
DRAFT**NYISO Management Committee Meeting Minutes****June 12, 2012****10:00 a.m. – 12:00 p.m.**

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

Mr. Howard Fromer (PSEG), the Chair of the Management Committee (MC), called the meeting to order at 10:00 a.m. and welcomed the members of the MC. Meeting participants introduced themselves and their affiliations. There was a quorum.

2. President and CEO Report

Mr. Rich Dewey (NYISO) reviewed the market operations report and the operations performance highlights. Mr. Dewey reported on the status of Rate Schedule 1 collections. He reported that in May, the NYISO over-collected due to warm weather approximately \$200,000, but it still leaves a \$1.5M under-collection for the year. Additionally, the early results from the month of June indicate additional shortfall. He noted that the NYISO will present some options to stakeholders at the June Budget and Priorities Working Group meeting to address this problem. Mr. Dewey noted that in an effort to provide transparency into the TCC markets, the NYISO included new charts in the operations report to show actual congestion compared to bid congestion related to TCCs.

Mr. Mark Younger (Slater Consulting) asked if the 28,242 MW for the peak load included SCR resources. He noted that if SCR are considered resources, then anytime the NYISO dispatches SCRs, the NYISO should list the actual load with the SCRs. Mr. Younger said it is more informative to list the preliminary information. Mr. Dewey said the NYISO could look into improving the chart.

Mr. David Clarke (LIPA) asked about the current status of the Michigan PARs. Mr. Wesley Yeomans (NYISO) said three out of four are in service. On Tuesday, June 5, all four PARs were closed in and regulating. However, one of the four tripped and is now out of service so the NYISO only had six days of operating experience with all four PARs in-service. Mr. Clarke asked if the NYISO knows when the tripped PAR will be back in service. Mr. Yeomans said he didn't know if IESO posted information on its website for when the PAR will return to service.

Mr. Bruce Bleiweis (DC Energy) asked if the NYISO could share how well the PARS were working, given the small sample size for data collection. Mr. Yeomans said for the majority of the hours, the NERC IDC flag was set to regulating. The process for that is if loop flow is below 200 MW, then that flag is set to regulate. If it is above 200 MW, then it is set to non-regulating.

Mr. Dewey also gave an update on the Infrastructure Master Plan. The migration activities to relocate the computer assets from the legacy data center to the new addition at the Carman road facility are complete. The NYISO migrated 1,400 physical devices to the new data center without any impact on systems and services. For the Krey Blvd site, prepping work has been done on the underground electrical installation of new commercial power service, and the NYISO had to move the existing power service and re-locate the generators. The foundation and footings for the structure has been poured and built. During the summer, the steel and pre-fab concrete sections will arrive and be put up in August. The hope is to have the structure completed and enclosed before winter. The interior work will be performed during winter. Operations staff will be re-located to the site in 2013 and there will be a

period where the NYISO will perform test validation before making it the primary control center. The project is on schedule and on budget.

Mr. Fromer asked if the NYISO is on schedule for the loan refinancing. Mr. Dewey said that is also on schedule. The PSC has to decide on the NYISO's filed petition.

3. FERC Update

Mr. Morris Margolis (FERC) reviewed the presentation included with the meeting material.

Electric Gas Coordination:

Mr. Margolis reviewed some of the comments that the FERC has received. Even with the ongoing industry initiatives, FERC staff has heard a number of areas of potential concern. These include: whether certain communications are barred by standards of conduct or whether the sharing of non-public information by a pipeline – for example: outages or constraints – could be considered as given undue preference; also misalignment or lack of incentives to use shared information; and a lack of common terminology. FERC staff is currently reviewing the industry comments in order to determine how to proceed. FERC will also continue to meet with industry on the issue. Possible approaches going forward could include identifying long term and short term issues and those that can be addressed without changes in rules or policies. In addition, it appears in comments that there should be a coordinated approach where industry leads certain reforms where the commission where will be requested to facilitate discussion. The FERC chairman recently stated that a series of regional meetings will likely be announced in the near future ahead of the 2012-2013 winter season.

