
**Joint NYISO Business Issues Committee and Operating Committee Meeting Minutes
June 20, 2012**

10:00 a.m. – 12:00 p.m.

DRAFT

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

The chairs of the Business Issues Committee (BIC) and the Operating Committee, Mr. Alan Ackerman (Customized Energy Solutions) and Mr. Bill Palazzo (NYPA), respectively, called the joint meeting to order at 10:05 a.m. by welcoming the members of the BIC and OC. The members of the BIC and OC identified themselves and attendance was recorded. A quorum was determined.

2. Attachment Y Clean Up

Mr. John Buechler (NYISO) reviewed the presentation included with the meeting material. The NYISO updates to Attachment Y provide clarity and consistency to the tariff language and facilitate the preparation of the NYISO’s Order 1000 compliance filing.

Ms. Doreen Saia (GenOn) noted that she provided suggested edits section 31.2.5.4 that says “if the ISO determines that the submitted market-based solutions are sufficient to resolve the identified Reliability Needs, the ISO will perform a high-level review of any proposed alternative regulated solutions submitted in accordance with Section 31.2.4.5 above. ~~If the ISO determines that the submitted~~ market-based solutions do not resolve an identified Reliability Need, the ISO ~~shall proceed to will perform a more detailed~~ review of the proposed alternative regulated solutions. ~~submitted in accordance with Section 31.2.4.5 above, and~~ In either case, the ISO will report the results of its review in the CRP.” Mr. Rich Miller (Con Ed) also noted that he provided minor clarifying language to the NYISO under section 31.1.2. where it says, “(4) provide an opportunity for the development of market-based solutions while ensuring the reliability of the BPTFs.” Con Ed suggest edits are as follows: “(4) provide an opportunity first for the ~~development- implementation~~ of market-based solutions while ensuring the reliability of the BPTFs.” Stakeholders asked that these edits be reflected in the minutes as the motion was not amended and stakeholders agreed that the motion language already allowed for amendments presented at the meeting.

Motion #1:

BIC Motion

The Business Issues Committee (“BIC”) recommends that the Management Committee recommend to the NYISO Board that it approve for filing at FERC the modifications to Sections 31.1, 31.2, 31.3, 31.4, 31.5, and 31.6 of the Open Access Transmission Tariff described in the presentation titled “Attachment Y Clean Up” and as presented at the June 20, 2012 BIC meeting.

Motion passed with abstentions.

OC Motion

The Operating Committee (OC) recommends that the Management Committee recommend to the NYISO Board that it approve for filing at FERC the modifications to Sections 31.1, 31.2, 31.3, 31.4, 31.5, and 31.6 of the Open Access Transmission Tariff described in the presentation titled “Attachment Y Clean Up” and as presented at the June 20, 2012 OC meeting.

Motion passed unanimously with abstentions.

3. Black Start Changes to Con Edison Plan

Ms. Kathy Whitaker (NYISO) reviewed the presentation included with the meeting material.

In response to a question about tax abatements, Ms. Whitaker said payments to the generators would be less than what was proposed in the May 16, 2012, joint BIC/OC meeting presentation because the translation factor from ISO-NE costs should not have included an increase to account for New York City property tax. Ms. Marji Philips (Hess) asked for clarification if all units would receive the same payment regardless of whether they are eligible for tax abatements. She asked if the NYISO would consider an alternative proxy rate. Ms. Whitaker stated that this proposal applies only to units that provide black start service in Con Edison's area, and that the NYISO is not contemplating two tiers of proxy payments.

Mr. Brad Kranz (NRG) asked if a unit that is part of a larger project that provides black start service would be provided an abatement for that unit separately. Mr. Kevin Lang (City of NY) said the City is investigating this issue, and he could not provide an answer at this time. Ms. Whitaker noted that the NYISO is putting this proxy payment into its tariff now and that further tariff changes would be required to effect any further changes in the proxy rate. Ms. Whitaker further noted that in meantime, the proposal provides that any generator that determines that its costs are not fully covered under the proxy rate may petition FERC for a unit-specific black start rate.

Mr. James D'Andrea (TC Ravenswood) asked for clarification about generator's ability to file for a unit-specific black start rate at FERC. Mr. Kevin Jones (NYISO) said this tariff would explicitly recognize a generator's opportunity to go to FERC and if a generator's actual costs to provide black start service are higher than the proxy rate, the Commission would determine whether additional compensation is appropriate. Mr. Ken Wiseman (TC Ravenswood) asked would the filing be a generator's own rate schedule filing or a rate paid under the NYISO's tariff as a special rate that departs from the standard proxy rate. Mr. Jones stated that it would be the latter.

Ms. Saia stated that there were concerns about a provision in prior proposal materials reflecting the requirement that a generator seek PSC approval before ceasing to provide black start service. Ms. Whitaker stated that it was her understanding that a party planned to make a motion to amend the proposal to remove this provision.

