NYISO Management Committee Meeting Minutes
October 26, 2016
10:00 a.m. –2:25 p.m.

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1. **Introductions, Meeting Objectives, and Chairman's Report**
The vice chair of the Management Committee (MC), Ms. Patti Caletka (NYSEG) called the meeting to order at 10:00 a.m. by welcoming the members of the MC. Members identified themselves and attendance was recorded. A quorum was determined.

2. **President/COO Report**
Mr. Brad Jones (NYISO) reported that the NYISO received a favorable decision from FERC re: the Michigan/Ontario PARs and $17.6 million will be refunded to Market Participants. Mr. Alex Schnell (NYISO) added that NYISO Customer Settlements will be paying the refunds and congratulated all of the parties that participated in the effort to win that case. The NYTOs had two witnesses who submitted testimony on behalf of New York customers (Rich Miller and David Clarke) and there were three witnesses from NYISO who presented testimony (Wes Yeomans, Robb Pike and Zach Smith).

In response to a question from Mr. Howard Fromer (PSEG), Mr. Schnell said the rules for the refund distribution are included in section 6.1.6 of Rate Schedule 1 to the NYISO's OATT. Ms. Cheryl Hussey (NYISO) said the refund would be roughly equal to the amounts paid in by those Market Participants and is primarily the Load side.

Mr. Rick Gonzales (NYISO) reviewed the market operations and operations performance reports for the month of September 2016.

3. **Vice Chair Election: Candidate: Erin Hogan**

Ms. Erin Hogan (NYS Department of State - Utility Intervention Unit) was elected unanimously by secret ballot to serve as MC Vice Chair for 2017.

4. **NYISO 2017 Budget Overview**
Mr. Alan Ackerman (Chair of Budget and Priorities Working Group/Customized Energy Solutions) reviewed the presentation included with the meeting material.

Mr. Bolbrock asked Mr. Ackerman if the BPWG discussed the staffing level for the NYISO Planning group. Mr. Ackerman indicated that they had. Mr. Bolbrock stated that, in his view, the Planning group has been understaffed for some time and that the work load is increasing in both volume and complexity, and will continue going forward. He added that very recently the department had lost a tremendous amount of knowledge and experience in the NY power system due to a retirement and a change in leadership. He noted that the budget added one FTE to the group but that it did not appear to be an engineer. Ms. Cheryl Hussey said that it was an administrative position and should free up engineering time. Mr. Brad Jones added that the NYISO may be filling planning positions from within the organization.

In response to a question from Mr. Fromer, Mr. Ackerman said the annual incentive goals for 2017 are not part of the 2017 budget process and would be discussed later today at the Budget and

Priorities Working Group meeting. Mr. Fromer observed that there have been market-related implementation issues with significant dollar consequences in 2016, he asked how the instances will get addressed and if there will be any lessons learned and accountability.

Motion #1:

The Management Committee hereby recommends that the Board of Directors approve the proposed Rate Schedule #1 Revenue Requirement for the 2017 budget year as described in the presentation materials for the October 26, 2016 Management Committee meeting, subject to the following provisions:

Revenue Requirement – The Revenue Requirement is $148.2 million.

Rate Schedule #1 – The budgeted Rate Schedule #1 is $0.936/MWh.

Spending Under-runs – If a spending under-run occurs, the related funds should be utilized to pay down the principal amount of outstanding debt or reduce anticipated debt borrowings.

Volume Over-collections – If an over-collection on Rate Schedule #1 occurs, the related funds should be utilized to pay down the principal amount of outstanding debt or reduce anticipated debt borrowings.

The motion passed unanimously by show of hands with abstentions.

5. **Customer Satisfaction and Assessment Performance**

Dr. Donald Levy (Siena College) reviewed the presentation included with the meeting material. Mr. Bolbrock questioned the weighting of the customer inquiry percentage. He said the customer inquiry weighting should differ from Market Participation satisfaction. Dr. Levy said the validity of the overall measure was evaluated and idea was that the customer inquiry process was important as was Market Participant responsiveness.

