ops	Anthony Modafferi	✓ Tim Bush						
Village of Westfield	Public Power - Munis & Co-ops	Jim Hamilton	✓ Tim Bush	✓ Paul Pallas	Matthew Benesh	Jack Brown	Ken Moore		
Central Hudson Gas & Electric	Transmission Owners	Charles Freni	✓ John Watzka						
Consolidated Edison	Transmission Owners	Terry Agriss	Rebecca Craft	✓ Neil Butterklee					
National Grid	Transmission Owners	✓ Jerry Ancona	Wes Yeomans	Janet Gail Besser	Herb Schrayshuen	Bart Franey	Terron Hill		
NY State Electric Gas (NYSEG)	Transmission Owners	Ray Kinney	✓ Patti Caletka	Hank Masti	Cliff Olson	Denis Wickham			
Orange & Rockland, Inc.	Transmission Owners	None Assigned							
Rochester Gas & Electric	Transmission Owners	Ray Kinney	✓ Patti Caletka	Hank Masti	Cliff Olson	Denis Wickham			
Boundless Energy, L.L.C	Non-voting	John Tompkins	Brian Chernack	Chuck Gilbert					
Caithness Energy, L.L.C	Non-voting	Ross Ain	Jack Feinstein						
Cianbro	Non-voting	Chuck Hewitt	John Tompkins						
Customized Energy Solutions	Non-voting	✓ Rick Mancini	Stephen Fernands	Bill Schofield					
Ecogen, L.L.C	Non-voting	Tom Hagner							
Energetix, Inc.	Non-voting	Barney Farnsworth							
Fluent Energy	Non-voting	Michael Mastroianni	David Koplas	✓ Margie Miller					
Hudson River Energy Group	Non-voting	Frank Radigan	Richard Canfield						
Hydro-Quebec TransEnergie	Non-voting	Glenn Sylvain	Mario Boucher						
NYS Department of Public Service	Non-voting	Penny Rubin	✓ Rajendra Addepalli						
Stealth Energy	Non-voting	Gad Cohen							
The Structure Group	Non-voting	Bob Furry	Alex Lago						
Tom Halleran	Non-voting	Tom Halleran							
William P. Short	Non-voting	William Short	Marc Schaefer	Joe DeVito	John Brodbeck	Ron Matlock	Paul Savage	Roberto Denis	
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting	None Assigned							

NYISO and Hunton & Williams Members in Attendance:

- ✓ Ira Freilicher Hunton & Williams
- ✓ Kevin Jones Hunton & Williams
- James Schmidt Hunton & Williams

New York Independent System Operator - Committee Membership

Management Committee - Attendance April 6, 2005- Albany, NY - Parties Checked in Attendance

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✓ Rob Fernandez	NYISO								
✓ Mark Lynch	NYISO								
✓ Chuck King	NYISO								
✓ Charles Garber	NYISO								
✓ Brad Kranz	NYISO								
✓ Andy Antinori	NYISO								
✓ Elaine Robinson	NYISO								
✓ Rich Dewey	NYISO								
✓ Leigh Bullock	NYISO								
✓ Ray Stalter	NYISO								
✓ Debbie Eckels	NYISO								
✓ Bob Friend	NYISO								
✓ Jonathan Mayo	NYISO								
✓ Frank Francis	NYISO								
John Cutting	NYISO								
Jane Lathrop	NYISO								
✓ Ernie Cardone	NYISO								
John Charlton	NYISO								
Kathy Whitaker	NYISO								
Andrew Hartshorn	NYISO/LECG								
✓	NYISO								

Key:

✓ = In attendance