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End Use Summary

July 16 – July 20, 2012

Items of Interest

- The Federal Energy Regulatory Commission (FERC) has scheduled a series of regional technical conferences to discuss Coordination between Natural Gas and Electricity Markets. The Mid-Atlantic regional meeting, which will include discussions focused on New York issues, is scheduled for August 30th.

Each conference will be organized as a roundtable discussion covering the following topics: (1) communications/coordination/information sharing; (2) scheduling; (3) market structures and rules; and (4) reliability concerns. Time permitting, comments or questions from those attending the conference, but not participating in the roundtable, will be permitted. Subsequent notices will be issued specifying the time, venue, and agenda for each conference.

Those interested in attending a conference are encouraged to register by close of business, July 19, 2012. You may register at the following webpage: <http://www.ferc.gov/whats-new/registration/nat-gas-elec-mkts-form.asp>
Webex will be made available for those individuals who cannot attend in person.

- With reference to the FERC Order in docket EL11-42 issued June 22, 2012 (the "Order"), the NYISO is providing the following information. Among other things, the Order states "[t]o the extent NYISO provided initial mitigation exemption determinations...., we will require NYISO to revise its determinations with respect to our findings herein." (Order at Paragraph 132.) The NYISO is required to "[disclose] of the



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identity of the project and the final exempt/non-exempt determination, as soon as they are final." (Order at Paragraph 51.) The Order specifies that it "is only applicable to the currently effective buyer-side mitigation exemption rules made effective November 27, 2010, and will not affect exemption determinations issued under the rules effective before that date, the latter of which are relevant to ... Docket No. EL11-50. The June 3, 2011 Complaint at issue here only concerns the implementation of the mitigation rules effective since November 26, 2010, and not those effective prior to November 27, 2010." (Order at Paragraph 134).

The NYISO is hereby informing stakeholders that the only Examined Facility for which it issued a final buyer-side mitigation determination (*i.e.*, an Offer Floor or exemption determination) under the currently effective buyer-side mitigation rules is for the Hudson Transmission Partners project (Queue Pos. 206) ("HTP"). The NYISO will be re-examining this determination in accordance with the Order. The NYISO will disclose the final exempt/non-exempt determination as soon as it is final.

The Order may be retrieved from
http://www.nyiso.com/public/webdocs/documents/regulatory/orders/2012/06/2012_06_22_FERC_Order_Astoria_Cmplnt_v_NYISO_Bys_Sd_Mtgtn_Rls_EL11_42_000.pdf

Meeting Summaries:

Wednesday, July 18, 2012

Electric System Planning Working Group

Reliability Needs Assessment (RNA)

The NYISO performed a page turner of the July 13th version of the 2012 RNA report. During the review of the Executive Summary it was suggested that the RNA clearly point out that the difference in findings between 2013 and 2020 was a result of the modification of the Bulk Power Transmission Facility (BPTF) definition. The modification in the definition resulted in transmission security violations in Zones B, C and G. Stakeholders also expressed concerns that the base case uses two 250 MW units located in



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Zone A as the generic solution. The NYISO stated that the generic solution was included in the base case to address underlying local system transmission security issues. National Grid stated that a Local Transmission Plan would be provided to the NYISO as soon as possible but it may not be available in time to be used in the CRP process. The NYISO stated that it expects to work with the Transmission Owners and NYSDPS to provide solutions necessary to have a comprehensive reliable system and a comprehensive reliability plan.

The NYISO stated that the goal is to bring the final report to the August Management Committee meeting for its approval and subsequently to the September 2012 Board of Directors meeting for final approval. The NYISO also stated that the upcoming Joint ESPWG/IPTF July 24th meeting will allow for another opportunity for stakeholders to review and confirm any modifications to the final document, if needed.

The NYISO agreed to have an updated report of the group's recommendations prior to the July 24th meeting.