In response to a question from Ms. Jane Quin (Con Edison), Dr. Levy said that the entire universe of Market Participants are invited to reply to the January and August surveys. The two surveys have different components to them so that is why people at your organizations may get surveys two times a year.

6. **Exporting Capacity from Locality**

Mr. Joshua Boles (NYISO) reviewed the presentation included with the meeting material. He noted that FERC ruled on the ISO-NE proceeding after the presentation was posted. FERC encouraged NYISO stakeholders to work through the 205 process and amend the tariff in a timely manner, and opened a docket for NYISO to provide a report to FERC by November 4. What will be in that report will be heavily determined by the outcome of today's vote.

The NYISO is presenting the proposal because, absent a rule change, the way the rules exist today would result in inefficient cost increases to consumers in New York State. He noted that the NYISO reported on the consumer impact analysis at the September 19, 2016 ICAP Working Group meeting and the analyses show, at a minimum, the potential for $144 million in consumer impacts absent any rule changes. The issue is primarily the result of the existing rules treating exports identical to permanent generator retirements, and as having the same impact on market prices as a resource that ceases operating. The NYISO's proposal identifies that inefficiency and eliminates the inefficient portion.

In reviewing the obligations for locality exports (slide 28), Mr. Fromer asked about the consequence for an organization that sold forward to ISO-NE that somehow neglects to give the NYISO notification for the following month. Mr. Boles said that in order to be eligible to export capacity, these obligations must be met. If not notified, the NYISO would not honor the export to the neighboring control area. Mr. Fromer asked if the NYISO would curtail the sale. Mr. Boles said the NYISO would not allow the export to occur for that month if the NYISO was not notified. In response to a question, Mr. Boles said an exporter would have to notify the NYISO 12 times a year for each month. Mr. Mark Younger (Hudson Energy Economics) asked why an entity could not tell the NYISO that it sold forward for an entire year. He stated that he understood the financial penalties under the tariff for potential of physical withholding, but that is not an obligation to buy out. That is a risk of a financial penalty and if the NYISO is interpreting it as an obligation to buy out, then the NYISO is creating new rules on the fly that do not match the tariff language and the NYISO should rethink whether a generator has to provide monthly notification if it has already notified the NYISO for the entire year. Mr. Boles said that was a valid point, but there are ramifications for not abiding by the tariff, and the notice requirements would be addressed when the implementation process was developed. The critical part is to know the locality exports so that the demand curve can be shifted. Ms. Emilie Nelson (NYISO) reiterated that the tariff does not prescribe that a notice needs to occur in a certain way, but does say that it needs to be provided in advance and timely for the month in question, and that the NYISO can work with stakeholders on the implementation.

Ms. Doreen Saia (Entergy) said it was also important that generators receive confirmation if they are accepted or not to New England so generators are not somehow penalized in either ISO-NE or NYISO, or penalized in both control areas. Mr. Boles agreed and said the NYISO was focused on developing a necessary proposal for a 205 filing and committed to ironing out the processes prior to the rules becoming effective. Ms. Saia requested that the process discussion start while the filing is pending at FERC. With regard to other obligations, Ms. Saia asked if is it true that this kind of resource, during in-day, is expected to put in an in-day bid unless it was on an outage. Mr. Boles said that was correct. In response to follow up questions, Mr. Boles said an exporting generator would not have to respond due to lack of fuel or running out of emission credits. Mr. Fromer said he raised the topic previously and stressed the importance of generators being able to determine their obligations and have something other than 2,000 pages in a NYISO manual to hold them accountable, given that the exporting resource is not contractually obligated to New York if the resource is obligated to New England. Mr. Boles acknowledged his point.

In response to a question about the NYS Reliability Council (NYSRC) modeling, Mr. Boles said historically, in the reliability setting process, forward capacity sales have generally not been modeled. Long term grandfathered contracts have been modeled. He noted that there is a discussion at the NYSRC regarding creating a methodology to model exports from Localities. Mr. Younger said, to be clear, the NYISO is not and does not believe the proposal is an attempt to simulate what would happen through the IRM and LCR process. Mr. Boles said that was correct.