Ms. Erin Hogan (NYSERDA) asked if FERC will make recommendations and then hold the regional meetings or will the regional meetings be announced before FERC makes recommendations. Mr. Margolis said FERC would likely make decisions after the regional meetings take place.

Mr. Stu Nachmias (Con Ed) asked if FERC received comments on dual fuel capability. He noted that the gas pipelines want firm contracts with generators. He said this is costly and the dual fuel capability may be an alternative option. Mr. Margolis said he knew this topic was among the comments FERC has received. FERC would be interested in hearing about individual concerns regarding this topic. Mr. Nachmias said this is something that can be discussed at FERC's regional meeting or at the NYISO's Electric Gas Coordination Working Group (EGCWG).

4. NYISO Gas Electric Coordination Update

Mr. Yeomans reported that the gas electric study RFP was issued to potential bidders about four weeks ago. The NYISO received a huge volume of questions and comments from the potential bidders that the NYISO had to extend the evaluation period deadline by two weeks to give them more time to prepare their bids. Monday, June 10th was the deadline for the bids. The NYISO received many bids and the NYISO assembled an evaluation team including NYISO, IESO, ISO-NE, and PJM staff to evaluate the bids and criteria since it will be a regional gas electric study. The team is meeting to go through the bids and criteria. He noted that some of the bids are over 200 pages. The deadline for the team to decide on the bidder is June 22nd. The NYISO has master agreements with the potential bidders so a contract can be reached with the selected bidder very fast. The NYISO wants to work with the bidders to structure the study into phases to allow the NYISO to get answers soon.

Mr. Nachmias asked about the intent of the study. Mr. Yeomans noted that the NYISO did solicit a steady state gas study by Levittan produced in October 2010 and the results from that study indicated

that the NYCA could meet reliability criteria both for a winter and summer peak even with a single worst gas contingency. That period reviewed was to 2012 so this study will look at a base case horizon for 2-5 years and a steady state evaluation. It will be different from Levittan since it will look at the Northeast region and various scenarios and contingencies. Mr. Younger asked if the Levittan study was publicly available. Mr. Yeomans said he would have to follow up to verify if it was public. If it is public, the NYISO can post that study under EGCGWG meeting materials.

Mr. Nachmias said New England's issues may be different from NY's issues. NE is much more reliant on gas and has much less gas infrastructure so that may need to be taken into account. Mr. Fromer asked when stakeholders will see the first phase results. Mr. Yeomans said he will urge the team to see if the vendor could share preliminary phase 1 data for the 2012-2013 winter peak. Mr. Fromer said it would be useful for the NYISO to present a firmer outline and expectations of the next steps of NY's electric gas coordination process. Mr. Yeomans said the NYISO agreed with that assessment and wanted to provide more structure for these meetings and have an established list of action items. Mr. Nachmias suggested that the schedule for the study should be built around the FERC technical workshops.

5. Michigan PARs Cost Allocation

Mr. Chris Russell (NYISO) reviewed the presentation included with the meeting material. The NYISO received an invoice of \$255,000 from the Midwest Independent System Operator (MISO) for the cost allocation of International Transmission Company's (ITC) Michigan Phase Angle Regulators (PARs). The NYISO used its Working Capital Fund to pay the invoice because there are no tariff provisions in place to permit the NYISO to recover these charges from its customers. The NYISO is litigating the allocation through FERC proceedings and will take the issue to the D.C. Circuit Court of Appeals, if necessary. The NYISO's proposed tariff revisions would permit it to pass charges it receives from MISO for the ITC PARs through to its customers.

