

---

**DRAFT****NYISO Management Committee Meeting Minutes****February 27, 2014****10:00 a.m. – 11:30 a.m.**

---

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

Mr. Alan Ackerman (Customized Energy Solutions), the 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. Mr. Ackerman noted at the conclusion of the meeting, NYISO will be providing a tour of the new control center.

**2. Approval of Meeting Minutes**Motion #1:

The Management Committee (MC) approves the December 18, 2013 meeting minutes.

*The motion passed unanimously by show of hands*

**3. President and COO Report**

Mr. Steve Whitley (NYISO) reported that the operators moved in to the new Control Center on December 10 and the NYISO then, in short order, experienced four cold weather snaps and an ice storm. Mr. Whitley stated that he had sent a letter to FERC requesting them to investigate the cause of the extremely high and volatile natural gas prices during this period. Mr. Whitley added that Mr. Wes Yeomans (NYISO) will be working with IESO, MISO, ISO-NE, PJM and NY Operations on a lessons learned review on April 4. In addition, FERC will hold a technical conference on April 1. Mr. Whitley expressed thanks to the asset owners in New York for the performance and cooperation during the cold weather.

Mr. Rick Gonzales (NYISO) reviewed the Market Operations and Operations Reports. He reported that there were significant market outcome changes for the month of January and natural gas prices increased by almost four-fold. He noted that a strong indicator that NYISO processes selected the lowest cost resources to serve demand was that NYISO LBMP energy prices were less than half of the gas prices. Mr. Gonzales said that if New York was a gas-only operating state, electric prices would be much higher. Mr. Whitley said that the winter has been a wakeup call throughout the entire Eastern Interconnection over dependency on one fuel and New York has a strong dual fuel program. Mr. Gonzales said that uplift costs were at a record low. He added that NYPA completed a modification to an existing transmission line that will improve reliability in the North Country and result in greater integration of local wind generation and allow increased performance in renewable energy. In response to the very high gas prices that were observed during January, Mr. Gonzales said the NYISO took action to request a temporary waiver from FERC for our current market rules order to pay suppliers in the form of a bid production cost guarantee if they actually incurred costs in excess of the \$1,000 bid cap. FERC granted the waiver on January 31 and it was retroactive to January 21.

**4. Mothball Proposal**

Ms. Emilie Nelson (NYISO) reviewed the presentation included with the meeting material. Ms. Nelson expressed her appreciation for all of the work done by stakeholders to come up with the proposal. Mr. Whitley added that the proposal was very important to reliability and glad that it had made its way to the committee after extensive conversations.

Ms. Doreen Saia (Entergy) expressed concern with the manner in which units that have taken substantial actions inconsistent with an intention to return the units were described in the ICAP Ineligible Forced Outage definition. She noted that at the February 12<sup>th</sup> Business Issues Committee (BIC), there was an agreement that it would still be possible to make changes to tariff language to better reflect the intent of what was being voted on whether members agreed with the motion or not. She requested that the language not require that the unit actions be defined as “actions inconsistent with an intention to return the unit to service in the Energy Market” but rather that the language say “actions inconsistent with an intention to operate the generator.” Ms. Nelson responded that in the scenario where employees are furloughed, there must be a point where the generator will go from an in service state to another type of outage. If the unit leaves the market, the unit is not operating or participating in the market so there is a question on its return.

Mr. Mark Younger (Hudson Energy Economics) said that an ICAP provider that is not on a forced or maintenance outage and is putting bids in every day has taken the actions that are necessary to be able to run if the NYISO needs it to. Mr. Younger said he was not sure if the provider could claim a forced outage if the plant had furloughed staff. Ms. Nelson said if the provider took a step that means it can't operate, then it is not operating. Even if they are incorrectly participating in the energy market they can't be operating at that point. That's how the NYISO views the definition.

It was noted that further modifications were needed to clarify the requirement of the repair plan associated with the National Grid amendment.

Mr. Howard Fromer (PSEG) expressed concern with National Grid's amendments. The language first appeared at the BIC and there has not been a lot of opportunity to review the whole concept. Mr. Fromer raised several issues including that a repair plan does not seem to apply to a mothball unit which, by definition, is physically capable of operating but left the market due to economic reasons. Ms. Nelson said after the BIC approved the proposal, the NYISO incorporated it into the tariff. The amendment does not seem inconsistent with the NERC definition which says a mothball unit may require a number of repairs because the unit has remained idle for months or years. Also, the mothball terms described a unit that is largely considered to be operational and can return to service within 180 days. In the course of discussions, the NYISO has contemplated that there could be a minor failure that could be repaired within that timeline and if the generator had sought mothball status with the NYSpsc and it was granted, such repairs would not be precluded. The NYISO translated the BIC Motion language into tariff language without being particularly specific on types of repairs required but rather to indicate that the NYISO would include this scenario in the Commenced Repair evaluation for a mothball outage. In the majority of situations, it should be a fairly routine assessment because in the majority of situations the mothballed unit is just trying to complete repairs because it has sat idle. In response to Mr. Fromer, Ms. Nelson clarified that with the mothball definition, there is an expectation that when a generator is in a mothball state, at the start of the mothball they are expected to return in 180 days. This is the expectation separate from the amendment that was incorporated in the BIC motion. If the generator's situation changed, the NYISO would expect to be notified.