Dr. Kelli Joseph (NRG) expressed concerns with the proposal in general. NRG thinks the claim that the same resource can be counted for resource adequacy in two different ISOs is concerning and that while the ISOs come up with a mechanism for accounting for appropriate resource adequacy, NRG still has a hard time with the IRM and LCRs being modeled and then changes are made after the fact. She said that NRG would be more comfortable if the shift factor was probabilistically put in the MARS analysis and the IRM was modeled and the LCRs would come out as intended to be so that a resource can export. At this point, NRG cannot support proposal, but could support it if all parties started at the appropriate starting point.

Ms. Saia made some suggestions to change the tariff language as posted and identified the specific points. Mr. Boles said the NYISO would take those back.

Mr. Lorenzo Seirup (NYISO) reviewed a presentation included with the meeting material regarding proposed capacity market mitigation rule revisions related the rest of the NYISO's export proposal.

Ms. Marji Philips (Direct Energy) said it would be helpful if there was a slide that summarized how the proposal interrelates with the current Demand Curve assumptions, the NYSRC's assumptions for this year, and as part of the NYISO's planning processes. Direct Energy does not see how this is integrating consistently with everything that is determined with LCRs and capacity obligations, and therefore, think it is premature to vote on the proposal. She expressed a concern with double counting. In response to Ms. Philips' request, Mr. Boles said for 2017, which is the immediate year the NYISO is concerned about, a sale of capacity from a Locality to a neighboring region has not occurred yet. There is a potential that one might occur. If one does occur, it will be long after the NYSRC sets the IRM and the NYISO sets the LCRs for 2017. The NYSRC has not had the opportunity to model the export in their studies. Given that, the NYISO will establish the Demand Curve (translate ICAP to UCAP) and post LSE requirements. On April 1, for the month of June, the NYISO will know from a neighboring Control Area if a capacity export was awarded in a reconfiguration auction. If there is an export for a month, the NYISO will post the Demand Curve applying the posted exchange factor to the exporting MW. The exchange factor will be determined using shift factors because there is an unknown quantity of MW. In response to a question, for beyond 2017, the NYSRC is beginning to study how to model exports from localities.

The original motion was moved by Mr. Fromer. It was seconded by Mr. Kevin Lang (Couch White). Mr. Fromer explained that the motion was similar to the motion that was approved at the October 20, 2016 Business Issues Committee meeting, but adds explicit approval of the tariff language as posted with the MC meeting material and also adds language that requires NYISO staff report to the NYISO Board of Directors at the January and April 2017 Board meetings.

<u>Motion #2b</u>
Original Motion

The Management Committee (MC) hereby approves the NYISO's Locational Export Capacity Proposal, including the tariff provisions, as presented and discussed at the October 26, 2016 MC meeting and recommends that the NYISO Board of Directors authorize NYISO staff to file such revisions under Section 205 of the Federal Power Act.

Additionally, the NYISO commits to work with Stakeholders further on this issue in 2017. The ISO will conduct an evaluation with its stakeholders of additional modifications to the rules addressing Locational Export Capacity from Import Constrained Localities presented at the October 20, 2016 BIC meeting. The NYISO shall report on its progress at the January and April BIC meetings in 2017, and to the NYISO Board at its January and April 2017 meetings. On or before June 1, 2017, the ISO will file with the Commission either an informational report on the evaluation or a filing proposing to amend the ISO Tariffs

A motion to amend was made by Mr. Tim Lundin (NYPA) and Ms. Hogan.

Mr. Lang requested that the second paragraph from the original motion be added to the motion to amend. Mr. Lundin and Ms. Hogan rescinded their motion to amend and made a new motion to amend that captured Mr. Lang's request. Mr. Jones noted that the motion to amend may want to include language noting the "potential significantly impact of an export." Dr. Pallas

LeeVanSchaick (Potomac Economics) noted that the motion to amend language also made it seem that NYISO proposal is causing the prices to increase when in fact the NYISO's proposal was not the cause of those costs. Mr. Paul Gioia (NYTOs) said the NYTOs are accepting the NYISO's methodology but don't want it fully implemented in the first year. For the first year, 80% would be modeled as coming from Rest of State (ROS). Dr. LeeVanSchaick asked then why not characterize the language as that instead of slowing the progress of the NYISO's proposal. Mr. Robert Fernandez (NYISO) said the motion to amend language needed to reflect the actual causes for the rise in consumer costs and suggested the motion to amend language should add the following language: "the very large and sudden impact of ISO-NE rule changes on New York consumers that gave rise to the NYISO proposal." Mr. Lundin and Ms. Hogan rescinded their motion to amend and made a new motion to amend that captured Mr. Lang's request and the new language.

