
DRAFT

NYISO Management Committee Meeting Minutes

May 19, 2010

10:15 a.m. to 3:00 p.m.

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

Mr. Stuart Nachmias (Con Edison), the vice-chair of the Management Committee (MC), called the meeting to order at 10:15 a.m. and welcomed the members of the MC. The members of the MC then identified themselves and attendance was recorded. A quorum was reached.

Mr. Nachmias reported that agenda item 9, Proposed Mitigation of ROS Generators Committed for Reliability Agenda would be removed from the agenda, due to a relevant item on tomorrow's FERC agenda – the NYISO thought it was prudent to see what FERC's action was tomorrow, and a special MC meeting would be held to discuss and vote on this item.

2. Approve of the Management Committee Meeting Minutes

Motion 1

Motion to approve the MC minutes from February and March, 2010.

The motion pass unanimously by show of hands

3. President's Report (see presentation under April 21, 1010 MC Meeting Material)

Mr. Stephen Whitley (NYISO) provided an update on the President's Report.

DOE Stimulus Project:

The TO Sub-Award Agreement was executed between the NYISO and the Transmission Owners in May, paving the way for the NYISO to formally sign the contract with the Department of Energy (DOE), with a July 1, 2010 effective date. That effective date will yield an implementation schedule with an anticipated completion of June 2013. Mr. Howard Fromer (PSEG) asked how the cost of the project would be covered by the NYISO and the Transmission Owners. Mr. Rich Dewey (NYISO) explained that the NYISO will hold the contractual obligation with the DOE for completion of the \$75 million project, but that each of the Transmission Owners will bear the costs for each of their portions of the project. The costs that each party will be responsible for are defined in the project budgets that were submitted as part of the original proposal. To receive reimbursement from the DOE, the parties will submit receipts through the NYISO for reimbursement, and the DOE will provide matching funds up to the amount of the budget. The costs incurred by the NYISO will be financed through the NYISO's capital project funding mechanisms.

Control Center:

Mr. Rich Dewey explained that the NYISO's financing petition was not included on the PSC's May Commission meeting agenda, but he is hopeful it will make it on the June agenda and keep the project on schedule. All other aspects of the project are moving forward successfully including building design activities, local municipal approvals, and preliminary construction activities. If the petition is not included on the agenda for the June Commission meeting, there is a possibility the NYISO could lose the funding. There are financial issues associated with losing the funding, including financing the cost of work that has already been completed. Further details and discussion will take place if necessary. Mr. Garrett Bissell (MI) expressed concern with continuing the project without PSC approval. He suggested freezing the project to stop incurring costs that may not be covered if approval is not received.

June 14, 2010 Joint BOD/MC Meeting: Mr. Rich Barlette (NYISO) provided an update on the upcoming Joint Board of Directors and Management Committee meeting in June. The meeting format will be town hall with open access to the Board. Two topics for the meeting are: the next ten years; public policy, competitive markets and the NYISO's role as administrator of those markets and NYISO Responsiveness - FERC proceeding on ISO/RTO Responsiveness; NYS legislative proposals related to the NYISO and its markets; NYISO plans or initiatives in this area. Mr. Barlette requested that folks submit questions on either topic they would like the Board to address, but explained an open conversation would be held.

2010 Rate Schedule 1 Report:

Ms. Mary McGarvey informed MPs of ongoing discussions at BPWG regarding shortfalls in 2010 Rate Schedule 1. Based on year-to-date recoveries through April, NYISO has undercollected \$1.1M against budgeted Rate Schedule 1 revenue levels. Additionally, based upon MWh volume projections contained in the recently-issued Gold Book, NYISO projects an undercollection of approximately \$2.6M by the end of 2010. Ms. McGarvey also highlighted additional budgetary concerns for 2010, and noted that given all these factors, the NYISO intends to wait until the end of the second quarter to finalize a disposition of \$1.1M in remaining funds from 2009. Ms. McGarvey commented that NYISO is currently discussing options to address the 2010 budget challenges and will provide Market Participants with further updates at the Budget & Priorities Working Group and the Management Committee.