Mr. Neil Butterklee (Con Ed) asked where in the MC motion does it say that if NY loses its case at FERC, that stakeholders can change the mechanism both prospectively and retroactively. He noted that the PJM method only allocates cost to load withdrawals; the NYISO interim method only allocates to load, but it doesn't preclude to allocate to load, suppliers, or virtual entities. Mr. Russell said there would be formal stakeholder process to make a determination for a more permanent allocation method. Mr. Alex Schnell (NYISO) said the NYISO's proposal does not include a retroactive component nor does it address the potential for retroactive implementation. Mr. Butterklee proposed an amendment to include language to allow a mechanism to address retroactively.

Mr. Fromer said a retroactive component would create problems for existing transactions. Ms. Doreen Saia (GenOn) said it needs to be specified whether retroactively is in the motion or not. Mr. Garret Bissell (Multiple Intervenors) said he has no opposition to a commitment to a stakeholder venue to discuss the temporary method or whether there is a better method going forward. He expressed a concern that the reality is that if you collect charges from NYISO customers, then the money needs to be returned the way it was collected. He understood that there is a desire to find a better approach, and stated that if we do change the method it should be on a prospective basis only.

Mr. Chris LaRoe (IPPNY) asked whether the existing rate schedule under the OATT facilities covered by the non-facilities payment charge were temporary or permanent. Mr. Russell said they were permanent. Mr. LaRoe asked if there is difference between the non-ISO facilities covered in that charge and the Michigan PARs. Mr. Schnell said the difference between the facilities already covered in OATT Rate Schedule section 6.1.6 and the ITC Michigan PARs is that the NY entities agreed to pay for the Con Ed

Ramapo PARS and RG&E Capacitor bank at Station 80. The proposed tariff language makes clear that there is no basis for determining that there are similar benefits to be expected from the ITC Michigan PARs, however, the NYISO has been instructed to pay MISO invoices and recover the payments it makes from its customers. The NYISO is seeking to do so.

Ms. Saia asked if we get to a point where we are not able to pass a motion here, the last meeting she asked and got confirmation that the working capital fund was only used as an interim measure in that instance for the April bill payable in May because there was no other way to pay it. She asked for confirmation that the NYISO will not charge the Working Capital Fund to pay for this charge, but will file under Section 206 to provide payment going forward. Mr. Schnell said it's unclear that NYISO can give assurances that Ms. Saia requested.

Mr. Fromer asked since the Board has to also approve this MC motion, does the NYISO Board support retroactively revising rates. Mr. Schnell said the NYISO stated its view in the presentation and is not in favor of changing rates retroactively. The possibility of a supplier or an entity scheduling a transaction would get charges assessed on them that they weren't expecting when they submitted a bid would be problematic. Mr. Fromer asked if there is a critical date that the NYISO has to comply with FERC. Mr. Schnell said the NYISO needs an up-or-down vote today because the NYISO needs to determine if it must file a request for rehearing of FERC's response to the NYISO's declaratory order request.

Mr. Bissell asked how does the NYISO view reconciling a potential retroactive charge with the current processes in the tariff to close out bills that would prohibit the NYISO from re-opening them. Mr. Russell said it would be difficult.

Mr. Butterklee requested that the MC take a recess. The MC reconvened and Mr. Butterklee withdrew his amendment to the Motion. Ms. Saia asked for clarification that the retroactive application is excluded from the motion. Mr. Fromer said that was his understanding and Mr. Butterklee concurred. Mr. Clarke said the motion does not specifically exclude or include retrospective look at things. At some future date, stakeholders may seek to move a motion with retroactive language.

Mr. Bissell said the key distinction is that the motion does not authorize retroactive re-design of the mechanism that the NYISO will use to recover its payments to MISO from its customers. The reality is that any stakeholder could propose something at any time. Any such proposal would need to go through the stakeholder process for approval.