Ms. Gloria Kavanah (NYISO) asked for clarification if the motion to amend's reference to capability year was for NYISO's capability year or for ISO-NE's capability year. In other words, should the 80% in the proposal apply June 1, 2017 – May 31, 2018, the NYISO's capability year, or a different timeframe. Mr. Glenn Haake (NYPA) said the former. Mr. Boles also noted that the language would have 20% impact on NYC and G-J prices. Mr. Boles added that if there was an export to HQ, 80% would be applied rather than a likely 100% factor under the NYISO's proposal, so the amended motion proposal at 80% would act in the opposite manner. Mr. Haake said locking in 80% for another locality was not the intent. It should be revised to reflect that the 80% would not apply to all exports out of the Hudson Valley, but only those to ISO-NE. Mr. Lundin and Ms. Hogan rescinded their motion to amend and made a new motion to amend that captured the new clarifications that were added.

Mr. Liam Baker (Eastern Generation) said the motion to amend was confusing because it appeared to him that the MC was approving a concept and authorizing the NYISO to create new tariff language in this "semi-baked" idea. He asked how the tariff language would get created. Mr. Haake said the motion to amend language is a minor change to the tariff language. The NYISO already developed the tariff language and the motion to amend is to substitute numbers and adding processes. The MC has delegated to the committee chairs in the past to review relatively minor changes. Ms. Saia said that was not true because NYPA is suggesting there will not be a formula and every year that number will change. She asked if NYPA was telling the NYISO to develop a formula that spits out 80% every time. Mr. Gioia said the motion to amend limits the impact to the G-J Locality. Mr. Baker asked if the NIYSO should run auctions and adjust the clearing prices after the fact and redistribute the money. Mr. Haake said we just had Mr. Boles demonstrate that the demand curve would be shifted to the left as opposed adjusting the Locality clearing prices. Ms. Saia asked if NYPA was suggesting that the NYISO should jettison a result after calculating the auctions or, for 2017-2018, the NYISO should not run a formula at all, and the answer should just be 20% effectively for the G-J Locality curve. Mr. Gioia said the NYTOs would leave the implementation to the NYISO subject to the MC, BIC, and Operating Committee chairs. Mr. Baker said that is why he asked the question -- to make sure the people drafting the language understand the formula in NYPA's motion to amend proposal. Mr. Gioia said the end result would be 80% coming out of Rest of State, and how the NYISO implements that, the NYTOs defer to the NYISO to develop the tariff language.