Thursday, July 19, 2012 **Market Issues Working Group**

EDRP/SCR Scarcity Pricing Outcomes: May 29, June 20, June 21, June 22, 2012

The NYISO reviewed the pricing outcomes from the recent EDRP/SCR program activations. In the presentation, NYISO illustrated that forecasted shortages on most of the days did not materialize and therefore that shortage pricing during the time period of the event was not triggered. Each activation day was reviewed highlighting for each time interval whether the scarcity pricing rule was invoked. The NYISO reported that the estimated number of MWs of called-upon demand response is used in the real time application for purposes of the scarcity pricing trigger process. The NYISO agreed going forward to combine the presentations from the System Operating Advisory Subcommittee, Operating Committee, and Market Issues Working Group to provide full coverage between the pricing of the event and the event operations. The NYISO agreed to include pricing data pre-event and post-event calls in the presentation to provide the full story of the event.



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Ancillary Services Manual FERC Order 755 Frequency Regulation Compensation

The NYISO provided a brief history of the FERC Order 755 proposal. The NYISO reviewed the sections of the Ancillary Services Manual that will be modified as a result of adding new elements resulting from changes to the Regulation Service market. These elements include the two part bid, inclusion of the regulation movement multiplier as well as adding the regulation movement response rate as a static bid parameter into the language.

The manual language was reviewed. The next step is to have more discussion on the Ancillary Services Manual at the August 2nd MIWG, if necessary, and then at the August System Operations Advisory Subcommittee. This is in preparation for a vote on the Ancillary Services Manual by both the Operating Committee and Business Issues Committee members. The vote will occur at the September BIC meeting in order to incorporate modifications to be proposed by the Auxiliary Markets group as well.

Stakeholder approval will be conditional upon the approval of the underlying tariff language by FERC.

ConEd requested to have a Phase II to include yet-to-be-determined enhancements to the project.

Order 755 Update: Movement Multiplier and Bid Restriction

The NYISO, as part of the review of Order 755 proposal, defined regulation movement as the absolute value of the change in energy or demand reduction over a 6 second period that a regulation service provider is instructed to deliver for the purpose of providing Regulation Service. A unit requested to move 1 MW up and 1 MW down would have 2 total movement MWS. The NYISO defined the regulation movement multiplier as a factor applied to a resources movement bid price for purposes of scheduling Regulation Service providers.

The NYISO presented several graphs depicting the relationship of movement to the regulation requirement by year, seasonally, and by hour. The NYISO



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noted the main difference between 2010 and 2011 is the introduction of the LESR's. The graphs are available as meeting materials.

From the analysis conducted, the NYISO determined that there is no pattern of movement in terms of specific time periods such as season, month, day or hour.

The NYISO stated that on average the amount of regulation moved was 10 times what is procured in capacity. Movement by individual units was not analyzed. As a result, the NYISO is proposing a regulation movement bid restriction value of \$2.47 per MW. Some stakeholders stated that the proposed bid restriction value is too low and has the likelihood to push prices down.

NYISO assured stakeholders that provisions have been established for Potomac Economics to evaluate and recommend changes on the bid restriction. Although the Tariff language requires Potomac to review on an annual basis, the NYISO anticipates it will occur more frequently since these modifications to the program are new.

The NYISO stated that a compliance filing will be made 60 days prior to the implementation and it is expected in the middle of August 2012.

Minimum Oil Burn Tariff Revisions

Min Oil Burn Tariff revisions was moved to the August 8th MIWG meeting.

Coordinated Transaction Scheduling with ISO-NE: Project Update

The NYISO reviewed the history of the CTS project. The NYISO reported that Joint Energy Scheduling System (JESS), the application to allow the scheduling of transactions between ISO- NE and NY, is under development. The NYISO requested suggestions from stakeholders on the functionality of the scheduling software. One of the main requirements is for JESS to have the ability to validate the credit and bidding privileges for both markets.



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The NYISO stated that this is just the beginning of the design phase and encouraged stakeholders to submit suggestions.

The NYISO stated that it expects this to be a two phased process. Phase I is to develop the architecture and infrastructure of the system and to discuss NY credit rules. Phase II is the activation of the application. The credit rule discussions are planned for early 2013.