Mr. Younger noted this proposal came up late in the process. Stakeholders have not had the time to have discussion on the length of the extension and that four months seems to have been picked out of the hat. In response to a question, Ms. Nelson said the NYISO had done its best to incorporate into the tariff language the amended BIC motion in the limited time available. If the unit being granted the extension satisfied the elements of a repair plan that it was moving forward to meet milestones – this period provided an additional short-term buffer for units that had started following the repair plan and had demonstrated it to

---

us prior to the outage expiration. Demonstrating that it could complete the repair within the limited time period available beyond the three years seemed like a minimal adjustment to the three year period.

Mr. Bart Franey (National Grid) thinks the proposal is better than what we have currently in terms of visibility into unit conditions today. After 35 months the unit can need repair and that is something that planners cannot anticipate or account for.

Ms. Karen Gach (NYISO) said the NYISO has language that speaks to the reservation of the CRIS rights. With the advance notice that's required for a unit seeking to extend its CRIS rights under these narrow circumstances, ongoing deliverability studies would have been conducted with some notice on whether unit was seeking such an extension or not. Therefore, the unit would accordingly be modeled or not modeled in the interconnection / deliverability study. She thought this process could be managed.

Rich Miller (Con Ed) asked that the NYISO clarify that a mothball having a repair plan in no way changes the original intent that the mothball unit should be operationally available, and that these should be minor repairs and occur only if something happened in the mothball period. Ms. Nelson said there have been no revisions to the definition of mothball outage.

Mark Younger and Doreen Saia returned to the issue of the inclusion of units that have taken substantial actions with an intent not to return to the Energy Market and whether this would encompass units that were bidding in the Energy Market but that had furloughed their workers. Ms Saia said she would like to see wording "are inconsistent with an intention to operate the generator in the energy market."

Garrett Bissell asked if it's the NYISO's understanding the current language covers the 'furloughed employee' situation and he assumes that this means those actions taken by the generator that have effectively removed it from operations. You'd have to bring back employees to return it to operations.

Karen Gach agreed to revise the language by removing "to return" and change to "with the intention to operate the generator in the energy market."

Mr. Fromer stated that there are still areas he finds confusing about commenced repairs. If a Generator has suffered substantial damage and at 180 days it hasn't been able to get access to the facility but is taking actions hiring people etc. consistent with trying to repair the unit, why is the generator in that situation thrown into exceptional circumstances where he believes they are removed from the capacity market rather than being treated as a unit that has commenced repairs. They are taking actions to do the best they can with respect to repairing.

Ms. Nelson brought up definition of "commenced repair" in the tariff language. If the generator at day 180 is not able to access the site to the degree it is necessary to pull evaluations together to determine the cost and scope of repair, the NYISO has introduced the concept of exceptional circumstances as it was not deemed appropriate to subject that generator to physical withholding evaluations. The proposal reflects that the NYISO doesn't think it's appropriate for a generator in that situation to remain in a forced outage because it cannot make decision to repair because they don't have the information necessary. If they go into an IIFO at the 180<sup>th</sup> day with Exceptional Circumstances and decide to repair, they would not be subject to physical withholding evaluations. They would not be able to return to a forced outage state and to the capacity market at that stage. In the situation where a generator cannot gather the information that's necessary by day 120 or 180 to decide they are going to repair, you have to envision that that will end up

---

being a significant duration repair. This is a longer duration repair and to allow the unit to come back and start selling capacity when they are not able to sell power in that circumstance is not appropriate.

It was mentioned that a single generator may need a lot of money to manage a circumstance where something bad happens. Without a capacity payment during the repair period the unit may make a decision different than the one that would have been made if they had been able to get a capacity payment. Taking the EFORD hit stretches out the pain of the lower capacity payment for that time as opposed to the circumstance being proposed where there will be no money coming in at that time.

It was argued that the NYISO's position to exclude from the capacity market a generator that could not demonstrate it had commenced repair but could provide certainty that it was going to return, is treating it differently than the NYISO treats a Generator that could demonstrate it had commenced repair even if both generators had the same outage length. If the NYISO is really trying to address long term outages, this rule does not fully take Potomac Economics suggestion that any long term repair would be removed from capacity market.

Mr. Boyle said that NYPA disagreed with the catastrophic failure repair time of 270 days. He said it was an arbitrary number and a length of 180 days was more appropriate.

Mr. Younger asked for clarification; if a generator doesn't commence repairs and doesn't have a repair plan that is sufficient, and NYISO has found physical withholding and applies penalties, will the physical withholding penalties end if the generator then commences repair on the unit and provides a legitimate repair plan. He asked if NYISO keeps penalizing the generator, how can they start making repairs.

Ms. Gach brought up existing tariff language. Mr. Younger said existing language references a decision or proposal to remove the generator from the market, now the NYISO is removing the generator and the generator is taking actions to put itself back in the market. Mr. Younger does not think you can just use existing language that required a proposal or decision when it was not the unit's decision to remove itself.

Mr. Dan Jerke (NYISO) stated that the generator can provide data to NYISO in advance such that the NYISO gives a withholding determination in advance of day 180. If the generator is unable to provide that data it's very likely it will have exceptional circumstances that would merit a deferral of the evaluation. At that point the gen will get its information, make its decision, prepare a plan that's credible and there would be no withholding determination or penalty assessment. Also consider the catastrophic failure provision, if it was a 270+ day repair there would be no withholding penalty even if there never was intent to repair.

Mr. Fromer questioned achieving these efforts timely and the assessment of penalties on a generator that could not meet the Commenced Repair determination but was moving forward with repairs.

Ms. Gach stated that this has been discussed extensively during stakeholder discussions; and that the repair plan can be updated to allow for that iterative process. The NYISO recognizes generators could be in that circumstance. In the event a generator decides to repair, it will be necessary to have a repair plan pulled together in a timely manner.

Ms. Nelson stated that further discussion will need to continue through the planning groups on how different studies and EFORD calculations are impacted by the proposal. The NYISO's intent is not to wait until the FERC filing to start dialog on implementation guidelines; if we have a successful vote we will be pulling together a discussion in the planning group on other aspects of the proposal.

---

Mr. Younger stated that it is critical that rules are logical and clear even if he doesn't agree with them. Under 5.17.2.2., a generator can come back from an ICAP forced outage or mothball outage and start selling energy again. The proposal would subject a pivotal supplier to physical withholding due to the formula in the tariff even though a pivotal supplier had no intent to withhold. The NYISO stated these issues would require further analysis and ISO Procedures and said the proposal was not meant to catch a generator between the physical withholding rules and the pivotal supplier rules.

With regard to payments to a unit in an outage to return to service to resolve a reliability need, Mr. Younger asked if the NYISO would agree that if FERC concludes the compensation is inappropriate and the generator should have been paid more than the payment would go back to the day he starts operating. Ms. Gach stated that NYISO's tariff language does not take a position on compensation that may be accepted by FERC in this process.

In response to a question from Mr. Younger on templates for the physical withholding analysis, Mr. Jerke said for Buyer-side mitigation the going forward physical withholding templates have not yet been posted to our website but this will be done concurrent with these provisions being filed with FERC. Mr. Younger asked if the templates could be referenced in the tariff language and would be updated.

Mr. Ackerman announced that to allow further discussion on this topic, the two other topics listed on the agenda would be deferred to the next meeting.

Mr. Fromer indicated that on behalf of PSEG, much of what the NYISO is attempting to accomplish with the proposal is supported. The issues that Dr. David Patton raised in terms of trying to tighten up the definitions of categories of units that were not moving forward to come out of an outage out of the capacity market are supported. Where PSEG departs from support relates to some of the concerns that they have expressed before in connection with some of the parts that were not raised by Dr. Patton and address NYISO's reliability concerns. The issues around a generator with an interconnection point that has been identified and is needed for reliability not coming back and issues around temporary use of interconnection points, raised property rights owned by the developer. PSEG has a concern on the notion of using someone's property without compensation.

Mr. Miller said a number of changes were made to the proposal in the discussions, where Con Edison would have preferred the original proposal. Con Edison preferred that the penalty be to retire a unit that failed to return in a timely basis. Con Edison would have preferred that deleted language describing Interconnection Agreement termination once a unit is deemed retired would have remained a part of the proposal. In addition, Con Edison was concerned with the mothball unit 180 day return and how units would be eligible for UCAP. Con Edison understood the NYISO's need to balance different issues and planned to support the proposal. They are pleased that there was substantial support at BIC.

Mr. Whitley expressed his appreciation for the efforts put into working through the proposal. This is important to reliability and getting the markets right.

Motion #2:

The Management Committee ("MC") hereby recommends that the Board of Directors authorize the NYISO to file with the Federal Energy Regulatory Commission, pursuant to Section 205 of the Federal Power Act, the proposal "Defining Outage States to Include Mothball Outage," including the accompanying tariff revisions, as presented and revised at the MC on February 27, 2014.

*The motion passed with 73.12% affirmative votes*

**5. New Business**

Mr. Mark Seibert provided logistics for the building tour.

The meeting was adjourned at 1:00.