Mr. Younger said he had a similar confusion because it seemed that the MC was developing market rules on the fly and did not know what offsetting 80% of the impact means. He asked if the crux of NYPA's proposal is that the Locality Exchange (LE) Factor be 80%. Mr. Haake said that was correct. Mr. Younger suggested that the motion be revised to say that the LE factor will be 80% because "offsetting 80%" is remarkably imprecise. . Ms. Saia stated it is incumbent on the mover and seconder of the motion to amend to explain how the NYISO will develop a formula that will produce 80% and justify it, or to instruct the NYISO to suspend the formula for a year and use 80%. Mr. Haake said NYPA's intent was the latter. Mr. Younger said that while we don't have the LE Factor defined today, the existing rule has the factor as 0. Mr. Younger continued, somehow the NYTOs are defining the phase-in of an LE Factor that is changing from 0% to a 48% LE Factor, and instead they would have an 80% LE phase-in factor which seems unrelated to a phase-in. And the 80% is just a picked number. Mr. Younger asked if that is what the NYTOs are effectively proposing. Mr. Haake responded that any phase-in is a picked number. The NYTOs are phasing in the impact on consumers of the rule changes because, in the past, this change would not have impacted clearing prices in the G-J Locality. Mr. Haake said NYPA believes the motion to amend the proposal is clear enough for the NYISO to draft the tariff language for implementation. Mr. Younger said that if we vote on things, it would be better if it was clear. He added that he guessed that when Ms. Leigh Bullock (NYISO) drafts today's meeting minutes, she can reproduce the whole discussion and that it will be 30 pages long. Mr. Younger said that to achieve clarity you eliminate any discussion of phase-in because it's not a phase-in and just state that the LE Factor would be 80%. Mr. Younger further stated that it was not a phase-in but rather a complete override of our existing rules. Mr. Younger asked what analytical background NYPA has showing that 80% is an appropriate number. Mr. Gioia said this motion to amend says that there is a general understanding that we have not done sufficient analysis of the NYISO's proposal, and the NYSRC is doing its own relevant studies, and there are other factors to consider. Mr. Gioia added that everyone knows we have to go ahead with something but the NYTOs are saying we don't have sufficient confidence that all factors have been considered for the full weight of NYISO's proposal on consumers to be applied the first year so the NYTOs are proposing a mitigation of that and consider it a phase-in for one year, and have NYISO continue to do its analysis, and at that point, the NYISO's proposal will go into effect unless the numbers should change in one direction or another. Mr. Gioia said he did not think that's so hard to understand. Mr. Younger may not agree with it. Mr. Gioia said the NYTOs are not saying there is not an analytical basis for the 80%. The NYTOs are saying it is a phase-in to mitigate the NYISO's proposal because not all analysis has been performed.

Mr. Younger said to summarize, there is no technical basis for the 80%. When the NYTOs want to phase-in the impact on the loads, he assumed the NYTOs understood that when prices go up, it is a beneficial impact on the suppliers. So when phasing-in the impact to the loads, the NYTOs are explicitly taking a vote to increase the impact on the suppliers as a result of their actions. Mr. Gioia said Mr. Younger can complain about that and it would modify the revenues flowing to generators, but be somewhat mitigated. Mr. Younger said to be clear, the difference the NYTOs are proposing is to reduce capacity prices by $100 million which ultimately reduces payments to suppliers by $100 million. Mr. Gioia said that was correct and based on the fact that the NYISO's proposal has not been fully analyzed as cited in NYISO's filing to FERC seeking to delay implementation of the ISO-NE rule, which would allow a generator in NY to export capacity to New England.

Dr. Joseph asked if the proposal would prohibit further analysis from happening. Mr. Gioia said the NYSRC has not completed its study and their study would be an input and available in the future. Dr. Joseph expressed a concern because the NYISO came up with a proposal for next year and then will look at what the NYSRC has done to implement in the IRM and LCR modeling. Now it appears that the analysis may not happen and that we're supposed to take 80% at face value. Mr. Gioia said if there is a better method next year, the methodology can be changed. It would be in place as if the NYISO proposal was approved. Dr. Joseph said it seemed like we will default back to this proposal. Mr. Lang said that is why the second paragraph of the original motion was added to this motion to amend so that that Dr. Joseph's thought would not get lost.

Ms. Saia asked if, after the first year, the proposed motion to amend would defer to the NYISO's proposal unless the issues were resolved before then. Mr. Lang said that was correct.

Ms. Saia said that in the committee process, the NYISO has acknowledged that they are revising the Demand Curve because the software couldn't be changed in time for a supply side revision. She said we've talked about how the NYISO's formula does not address the NYC/Long Island piece of it. Ms. Saia said she appreciated that this is being done because the NYISO feels that there is a potential for an inefficient result. However, she wanted to raise two requests. She first asked that the NYISO be clear in its filing letter that this proposal is being presented because the NYISO has a limited period of time to develop a method to address the issue and it is not necessarily the proposal the NYISO would put forward had we not had this fire drill for 2017-2018. Ms. Saia indicated a concern that if the NYISO's proposal is filed and accepted under 205, a year later the NYISO might lean back on the Commission's accepting the filing to show it is just and reasonable going forward even though that may not be the case.

Ms. Saia said her second request is related to the fact that things tend to get in the way and things go in front of other things, but the problem is, if folks remember, a year ago, the statement was made that we will fix this whole LCR thing. We are a year later and not all that far in the process to fix it. We have a presentation tomorrow at the ICAP Working Group but the two presentations stakeholders received in the last two months do not have a whole lot of substance behind them. This issue is one where we faced limited timeframes so if we don't have something in by June/July, the IRM process will still move forward. She said the concern cuts across most of the sectors, but the reason suppliers were looking for a sunset was that the sunset makes the NYISO have to do something by a date certain. Now we are hearing that a sunset is not what is wanted because NYISO has fiduciary responsibility to protect NY consumers. Okay, but stakeholders are asking the NYISO to police itself, and we are willing to help you try, that is why you are seeing us be inventive with adding language to the motion requesting that BIC presentations also be presented to the Board so that MPs have the opportunity to go to MC Board Liaison meetings to talk to the Board about our concerns and make sure that the Board is fully appraised. This issue is of significant concern to suppliers in the G-J Locality. We will outright oppose the phase-in just as we did when G-J Demand Curves were created because they were unjust. We need to find a way to get this done by June and that means a firm calendar, firm meetings, and the NYISO's commitment to get it done.

Mr. Fromer said when this issue first came up, it was in the context of existing rules producing inefficient outcomes in the capacity markets. The inefficiency was related to reliability. We didn't recognize that the potential for some MWs leaving a locality as a result of a sale to an external area could be captured. The NYISO came up with a proposal and would run their numbers later to come up with the reliability benefit and that was the justification that led some of us to be able to support a fair and justified amendment to our rules to capture that reliability impact. What I'm hearing with this amendment is that the NYTOs don't like dollar impacts and don't care about reliability, and linking reliability to why we are making changes. The NYTOs are saying they don't like the pricing outcomes and are proposing a price cap on the consequences. We are divorced now, for one year, from why we are making this change. The NYISO has to go to FERC with something that they can defend and that can be supported. The NYISO's rationale for making a change is a reliability consequence. Mr. Fromer said he would like to hear from the NYISO if they were told by the Management Committee that this is the proposal that mustered 58% and is presented to the Board to file with FERC how can it file something that the NYISO's own analysis does not support.

In response to a question for the NYISO's view of the proposed amendment to the motion, Ms. Nelson responded with the following statement:

- The NYISO's objective in formulating our proposed market design has been to eliminate inefficient pricing outcomes due to exports from import constrained localities. Eliminating inefficient pricing outcomes will also eliminate unnecessary capacity costs to consumers. Stated differently, our overarching goal is to send effective short and long-term market signals that incent investment and retain resources where they are needed without imposing undue consumer impacts.
- In determining both the appropriate market signal and consumer impacts, we conducted power flow analyses that assessed the physical, or electrical, impact of transmitting energy across the NY/New England interface when the underlying capacity is sold from generation located in Zones G-J.
- Our analyses showed that about half, specifically 48%, of the capacity export could physically be supplied from rest-of-state with the remainder having to be supplied from G-J. The proposed Locality Exchange or "fungibility" factor for 2017/18 will eliminate the inefficient price increases described in Potomac's state of the market reports and will provide the appropriate market signal to maintain system reliability.
- The NYISO's proposed tariff language reflects the methodology we used to calculate a "fungibility" factor. Although much of our discussion has focused on exports from Zones G-J to New England, the proposed methodology can be more broadly applied if needed.
- In order to be successful at FERC a sound rationale is needed. That is the crux of our concern.
- The stakeholders are, of course, free to propose an alternative to the NYISO's approach, but ultimately, the FERC must have a basis and record to justify approving such an alternative.

Mr. Gioia said the NYISO hasn't had a full opportunity to explore its own proposal. There is a tremendous amount of precedent for the NYISO to mitigate impacts. The NYISO is not a think tank, but a utility that has to be look out for consumers. He added that, frankly, the NYTOs do not have confidence in the price signal. The NYTOs don't know how many times and how often this capacity will be called on in ISO-NE and that concern is being explored by the NYSRC. Given those circumstances, the NYTOs don't have 100% confidence in the NYISO's proposal and it is the only proposal on the table. The motion to amend is reasonable.

Mr. Lang said he understood the different perspectives, but generators are not losing anything. This is a windfall that never should have arisen in the first place. End Use Consumers were concerned that there was a high likelihood that the motion to amend proposed by the NYTOs at BIC would not pass at the MC, or be accepted by FERC, and consumers would see no relief. This motion to amend before the MC addresses the End Use Consumers' concern because it is using NYISO's methodology after one year and tries to mitigate impacts to consumers. Mr. Lang said that they think this creates a balance. Is it perfect? No. Is it fair in the interim? Yes. He acknowledged that both the generator community and the NYTOs have raised legitimate concerns that have to be addressed and the NYISO is committed to work through those issues. Multiple Intervenors and the City of New York are prepared to support the motion because it serves as an interim solution.

Mr. Haake said, in creating the Demand Curve there were legacy provisions that raised reliability and efficiency concerns. Stakeholders had the benefit of working two years to develop a mechanism/methodology of what the pricing of the Demand Curves should be. Stakeholders recognized that was a significant impact on consumers and they agreed to phase-in the Demand

Curve and there was no mathematical equation or basis for the phase-in because that's what policy makers have to do. One other significant difference is that this topic is a complicated issue that arose late and the NYTOs appreciate the efforts of the NYISO to come up with a good approach, but clearly there is not the luxury of the same amount of time as there was with the Demand Curves to confidently come up with the best solution. That is why this motion to amend has been proposed.

Mr. LeeVanSchiack reminded everyone that the change going on here with an increase in prices is not caused by the NYISO's proposal. Instead, it is caused by retirements in NE after a period of low capacity prices. Price increases are the normal result after there was a surplus because we are looking to design markets with efficient prices that signals reliability needs of a system. It's important to allow prices to move in accordance with the rules. As resources go away, prices will follow accordingly. In this case, the NYISO's rules did not have anything for a just and reasonable outcome after a reduction of resources in New England. It's important for the NYISO to be committed to setting prices that reflect reliability needs of the system. The concern here is that 80% is an arbitrary number and is not based on a commitment to setting efficient price signals, but instead on some other criteria. It would be extraordinary to override a principled outcome. Ultimately, it's important for the NYISO to be committed to setting efficient price signals based on transparent rules. It's hard to see what distinguishes this motion to amend from situations where you have changes in retirements in New York or high gas prices. The Market Monitoring Unit's support for the NYISO's proposal was based on their finding out the additional rules for how the reliability impacts of having ICAP export transactions and how that depends on location. The MMU's support of using less than 100% is based on how NYISO operates for emergency operations.

Mr. Younger said he supported the broad outlines of the NYISO's proposal of essentially looking at this issue in terms of counter-flow and what that enables in the way of implicit ability to have ROS resources address part of the need in the G-J Locality due to the loss based on the export. Mr. Younger said the NYISO's proposal is based on sound fundamental principles and the NYISO's methodology for calculating the counter-flow seems reasonable, essentially driven by shift factors. That number may not be 47.8% vs. 52.2% but the answer is somewhere between an LE Factor of 45% and 50% and the NYISO's number is a highly accurate estimate of the counter flow benefits. Mr. Younger said he views NYTOs' motion to amend with their 80% proposal for the first year as nothing more than a vote for lower prices with no technical background or support for it whatsoever. Mr. Younger said he hoped the NYISO would support efficient prices, even if that means those prices are higher, and if this passes by the MC, that the NYISO consider what their responsibilities are and they can always make a filing, as they have done in the past, and tell FERC that this proposal received 58% of the MC's vote, but there is no basis for it, and let FERC decide.

Mr. Jones said NYISO had concerns with how the 80% is applied. He wanted to clarify in the language to make sure the NYISO understands the application of 80%. Ms. Saia said the tariff only says to apply a formula and does not contain a value and so she wanted to know if the formula was being suspended. Mr. Boles said the NYISO recommends adding language to say "for ISO-NE's 2017/2018 Capability Year, the NYISO will set the Locality Exchange Factor for exports from the G-J Locality to ISO-NE to 80%." Mr. Boles said that for all other purposes, the formula will be used. Mr. Lundin and Ms. Hogan rescinded their motion to amend and made a new motion to amend that captured the new clarifications that were added.