The NYISO stated that it has not looked at the efficiencies from NE moving their day ahead scheduling from one day to two days ahead. The NYISO stated that it does not think this will impact the system.

Tariff Changes related to Billing Issues Project

The NYISO reviewed the language modifications made to provide clarity in how the settlement rules are defined in the Tariff.

Friday, July 20, 2012

Budget and Priorities Working Group

2012 Project Status Update

The NYISO reviewed the projects completed in Quarter 2 of 2012. The remaining projects that were not affected by FERC Order 755 are on schedule. The NYISO also stated that the 2012 projects that were pushed out to 2013 were not impacted by budgetary issues but by resource issues. Those projects pushed into 2013 will be funded for completion.

2013 Project Prioritization and Budgeting Process

The NYISO reviewed the process and defined each of the phases of the selection process. The NYISO reviewed the scoring mechanism to prioritize each of the projects. The NYISO stated that the priority rating for each of the projects is reviewed with stakeholders to allow for feedback on the projects prioritized and selected.

The NYISO reviewed each of the proposed 2013 projects. The NYISO agreed to relay the request made by a stakeholder to provide updates regarding the



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additional capacity zone project requirements at the ICAPWG meetings. The NYISO agreed to inform stakeholders at the next meeting on the reasoning to why the DRIS-SCR 6 HR performance and ACL Weather Adjustment projects are coupled. Those stakeholders also asked for that project to be separated. The NYISO agreed to report back on the date the final functional requirement specification would be drafted for the CTS scheduling system, JESS, between NY and NEISO. The NYISO agreed to report back on the projects, EMS Visualization and Phase 1 Metering Upgrade, that are not listed as part of the Infrastructure project. A stakeholder had concern that money is being budgeted for software that should be captured under the Infrastructure project. The NYISO agreed to report back the expected deployment date for Enhanced Scarcity Pricing. The NYISO also agreed to report back on whether the Ranger Optimization project will alleviate the 2 MW resource requirements to allow 1 MW resources. The NYISO also agreed to review the Viridity project list and update the NYISO priorities project list as appropriate.

The NYISO stated that the August BPWG meeting will provide stakeholders one more pass at the program selection. In addition, the NYISO reported that more information will be available regarding the budgetary dollars and potential resource constraints. The final selection will occur in September.

Infrastructure Plan Financing

The NYISO reported that the NY Public Service Commission approved the refinancing of the Infrastructure project loan. The new infrastructure loan is scheduled to mature in 2031 with KeyBank and Citizens Bank at a fixed rate of just under 4.15%.

2012 Budget vs. Actual Status

The NYISO reported that as of June 2012, Rate Schedule 1 recoveries from physical load undercollected approximately \$300K for a total under-recovery to date of \$1.8 M. However, the NYISO reported that the collection for July 2012 Rate Schedule 1 was on or over forecast. Nonetheless, the NYISO does not expect warm weather to make up the entire year-to-date revenue recovery shortfall.



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FERC Filings

July 17, 2012 – NYISO filing of Tariff Amendments to Permit Recovery of Charges for ITC's Bunce Creek PARs. *Docket No. ER12*

July 19, 2012 – NYISO filing of Tariff Amendments to Attachment L of NYISO OATT to Reflect Revisions to Existing Transmission Agreements (ETA). *Docket No. ER12*

July 20, 2012 – NYISO filing of request for an extension of time to commence ongoing electronic delivery of each of the four datasets described in Order NO. 760 concerning the enhancement of electricity market surveillance and analysis through ongoing electronic delivery of data from RTOs and ISOs. *Docket No. ER11-17-001*.

July 20, 2012 – Joint comments of ISO/RTO Council (IRC) in response to the April 19 2012 NOPR re: The NERC Transmission System Planning Performance Requirements Standards. *Docket No. ER12-1-000*.

FERC Orders

July 20, 2012 – FERC order granting and dismissing in part NYISO's tariff waiver request regarding procurement of TC Ravenswood's spot black start service and to recover all associated costs. *Docket No. ER12-1-000*.