

NYISO Business Issues Committee Meeting Minutes**August 15, 2012****10:00 a.m. – 1:30 p.m.**

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

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

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

Motion to approve the meeting minutes from May 15, 2012 and June 20, 2012.

Motion passed by show of hands with abstentions.

3. Market Operations Report and Seams Report

Mr. Rana Mukerji (NYISO) reviewed the Market Operations Report and Seams Report.

A hearing before a FERC Administrative Law Judge for the MI/ON PARs proceeding is scheduled to begin on August 13, 2012. Mr. Rich Bolbrock said it would be beneficial to begin discussions for a procedure to minimize congestion and establish a compensation mechanism for an ISO that would be adversely affected by the actions of another ISO. Mr. Frank Francis (Brookfield) asked if the different views of PJM and NYISO would affect the operating protocols of the PARs. Mr. Mukerji replied that PJM and NYISO are not parties to the protocols, but have submitted comments.

NYISO and PJM have started joint testing of M2M software. Mr. Mike Kramek (Edison Mission) said it would be beneficial for NYISO to share testing results (insight re: testing simulations, how the re-dispatching has been happening, and who is doing the re-dispatching) with stakeholders at MIWG. In response to a question, Mr. Mukerji said there will be training for Market Participants.

At the July 19, 2012 MIWG NYISO provided an update on CTS with ISO-NE. NYISO introduced the Joint Energy Scheduling System (JESS) common bidding platform. Joint requirements gathering between ISO-NE and NYISO staff is in progress. Mr. Fromer noted that ISO-NE informed its MPs last week that their CTS software for 2012 will be postponed until 2013. Mr. Mukerji said he would check with ISO-NE, but added that CTS with ISO-NE will be deployed in 2014. Mr. Fromer said there should be an apples-to-apples comparison for real time scheduling with PJM. He expressed a concern that less efficient units would be dispatched to back down more efficient units because of a disconnect with gas prices. Mr. Mukerji said the NYISO informed PJM that this should be addressed.

Preliminary findings of the capacity market study were reviewed with stakeholders at the July 31, 2012 ICAPWG meeting. There will be a follow-up presentation at the September 11 ICAPWG before release of the final report.

4. Planning Update

Mr. Henry Chao (NYISO) provided the planning update. An IPSAC WebEx is scheduled on August 27, 2012 to discuss the Northeast Coordinated System Plan, Interregional Gas Study, and Environmental

Regulation Updates. For the EIPC, the group has finished its reliability and transmission option build out for the final three scenarios. The consultant is studying the production cost analysis.

5. Tariff Revisions re: Compensation of Minimum Oil Burn

Mr. Timothy Duffy (NYISO) reviewed the presentation included with the meeting material. The proposal amends MST Section 4.19 to compensate units with auto-swap capability. No questions were asked.

Motion #2:

The Business Issues Committee hereby recommends that the Management Committee approve revisions to the NYISO's Tariffs regarding Compensation for Minimum Oil Burn-related Costs, as is more fully described in the presentation made to this BIC meeting on August 15, 2012.

The motion passed by show of hands with abstentions.

6. CARIS Phase 2 Assumptions – Straw Poll on Concept

Mr. Dana Walters (NYISO) reviewed the presentation included with the meeting material. In response to a question from Mr. David Clarke (LIPA) regarding how the NYISO extended the load forecast for years 11-20, Mr. Walters said the load shape is being extended for each of these years using the load growth rate for energy found in the load forecast for the tenth year.

Ms. Deidre Altobell (Con Edison) questioned the amount of seasonal volatility found in the NYISO's fuel forecast when compared to other publicly available forecasts. She inquired whether the shale gas development and other market factors and conditions that could impact the volatility were accounted for by the NYISO. She requested the NYISO compare its fuel forecast with other forecasts and try to incorporate these factors that impact seasonal volatility adequately. Ms. Altobell also expressed concern with the carbon pricing forecast and asked the NYISO to revisit how it came up with its carbon forecast going forward because the costs were significantly higher than are currently being experienced in the RGGI markets and because these cost adders have a large impact on the production cost simulation. She requested that stakeholder concerns from BIC be brought to ESPWG for further discussion. Mr. Walters agreed to take these requests to ESPWG.

Mr. Fromer said it's unknown what the state commitment will be to energy efficiency after 2018 and asked how energy efficiency is captured in the extended load forecast. Mr. Jackson Morris (Pace Law) added that even with the Gold Book assumption of achieving the 93% goal for EEPS by 2022, there is substantial economic efficiency that will continue to exist until 2030. He noted that historically, energy efficiency spending has climbed steadily since the 1990s. Both Mr. Fromer and Mr. Morris questioned the appropriateness of state spending levels for energy efficiency assumed by the NYISO for the second ten years of the forecast. Mr. Chao said it is presumed that energy efficiency will still be spent through a variety of programs for the CARIS 2 assumptions.