COO Report

Mr. Rick Gonzales (NYISO) stated the objective of the NYISO from an Operations and Market administration perspective is to demonstrate that the NYISO can reliably operate the NYS power system as well as effectively administer the New York electricity markets. Many MPs have asked for a higher level of transparency and, to that objective, the NYISO intends to develop a comprehensive set of performance metrics that can be tracked through time and can demonstrate the NYISO's ability to reliably operate and to affectively administer the markets.

Mr. Glenn Haake (Dynergy) asked about the IESO impact on clockwise loop flow and whether there was any update on when the Pickering nuclear units would be back in service. Mr. Gonzales replied this type

of question, specifically Lake Erie loop flow impacts, will be highlighted going forward. Mr. Gonzales also stated that a large portion of the Pickering complex will be off line until early June. Mr. Gonzales also reported that , starting the following week, the NYISO would implement an on/off peak representation of of Lake Erie circulation in the NYISO Day-Ahead Market, which will more accurately reflect what is being observed and will allow additional transmission capability for New York and external resources to serve New York load.

Mr. Howard Fromer (PSEG) asked if the NYISO will report on the FERC Metrics once they are established. Mr. Gonzales replied once FERC approves a set of metrics for RTO Reporting to the extent those metrics would be valuable to this committee and the NYISO would consider including those metrics as part of the Management Committee reporting.

4. EIPC Update

John Buechler presented an update on the recent activities of the EIPC Stakeholder Steering Committee (SSC). In March and April, stakeholder webinars and in-person meetings were held to discuss the initial straw proposal for SSC selection process. Modifications to initial straw proposal posted in March were based upon comments received during and following webinars & conference calls, as well as other stakeholder discussions/negotiations. EIPC played a significant role in this process, and assistance and guidance was provided by the DOE. On May 14, EIPC posted the final SSC selection process. The purpose of the SSC is to provide strategic guidance to the Applicant's analysts on the scenarios to be modeled, the modeling tools to be used, key assumptions for the scenarios, and other essential activities. The SSC will gather input from stakeholders, represent their constituents' interests in deliberations, and strive to achieve consensus on aspects of the transmission planning studies to be performed by the EIPC Analysis Team. The preliminary next steps are:

- Late May – Sectors select caucus members
- Early June – Sector Caucus members begin to select SSC members
- Late-June – SSC members announced
- Mid July – 1st SSC meeting (adopt a charter, determine role for SWGs, appoint core members, create a 3-6 month work plan, and begin discussion of model assumptions)
- EIPC to provide a detailed timeline and assistance to facilitate the selection process

Mr. Stuart Nachmias pointed out that each sector has to select three members to participate in the caucus and encouraged everyone to get involved to make sure the issues in NY are adequately heard.

5. Corporate Incentive Goal Process Improvements

Mr. Tim Duffy (NYISO) presented the new process that will be implemented to improve Market Participant input into the corporate incentive goals process. The existing process for setting and communicating annual corporate incentive goals is not meeting the expectations of all stakeholders. Areas of concerns are responsiveness of NYISO, transparency of process and timeliness of communication. The new process will include a window of time for MP comments and provide a comments log; a tool designed to support communication sub-process which will be transparent to all stakeholders.

The new process addresses last minute changes in goals (new goals), lack of visibility to changes in goals, lack of responsiveness and timeliness of discussions. The New Process Attributes include a Cut off date for new Proposals, four defined comment periods and a new process for collecting and responding to suggestions

6. Late Day Start Shortfall Ratio Adjustment

Mr. John Hickey (NYISO) reviewed Late Day Start Shortfall Ratio Adjustment. If a generator modifies their DAM bid minimum generation MW value, the historical trended shortfall ratio (SR) value could over or under value the costs that could be incurred by the Generator on the day following the Dispatch Day. This could result in a Late-Day Startup reference that is either overestimated or underestimated; potentially resulting in improper mitigation or missed mitigation.

Benefits of Adjusting Shortfall Ratio include: Provides inclusion of Minimum Generation MW changes in the SR value, reduces potential for inappropriate mitigation/missed mitigation, minimize the processing that must occur after the market close.

The shortfall ration and Attachment H tariff revisions were presented. Next steps will be to bring this to the Board of Directors in June, and then filing at FERC. Implementation is scheduled for September.