Motion #2a:
Motion to amend Motion 2b:

The Management Committee hereby approves tariff language not inconsistent with the following paragraph.

The Management Committee hereby approves the proposed tariff language to the extent it is not inconsistent with the following proposal, the methodology in the NYISO's Export Capacity Proposal as presented to the Management Committee on October 26, 2016 on an interim basis, due to the lack of sufficient time to adequately analyze the NYISO's methodology and pending further analysis of the methodology and possible alternatives; provided, however, that due to a very large and sudden impact of ISO-NE rule changes on New York consumers that gave rise to the NYISO proposal, the NYISO proposal will be phased in so that for ISO-NE's 2017/2018 Capability Year, the NYISO will set the Locality Exchange Factor for exports from the G-J Locality to ISO-NE to 80% to offset the impact of capacity exports, if any, rather than modifying the ICAP demand curve to offset the portion of exported capacity identified in the NYISO proposal. ICAP demand curves for the NYCA will remain unmodified; consequently, capacity exports to neighboring control areas will be fully reflected in capacity prices set using the NYCA ICAP demand curve, just as under the NYISO's proposal. The NYISO's Export Capacity Proposal, as presented to the Management Committee on October 26, 2016, will be fully implemented starting in the 2018/2019 Capability Year and continuing until and unless the NYISO receives FERC approval to implement a different treatment of capacity exports from a locational capacity zone to a neighboring region.

Additionally, the NYISO commits to work with Stakeholders further on this issue in 2017. The ISO will conduct an evaluation with its stakeholders of additional modifications to the rules addressing Locational Export Capacity from Import Constrained Localities presented at the October 20, 2016 BIC meeting. The NYISO shall report on its progress at the January and April BIC meetings in 2017, and to the NYISO Board at its January and April 2017 meetings. On or before June 1, 2017, the ISO will file with the Commission either an informational report on the evaluation or a filing proposing to amend the ISO Tariffs

The motion passed by 63.62% affirmative votes

Motion #2:

The Management Committee hereby approves tariff language not inconsistent with the following paragraph.

The Management Committee hereby approves the proposed tariff language to the extent it is not inconsistent with the following proposal, the methodology in the NYISO's Export Capacity Proposal as presented to the Management Committee on October 26, 2016 on an interim basis, due to the lack of sufficient time to adequately analyze the NYISO's methodology and pending further analysis of the methodology and possible alternatives; provided, however, that due to a very large and sudden impact of ISO-NE rule changes on New York consumers that gave rise to the NYISO proposal, the NYISO proposal will be phased in so that for ISO-NE's 2017/2018 Capability Year, the NYISO will set the Locality Exchange Factor for exports from the G-J Locality to ISO-NE to 80% to offset the impact of capacity exports, if any, rather than modifying the ICAP demand curve to offset the portion of exported capacity identified in the NYISO proposal. ICAP demand curves for the NYCA will remain unmodified; consequently, capacity exports to neighboring control areas will be fully reflected in capacity prices set using the NYCA ICAP demand curve, just as under the NYISO's proposal. The NYISO's Export Capacity Proposal, as presented to the Management Committee on October 26, 2016, will be fully implemented starting in the 2018/2019 Capability Year and continuing until and unless the NYISO receives FERC approval to implement a different treatment of capacity exports from a locational capacity zone to a neighboring region.

Additionally, the NYISO commits to work with Stakeholders further on this issue in 2017. The ISO will conduct an evaluation with its stakeholders of additional modifications to the rules addressing Locational Export Capacity from Import Constrained Localities presented at the October 20, 2016 BIC meeting. The NYISO shall report on its progress at the January and April BIC meetings in 2017, and to the NYISO Board at its January and April 2017 meetings. On or before June 1, 2017, the ISO will file with the Commission either an informational report on the evaluation or a filing proposing to amend the ISO Tariffs.
The motion passed by 63.62% affirmative votes

The MC adjourned at 2:25 p.m. The next MC is scheduled for November 30, 2016.