Mr. Clarke said LIPA had an issue with the hurdle rates of CARIS 1. He expressed a concern on how the hurdle rates will play out over 20 years and asked for the NYISO to consider a procedure to review the impact of hurdle rates on imports and exports in the production cost simulation throughout the 20 year forecast that would allow for incremental hurdle rate changes to be considered. Mr. Walters agreed to take it back for discussion with ESPWG.

Mr. Brad Kranz (NRG) suggested the assumption that takes mothball units out of the production cost simulation for CARIS would be fine, unless that mothball unit had announced a return date or is otherwise known to be returning to service. Mr. Walters said from a planning perspective, it is appropriate to model as retired. Ms. Doreen Saia (GenOn) noted this is an economic study not a

reliability study. She also recalled that there were no mothballed units taken out of the model for CARIS 1. She expressed a concern that modeling mothballed units as retired for CARIS 2 will create confusion among the beneficiaries that need to understand the results of the production cost simulation. Further, she pointed out that the mothball units are as likely to return to service for economic purposes as are new generation. Mr. Chao agreed but noted there is a lot of uncertainty with mothballed units. He added that this idea for considering mothballed units in the RNA and CARIS should be further discussed at ESPWG before the next CARIS cycle. Mr. Bob Boyle (NYPA) suggested that the CARIS process allowed for a sensitivity to be conducted that evaluated the system with the mothballed units in-service.

Ms. Saia indicated that the units CRIS rights would expire after 3 years and suggested that the three year period could be used for a presumptive return date where none other were provided. Mr. Boyle noted CRIS rights for existing units are transferable to a new project within the three year period. Mr. Leuthauser added that CRIS rights need to be transferred through the class year process. Mr. Chao agreed and noted this should also be considered for the next cycle.

Mr. Fromer asked that after the discussions at ESPWG, the NYISO report back to BIC on the assumptions. He also asked for the next steps for CARIS 2. Mr. David Allen (NYISO) said the base case production cost modeling for the 20 year CARIS 2 period would likely be completed prior to 2013.

7. Accounting and Billing Manual Revisions

Ms. Erin Gustafson (NYISO) reviewed the presentation included with the meeting material. She summarized the technical bulletins that were included in the manual.

Motion #3:

The Business Issues Committee (BIC) approves the Billing and Accounting Manual revisions as described to this BIC meeting on August 15, 2012.

The motion passed by show of hands with abstentions.

8. Working Group Updates

- a) **BAWG** – The meeting notes from the last BAWG are posted on the BAWG webpage.
- b) **CPWG** – The group discussed external transaction requirements, ICAP spot market update, and Long Term Long Island TCC credit requirements.
- c) **EGCWG** – The group has not met, but NYISO is working on refining its RFP for the gas study. Also, FERC is having technical conferences in Boston and Washington, D.C.
- d) **ESPWG** – The group reviewed the 2012 RNA and it is proceeding to the August OC for approval. The NYISO will hold a public forum on the RNA after the NYISO Board approves the report. The CRP will kick off soon after.
- e) **ICAPWG** – The group reviewed mitigation measures on both repowering projects and increased CRIS rights for additional MWs. The consultant reviewed its initial observations for the capacity study.
- f) **IPTF** – Stakeholders are reviewing proposed Attachment Y tariff language and the revisions related to the public policy requirement. The NYISO will present these revisions at the September BIC and Operating Committee.
- g) **LFTF** – The task force met in July to review economic data, energy use by TO, the June 21 peak load, the June heat wave report, and energy use by employee. The NYISO also released a schedule for LFTF meetings for the remainder of 2012. Mr. Boyle said there is new GE software for the IRM that is being introduced and it used for different load shapes and use probability assigned to each load shape. He asked if the LFTF will review how

these load shapes will be probabilistically determined. Mr. Irrgang said he would anticipate that the LFTF will be involved if the software is similar to MARS.

- h) **MIWG** – The group discussed on July 19 to discuss scarcity pricing outcomes, proposed manual revisions with regards to FERC Order 755, the regulation movement multipliers and movement bid restrictions, a CTS update, Min Oil Burn, tariff changes related to billing issues, and an autumn TCC auction update.

At the August 2 MIWG, the group discussed tariff revisions for DADRP, reference level scorecard, and rest of state DAM BPCG.

- i) **PRLWG** – The group met to review the status of various demand response items.