Motion 2

The Management Committee voted in favor of proposed "late day start" tariff revisions at its April 21, 2010 meeting. The Management Committee hereby recommend that the NYISO's Board of Directors approve for filing under Section 205 to the Federal Power Act further refinements to the proposed tariff revisions addressing late day start, consistent with the NYISO's presentation to the Management Committee on this day. Final Tariff Amendments to be distributed to Management Committee Members and approved by Chairs & Vice Chairs of the Management Committee & Business Issues Committee before filing.

The motion pass by show of hands with abstentions.

7. Reference Level Software

Ms. Mary Helen Donnelly (NYISO) provided an overview of Reference Level Software (RLS) that was reviewed at past MIWG meetings. She clarified that today's vote would be on the concept of how the application is going to interact with the increasing bids in real-time projects and the tariff.

Ms. Donnelly discussed updating fuel costs used in reference levels. Market Participants shall monitor fuel costs used to create reference levels, and contact the ISO in timely manner with these updated costs. If the MP does not notify the NYISO in a timely manner of updated fuel costs, then they may not be able to retroactively update those costs. BPCG timeline and procedures will not change for costs outside of fuel prices and types. The notification process market participants will be using for new or updated fuel costs process was discussed.

Market Participants can use the following two methods to contact ISO with updated fuel costs:

(1) Enter fuel cost/type with bid via Increasing Bids or(2) login to the RLS application and submit new cost data for review and approval by MMA. Ms. Donnelly reviewed the Attachment H Tariff revisions.

Ms. Doreen Saia (GT) asked for clarification that the vote today would be on the concept that the generator who was penalized would lose the right to submit fuel type and fuel price information with its MIS bid for some period of time. We are not voting on the specific determination that you would lose the ability for a year. Mr. Alex Schnell (NYISO) stated that Ms. Saia's suggestion was reasonable.

Mr. Howard Fromer (PSEG) asked about a provision discussed at the last MIWG that appeared to create a penalty obligation for MPs who erroneously provided incorrect updated fuel price information. Ms. Donnelly replied the issue was the penalty stated "shall" but it was clarified that it would have to have market impact to result in a fine. Mr. Fromer expressed concern that someone sending an updated fuel price who made a fat fingered mistake would be penalized. Ms. Saia agreed with Mr. Fromer's concern.

Mr. Garrett Bissell (MI) suggested postponing action on this item until such issues could be worked out. Ms. Saia replied it is urgent to get approval today due to the timing of implementation and the winter capability period.

The BIC took a break while parties reviewed and discussed the issues and the corresponding Tariff Language. Upon return, parties were satisfied with the changes and the vote was held.

Motion 3:

The Management Committee hereby recommends that the NYISO's Board of Directors approve the submission of revisions to the NYISO's Market Mitigation Measures and corresponding changes to the Market Monitoring Plan to permit the implementation of the improvements to the NYISO's reference level development process, along with the associated mitigation rules, that were presented to and revised by the Management Committee on this day. Final Tariff Amendments to be distributed to Management Committee Members and approved by Chairs & Vice Chairs of the Management Committee & Business Issues Committee before filing.

Motion passed unanimously.

8. Increasing Bids in Real Time

Ms. Michelle Gerry explained the issue is that a market participant submits bids into the day-ahead market based on the expected cost of running the generators. And then in real time, those costs per running at the day-ahead committed level may increase due to fuel cost increases or switching to an alternate fuel for example. Currently no NYISO mechanism exists for generators to manage their cost increase to meet their day-ahead market commitment.

Mr. Neil Butterklee (Con Ed) stated that currently there are mechanisms outside of NYISO Markets for Generators to mitigate their risk by buying fuel in advance and reducing their exposure.

Mr. Tom Rudebusch (NYAPP) asked for a summary of benefits to consumers. Ms. Gerry replied the biggest driver is to accurately reflect energy prices in real time.

Mr. Rick Gonzales (NYISO) explained that potentially generators that would sell gas to a more efficient generators would call in a derate and NYISO would lose that capacity. The NYISO would prefer to retain capacity of units in DAM and have a true reflection of the cost.

Ms. Doreen Saia (GT) asked Mr. Pallas LeeVanSchaik (Potomac Economics) for his thoughts on the proposal. