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**NYISO Management Committee Meeting Minutes****July 25, 2012****10:00 a.m. – 1:30 p.m.**

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

Mr. Bart Franey (National Grid), the Vice Chair of the Management Committee (MC), called the meeting to order at 10:00 a.m. and welcomed the members of the MC. Participants introduced themselves and their affiliations. There was a quorum.

**2. Approval of Meeting Minutes – May 30, June 12, and June 28, 2012 Meeting Minutes****Motion #1:**

Motion to approve the Minutes of the May 30, June 12 and June 28 Management Committee meetings.  
*Motion passed unanimously.*

**3. President and COO Report**

Mr. Rich Dewey (NYISO) provided an update on the Infrastructure Master Plan. He reported that the NYISO completed the refinancing last week. The NYISO is pleased with this favorable refinancing arrangement. The projects are on schedule and on budget. For Krey Blvd, the goal is to have the building enclosed by November and work will begin on the interior during the winter. For the project at Carman Road, the NYISO has fully migrated the computer assets to the data center.

Mr. Steve Whitley (NYISO) provided an update on the gas electric study. Mr. Whitley noted that the Eastern Interconnection Planning Collaborative will completed its task and there will be \$5 million unspent. He reported that he has asked the Department of Energy (DOE) to see if they would support funding the gas study with this extra money. The DOE has said verbally that they are interested in the idea. If this happens, there could be a delay in getting the gas study completed due to the extra administrative work involved. He noted that he has briefed the FERC, DOE, Governor Cuomo, and the PSC and all are interested in the study results.

Mr. Kevin Lang (Multiple Intervenors and City of NY) asked about the study cost. Mr. Whitley said the NYISO did not know because the study needs to be re-scoped and it will also have to include MISO. Mr. Lang asked if the other ISOs will help fund the study. Mr. Whitley said that is correct.

Mr. Rick Gonzales (NYISO) reviewed the market highlights. Mark Younger (Slater Consulting) asked if the uplift costs include any expected number for paying for the Special Case Resources at \$500/mwh. Mr. Gonzales said he thought these numbers were reflected in the uplift calculation, but he would have to follow up and determine if the estimated demand response payments are included.

Mr. Gonzales reviewed the operations report. He noted that the 10 minute reserve requirement was increased from 1,200 MW to 1,310 MW on June 27. He reported that this increase resulted in a benefit to NY that will allow HQ imports to synch into NY at 1,310 MW. Mr. Frank Francis (Brookfield) asked if this increases the possibility of additional External CRIS Rights on the interface. Ms. Karen Gach (NYISO) said that the import limit applicable to external capacity sets a maximum point for External CRIS Rights. That import limit is already below the prior 10 minute reserve requirement. She said it is theoretically possible that the change to 1,310 MW could lead to an increase to the import limit applicable to external capacity under certain circumstances; but it will be looked at in the next cycle of setting import limits. Mr. Francis asked if there is a procedure should the study show that there is an opportunity to

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increase External CRIS Rights. Ms. Gach said there is a procedure in Attachment X for entities to request additional External CRIS Rights. Mr. Leuthauser asked for clarification of this procedure. Ms. Gach said that if there is space available above the existing External CRIS Rights and below the import limit an entity could request External CRIS Rights which would be evaluated for deliverability in a class year.

Mr. Gonzales reviewed the June 2012 heat wave presentation. Mr. Younger asked if the NYISO considered calling off the SCR event on Friday, June 22. Mr. Gonzales said the NYISO had internal discussions of standing down the SCR calls. He noted that when the NYISO calls for SCRs, demand response providers are eligible to be paid for four hours regardless if the calls are terminated early.

Mr. Younger noted he raised a concern about the NYISO capacity report at the Operating Committee and how it gave no notice of a reserve shortage. He said he is not questioning the calls, but would like an understanding of why the calls are made. He requested that the NYISO update the capacity report or post updated information elsewhere on the NYISO website. Mr. Glenn Haake (EnergyConnect) agreed with Mr. Younger. Mr. Gonzales said the NYISO will look into providing the updated information to the market. Mr. Rich Bolbrock (MEUA/NYMPA) said he could not support an effort to release additional information if it meant it would require additional staff or distract the system operators. Mr. Gonzales said the NYISO has the information, it is a matter of releasing the information through the appropriate channel.

Mr. Younger asked if the NYISO will consider revising SCR rules to make it a better product. Mr. Gonzales said from an operations perspective, the NYISO is looking at whether the four hour performance requirements of SCRs and Energy Limited Resources should be expanded.

Mr. Haake asked if the NYISO had any preliminary data on the SCR calls from the July heat wave. Mr. Gonzales said that information will go to the SOAS and the OC, and then at the next MC.

Mr. Whitley commended the transmission owners, the generation asset owners, the demand response providers, and NYISO operations staff for their performance during the heat wave.

#### **4. Stakeholder and Member Services Update**

Messrs. Tom Rumsey (NYISO) and Rich Barlette (NYISO) reviewed the presentation included with the meeting material. Mr. Rumsey noted the reorganization will provide more efficient and effective customer service. The NYISO is seeking to provide the tools to make customer service better.

Mr. Francis said it is important that the other departments support the reorganization. Mr. Bob Boyle (NYPA) noted that the NYISO streamlined the customer relations team previously and he wanted to make sure it wouldn't result in a tiered structure. Mr. Rumsey said that is not happening with this change. Mr. Barlette added that the NYISO performed benchmarking analysis prior to the reorganization and visited other ISOs to learn more about best practices. The NYISO seeks to utilize a customer relations management tool, a phone tree system, and develop an online registration tool for customers and committee members.

#### **5. Proposal to Address Rate Schedule 1 Shortfalls**

Mr. Chris Russell (NYISO) reviewed the presentation included with the meeting material. The NYISO tariffs do not provide a mechanism to recover shortfalls in Rate Schedule 1 (RS1) revenue for recovering ISO Costs when actual MWh injections and withdrawals are less than forecasted during the annual budget process. The NYISO is projecting a shortfall for 2012 of approximately \$3 million. The NYISO

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proposes to utilize RS1 revenue from nonphysical market activity to offset potential shortfalls in RS1 revenue from physical market activity. Mr. Russell added that there were proposed changes to the tariff language that was posted. The alternative language does not change the proposal, but is more readable. Following the MC vote, the NYISO will circulate the language to the committee chairs.

Mr. Lang asked about over-spending and asked about the intent of proposal. Mr. Russell said spending will be controlled and the actual budget is reviewed at the BPWG each month. The proposal is not intended to cover any budget overruns. He added that the intent is to apply any 2012 shortfall to 2013 Non-Physical refunds.

In response to a question from Mr. Haake, Ms. Cheryl Hussey (NYISO) said the NYISO could use the money from the Working Capital Fund until it is recovered in the subsequent year. Mr. Haake expressed a concern that the Working Capital Fund could be strained. Mr. Russell said if this became an issue, the NYISO would be proactive to address it with committee members.

Mr. David Dittman (Central Hudson) asked about the possibility of improving the forecast. Mr. Russell said he would have to take that back, but noted that there are variables such as FERC fees in the budget and that this proposal is intended to eliminate one of the many variables that impact the budgeting and cost recovery process.

Mr. David Clarke (LIPA) said LIPA is sympathetic to the goal of NYISO working within its budget, and recognizes that in 2009 the NYISO took the initiative to cut spending in response to lower than expected revenue. LIPA would like to maintain this ability to modify spending under these conditions. LIPA thinks this proposal does that by deferring collections to the following year. By the end of each summer, stakeholders will have updated information of the shortfalls and it's likely that everyone will have a better understanding what needs to be accommodated in the subsequent budget years.

Mr. Rich Miller (Con Ed) noted that this proposal was different from the NYISO's original proposal and commended the NYISO for revising the proposal with its stakeholders that works better for everyone.

*Motion #2:*

The Management Committee (MC) approves the recommendation to revise the OATT Rate Schedule 1 Non-Physical revenue refund methodology as described in the presentation made to the MC this date, July 25, 2012, and further recommends that the NYISO Board approve the revision to Rate Schedule 1 for filing under Section 205 of the Federal Power Act.

*Motion passed unanimously with abstentions.*

**6. Black Start Program Changes**

Ms. Kathy Whitaker (NYISO) reviewed the presentation included with the meeting material. The proposal includes changes to the tariff provisions regarding Con Edison's local black start program, including changes to test procedures, test scheduling, commitment period, program participation, and compensation requirements. The proposal was developed through extensive discussions with Con Ed and affected generators.

Ms. Erin Hogan (NYSERDA) asked about the ongoing review of the proposed black start testing requirements with the NYS Reliability Council (NYSRC). Ms. Whitaker stated that the NYISO is working with the NYSRC to review and clarify its reliability testing rules. The NYISO submitted a draft paper and proposed language to NYSRC to clarify the rules to expressly provide that the proposed black start test

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requirements satisfy NYSRC rules. Mr. Clarke (LIPA) expressed procedural concerns with approving the proposal prior to NYSRC amending its reliability rules and stated that LIPA would abstain.

Mr. Jim D'Andrea (TC Ravenswood) noted that NYISO and Con Ed need information from suppliers to determine which units will be in the program, and asked when suppliers will learn which units will be selected to be in the program. Mr. Mayer Sasson (Con Ed) stated that Con Ed will determine which units are required after all suppliers have submitted their data. Ms. Whitaker added that a determination is needed by November 1, 2012.

Mr. Kranz said NRG generally supports the proposal but reserves its right to object to the proposed requirement of a Section 206 filing to request a unit specific rate. Mr. Kranz asked that this be reflected in the minutes.

Mr. Lang said that black start service is an important issue for the City of New York and acknowledged the hard work over the past few months by everyone involved to develop a reasonable proposal that addresses the needs of all parties. Mr. Sasson said Con Ed is appreciative of the NYISO's leadership in developing the proposal.

Mr. Bolbrock expressed a concern about the NYISO filing the proposed tariff changes at FERC prior to NYSRC making a final determination regarding revisions to its related reliability rules. He said that until NYSRC amends its reliability rules there is the possibility that the NYSRC could find the NYISO's proposal incompatible with the NYISO in non-compliance with its rules. Mr. Carl Patka (NYISO) said that the NYISO fully understands its compliance obligations regarding the NYSRC rules and recognizes the independent authority of the NYSRC to make changes to those reliability rules. Mr. Patka noted that there is nothing procedurally that requires that changes to the NYSRC rules must precede changes to the NYISO tariffs, but stated that the NYISO recognizes that any changes to the NYSRC rules would have to be adopted by the NYSRC prior to becoming effective. Mr. Whitley said the NYISO wants to address Mr. Bolbrock's concerns about moving forward with an important tariff change to protect reliability in a manner that appropriately recognizes the role of the NYSRC. Mr. Jones stated that the NYISO has been working with the NYSRC to identify what, if any, changes are required to the reliability rules. The NYISO would normally seek to work through the NYSRC process prior to the NYISO's stakeholder process, but given the importance of a November 1, 2012, effective date for this proposal, it is necessary in this instance for the processes to move in parallel. The NYISO will continue to work with the NYSRC and will ask NYSRC for its input prior to submitting a filing to FERC. Mr. Bolbrock stated that in light of the NYISO's explanation, he is comfortable supporting the motion.

*Motion #3:*

The Management Committee (MC) hereby approves, and recommends that the NYISO Board approve for filing with the Federal Energy Regulatory Commission pursuant to Section 205 of the Federal Power Act, revisions to the black start and system restoration requirements in the NYISO tariffs as described in the presentation made to the MC on this date, July 25, 2012.

*Motion passed with 78.50% affirmative votes.*

**7. DSASP Aggregations**

Ms. Donna Pratt (NYISO) reviewed the presentation included with the meeting material, which was an overview of its compliance filing on the Demand Side Ancillary Services Program (DSASP) to allow aggregations to participate. Ms. Pratt discussed the participation requirements, enrollment process, the modeling and measurement for DSASP resources, and proposed tariff language.

Mr. Sam Wolfe (Viridity Energy) thanked the NYISO for bringing this proposal forward, but Viridity is concerned that even though this is a good step, Viridity doesn't expect more demand response participation in the DSASP program because once an entity is enrolled in DSASP, the entity is prohibited from enrolling in DADRP. Ms. Pratt said it was a program design decision that was approved by stakeholders in 2007 and would be reviewed as the NYISO develops the market design for demand response in the real-time energy market. He asked why DSASP Providers will not have access to information of resources in their aggregations enrolled in another NYISO program with another Market Participant. Ms. Pratt said it was due to the confidentiality of the Market Participant's participation in the NYISO's market. Ms. Pratt said the NYISO would determine if a resource meets eligibility requirements and then check to see if an entity has that resource enrolled in another program and the DSASP Provider will be notified that a resource in their DSASP aggregation is enrolled with another Market Participant.

Mr. Ruben Brown (Energy Spectrum) asked why is it essential to have the winter season. Ms. Pratt said the demand side resource will be modeled as a supplier. The software requires the summer and winter capability information. Mr. Brown asked why is the behind the meter generation not allowed to provide operating reserves. Ms. Pratt said that decision was made by the NYSRC in March 2008 when the original DSASP was put in place. The idea was that if a resource is using any generation to provide operating reserves, it is not available as spinning reserve because they would have to start up a generator. Mr. Brown suggested that since the program is being treated as a generator in one case, but not in another case that maybe this rule should be revisited by the NYSRC.

#### **8. New Business**

Ms. Debbie Eckels (NYISO) said BPWG is looking at potential projects for 2013 and BPWG has met twice so far. The NYISO is encouraging stakeholders to participate.

Mr. Bruce Bleiweis (DC Energy) asked that there be a discussion at the MIWG about reconstructing the TCC auctions going forward. He noted that DC Energy is a supporter of price discovery, but 16 auction rounds in NY may be excessive. He noted that ISO-NE move from a single round to a multiple round and ISO-NE will be implementing this next year. PJM has several rounds. California ISO has one round. Mr. Bleiweis also noted the administrative burden to NYISO staff. Mr. Kranz strongly supported DC Energy and noted NRG traders are frustrated by the current process and the high burden to participate in the auctions. Mr. Francis also supported DC Energy.

Mr. Barlette said the appropriate place to discuss this issue would be at the MIWG and the NYISO would work with DC Energy and other stakeholders to address Mr. Bleweis' concerns. Mr. Miller said he has tried to read the spreadsheets showing auction results from round to round, and he would agree there are times when you do not see significant price differential between the third and fourth round, there are instances where you do see significant price differentials between those rounds and we have to remember that these are revenues that are flowed back to customers. The additional price discovery that takes place – maybe not in every single auction, and maybe some traders would prefer not to engage into, does provide benefits to NY customers. Mr. Younger pointed out that differences in prices between two auctions could be attributed to external information that has changed about fuel prices or other things affecting bids. Mr. Miller said Con Ed does not object to having this discussion, but thinks it is important to keep everything in context that this is for the benefit of customers and that there may be other measures taken to reduce the administrative burden while maintaining the current level of price discovery, which Con Ed feels is beneficial to customers.

The next meeting is on August 29, 2012. Meeting adjourned at 1:30 p.m.