9. New Business

TCC Market Problem

Mr. Pallas LeeVanSchiack (Potomac Economics) reviewed the presentation included with the meeting material. The NYISO determined that it has inadvertently modeled a 138kV transmission line in upstate New York that is not yet in service. On August 9, the MMU was informed by the NYISO of the potential market problem. There exists a Sugarloaf-to-Ramapo line in service, but a second Sugarloaf-to-Ramapo 138kV line in the Orange & Rockland service territory is expected to be in service in the future. When a new line is expected to be in service, the NYISO incorporates the line in its base network model and includes the outage to prevent the line from being represented as in service prematurely. Although the line was incorporated in the base network model in May 2011, the corresponding outage record was inadvertently not entered into the outage scheduler. Consequently, the line was incorrectly included in the network model that was used in the TCC auctions, the DAM, and the RTM at various times since May 2011.

In response to a question, Ms. Emilie Nelson (NYISO) said the NYISO has processes in place to review the consistency of the markets and the NYISO is reviewing those policies to determine why it took time to resolve them. Mr. Boyle asked if the NYISO had a redundant review of the manual process. Ms. Nelson said the NYISO has several checks to identify potential problems and is looking at opportunities to prevent this from happening again.

Mr. Kramek asked if it was common practice to enter proposed lines in advance of the in-service date, or was the line delayed. Ms. Nelson said the in-service date for the line has changed over time and was supposed to be in-service by the end of last year. Mr. Kramek said it is important that the interconnection department notify operations staff of changes to in-service dates.

Ms. Saia asked if the line is related to Con Edison's Ramapo upgrade project. Ms. Deidre Altobell (Con Edison) said this project was different from the Ramapo 345 kV project.

In response to a question from Mr. Clarke, Mr. LeeVanSchiack said the flow on the parallel Sugarloaf-Ramapo line would not have been constrained if the inadvertent line was simulated as out of service. Mr. Tom Paynter (NYS DPS) asked what was the total TCC auction revenue of the 10 month period. Mr. Greg Williams (NYISO) said the total auction revenue for the re-run auctions was approximately \$21.7 million.

Mr. Fromer thanked Mr. LeeVanSchiack for providing this presentation to the BIC. He expressed a concern that the phantom line existed in the model for a period of time, but it wasn't corrected immediately. Mr. Fromer asked the MMU to perform a root cause analysis report so that this issue can get resolved. Mr. Clarke agreed that there should be a gap analysis report. Ms. Nelson said the NYISO could report its process changes in response to this problem at MIWG.

In response to a question, Ms. Nelson said FERC was notified. Mr. Bleiweis asked if the process is automated. Ms. Nelson said there are automated steps in the process, but there are human interaction points as well.

Mr. Clarke said the Attachment N process is valuable for identifying sources of congestion and shortfalls. He commended the NYISO staff for identifying this problem, even though there are procedural concerns. He asked if no resettlement can be done. Ms. Nelson said the NYISO doesn't think the historical auctions can be resettled and is not contemplating to do so.

Mr. Brad Kranz (NRG) suggested that a need for greater transparency for when new facilities go commercial or exit the market. He said it would be helpful if the OASIS had a running list of the actual in-service date of facilities. In response to a question from Ms. Altobell, Mr. Kranz said generation facilities would also be included in his suggested running list.

LIPA TCC Sales

Mr. Bruce Bleiweis (DC Energy) noted that the LIPA TCC sales in centralized TCC auctions topic did not proceed to the Management Committee even though it was approved at the April BIC and he requested a status update. Mr. Williams said the NYISO carried forward the proposal to amend the tariff after the April BIC. It was not carried to the MC meeting because the NYISO recognized a requirement to change the credit policy pertaining to TCCs. The issue has been brought up at the CPWG for tariff language regarding longer term TCCs for Long Island. Mr. Bleiweis said the NYISO should have notified that the topic was put on hold and asked why there was no notification. Mr. Williams said a notice was sent to the committee list clarifying the bidding on Long Island for the upcoming auction, but the NYISO did not specifically notify TCC market participants that the proposal to amend the tariff was not being carried to the Management Committee. Mr. Mukerji added that the NYISO should have informed the market, but companies should not make commercial decisions based on the BIC vote.

Mr. Fromer asked what is the timeline for this proposal to move forward. Mr. Williams said the change in credit policy needed to be coded in the credit management software. Ms. Sheri Prevratil (NYISO) said the credit requirements will be discussed at the September CPWG. The NYISO will work collaboratively with Market Participants to move changes to the credit policy through the governance process. Mr. Fromer asked when will LIPA be in a position to offer longer term TCCs in the software to support the change. Ms. Prevratil said she did not know when the software would be ready as it would be dependent upon the complexity of the change as well as availability of resources to make changes. Mr. Fromer said it seemed like it would not be ready until 2014. Mr. Boyle said he didn't believe this was on the 2013 project list at the BPWG. Mr. Clarke encouraged that it get added to the BPWG project list.

Meeting adjourned at 1:00 p.m.