Mr. Kranz asked for clarification regarding what constitutes shared black start equipment, for example where three units on a site have a common control room or fuel supply. Ms. Whitaker stated that black start equipment is the equipment that specifically provides black start functionality; a shared control room or common fuel supply would not qualify as shared equipment under this proposal. ~~if two units share a diesel, the second unit would only be eligible for that incremental payment.~~ Mr. Kranz asked whether a plant simultaneously starting two units would get a primary station level payment and an incremental payment because they are running on the same equipment. Ms. Whitaker indicated that if two units share a diesel, the second unit would only be eligible for that incremental payment. ~~his example was accurate.~~

Ms. Philips asked for clarification on the compensation to be provided if one unit at a facility were selected to provide black start service, but the other units at the facility could also be called upon to assist with black start and system restoration in the event of a system event. Dr. Mayer Sasson (Con Edison) stated that the ability to black start multiple units at a facility doesn't mean that all units would be selected to provide black start service, and noted that in an emergency the NYISO has the authority to direct the facility to start additional units. Mr. Roy Shanker (East Coast Power) expressed a concern that, in effect, units that are not designated to provide black start service are being asked to

provide this service. Dr. Sasson stated that units would be selected to provide black start service based on reliability needs to restore the system quickly. Unit selections are not made to reduce payments.

In response to a question, Ms. Whitaker noted that black start providers under the current tariff will have the opportunity to fulfill the remainder of their existing commitments under the current tariff rules. At the start of the next period, the provider will determine whether it wants to sign up under the new tariff. Dr. Sasson asked for confirmation that black start units from the same plant would have staggered commitments so that those units cannot leave at the same time, which could impair reliability. Ms. Whitaker confirmed Dr. Sasson's understanding.

Mr. Roger Clayton (New York State Reliability Council) said the NYSRC has been reviewing the testing requirements of established in the proposal. Mr. Clayton stated that there is some concern that the testing requirements, as proposed for the intermediate years, may not satisfy the Northeast Power Coordinating Council requirements. In addition, Mr. Clayton indicated that the NYSRC is evaluating whether it would need to amend its rules to accommodate the proposed testing requirements. Dr. Sasson stated that, in Con Edison's view, today's vote does not bear upon whether the NYISO's proposed testing requirements satisfy NYSRC requirements, as that is between the NYISO and the NYSRC. Mr. Palazzo asked if NYISO would have to wait for the NYSRC to change its reliability rules before filing with FERC. Mr. Jones stated that the NYISO is still working with the NYSRC on this issue, but this proposal needs to continue moving forward.

Mr. Lang moved the motion and Mr. Liam Baker (US Power Gen) seconded. Con Edison offered a friendly amendment. Messrs. Lang and Baker accepted the amendment as friendly.

Mr. Kranz noted it would be beneficial if more details about the second bullet of the amended motion were provided at the MC and asked if units with permits already in place would be grandfathered. Mr. Lang agreed with Mr. Kranz and considered his comments to be friendly clarifications. Mr. Palazzo asked who would decide whether a facility is "not suitable" to provide black start service. Mr. Jones stated that the developer would be required to show that the facility is not suitable to provide black start service and that the NYISO would then make a determination, subject to possible FERC review.

Mr. Bart Franey (National Grid) asked for clarification of the third bullet. Dr. Sasson provided an example that ~~if a~~ after each generator ~~failed a blackstart~~ test, the generator ~~then~~ would be required to perform a review of deficiencies found and address their ir underlying issue. If the generator would be required to spend more than the annual proxy payment on an amortized basis, the generator could seek FERC approval for the additional cost recovery pursuant to Section 205 of the Federal Power Act. Mr. Franey said he cannot support the proposal that included ~~that the Section 205~~ provision. Mr. Miller noted ~~that this detail was heavily debated within Con Edison and it was concluded~~ that this exception would be very limited and therefore could be acceptable. ~~Mr. Miller noted that because~~ there would still be a FERC proceeding to determine if the costs are in fact in excess of the proxy rate and if they are reasonable. Ms. Phillips thought it would be inappropriate for the onus to be on the generator to prove that the proxy rate is unreasonable. Ms. Saia suggested removing references to section 205 and 206 filings in the amended BIC motion and resolving the issue before the Management Committee. Messrs. Miller, Lang, and Mr. Baker agreed with Ms. Saia's suggestion of removing the references to 205 and 206.

Motion #2:

BIC Motion:

The Business Issues Committee (BIC) recommends that the Management Committee approve the proposed changes to Con Edison's black start plan as described in the NYISO presentation made to the joint BIC/Operating Committee meeting on June 20, 2012.

Amendment to NYISO Blackstart Motion

The NYISO blackstart motion is hereby amended as follows:

- Remove tariff language on PSC consent required to withdraw from blackstart
- For new or repowered units, blackstart will be installed if (1) Con Edison study shows need and unless (2) the generator shows that the facility is not suitable to provide black start service.
- After each blackstart test, generator will review performance and if appropriate develop a mitigation plan to address deficiencies observed. The generator would seek FERC approval for costs (and recovery period) in excess of proxy revenues.
- If generator costs exceed appropriate proxy (with the exception of costs related to the performance mitigation plan), generator would seek FERC approval for cost-of-service rate.
- Mothballed generators that return to service within 3 years must honor any remaining outstanding time in their commitment to provide service.

More details on this amendment will be presented to the MC when it considers approval of changes to the blackstart tariff.

Motion passed with 74.9% affirmative votes.

OC Motion:

The Business Issues Committee (BIC) recommends that the Management Committee approve the proposed changes to Con Edison's black start plan as described in the NYISO presentation made to the joint BIC/Operating Committee meeting on June 20, 2012.

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- If generator costs exceed appropriate proxy (with the exception of costs related to the performance mitigation plan), generator would seek FERC approval for cost-of-service rate.
- Mothballed generators that return to service within 3 years must honor any remaining outstanding time in their commitment to provide service.

More details on this amendment will be presented to the MC when it considers approval of changes to the blackstart tariff.

Motion passed with 92.27% affirmative votes.

4. New Business

No new business.

The meeting was adjourned.