Motion #1:

Whereas, FERC has accepted for filing, subject to refund, revisions to the Midwest Independent Transmission System Operator, Inc.'s (MISOs) tariffs authorizing MISO to charge the NYISO "on behalf of its customers" for the cost of International Transmission Company's (ITC's) Bunce Creek PARs, located at the Michigan/Ontario border;

Whereas, FERC has declared that any charges properly billed pursuant to the Commission-accepted MISO Tariff provisions must be paid by the NYISO in accordance with the provisions of MISO's Tariff;

Whereas, the NYISO has presented proposed revisions to Section 6.1.6 of Rate Schedule 1 to its Open Access Transmission Tariff (OATT) to permit the NYISO to recover MISO PAR charges from the NYISO's customers;

Whereas, the BIC has recommended that the NYISO's Board of Directors (Board) take official notice that the NYISO's stakeholders disagree with FERC's decision to require NYISO to pay for the ITC PARs, even on an interim basis, subject to refund;

Whereas, the BIC has recommended that the Board issue a statement that the interim tariff revisions are being submitted under protest, and do not support either the merits of ITC's claim for compensation, or ITC's proposed cost recovery mechanism;

Whereas, the BIC supported the NYISO's proposed allocation of MISO's ITC PAR charges on a temporary basis, until FERC issues a final order on the merits of the ITC/MISO cost allocation proposal;

and

Whereas, the BIC recommended that if FERC ultimately determines that NYISO customers must pay for a portion of the cost of ITC's PARs, then NYISO should convene a stakeholder process to develop a more permanent cost recovery mechanism;

Now, therefore, the Management Committee (MC) hereby recommends that the Board authorize the submission of revisions to Section 6.1.6 of Rate Schedule 1 to the NYISO's OATT to permit the NYISO to recover and/or refund charges/payments it receives from the MISO related to ITC's Bunce Creek phase angle regulators on a temporary basis, until FERC issues a final order on the merits of the ITC/MISO cost allocation proposal.

If and to the extent FERC ultimately orders refunds, the refunds will be issued consistent with the NYISO's proposed revisions to Section 6.1.6 of Rate Schedule 1 to the NYISO's OATT.

Should FERC issue a final order determining that the NYISO's customers are and will be required to pay for a portion of the cost of ITC's PARs, then the Board should require the NYISO to initiate a stakeholder process to consider the development of a more permanent mechanism to recover MISO charges for the cost of the ITC PARs from the NYISO's customers.

Motion passed with 63.65% affirmative votes

6. New Business

Mr. Yeomans read the following statement:

FERC recently approved a rate schedule proposed by TransCanada (TCR) to provide black start service on a month-to-month basis. NYISO supported the substance of TCR's proposed rate schedule as a short-term measure to address reliability needs, but objected to TCR's proposed use of a separate, stand-alone rate schedule for services otherwise provided pursuant to terms of the NYISO's Tariffs.

In approving TCR's rate schedule, FERC took note of NYISO's objections, approved the rate schedule subject to refund, and ordered the parties to participate in a FERC-sponsored settlement conference.

While the NYISO maintains its objections to TCR's stand-alone rate schedule, it does plan to move forward to procure BSS under a tariff to provide a measure of certainty regarding black start resources while we continue with stakeholder and settlement discussions regarding potential changes to the NYISO's black start program.

NYISO may seek a waiver from FERC to address any differences between the NYISO's black start tariff provisions and the terms of the TCR rate schedule – essentially a housekeeping measure.

We feel that it is important to ensure the availability of these BSS resources as we continue to work on larger issues regarding the NYISO's Black Start Program.

Mr. Fromer asked that this statement be provided to MC members via email. Mr. Yeomans said the NYISO would send the statement as soon as possible. Mr. Nachmias said Con Ed actively participated in the NYISO stakeholder process and opposed a separate rate schedule, but in the interest of reliability and the local black start program, Con Ed supports the NYISO as it makes sense to protect reliability.

Mr. Fromer thanked the NYISO staff for arranging the annual Joint Board/MC meeting and all of the work involved.

The next meeting is on June 28th, 2012. Meeting adjourned at 12:00 p.m.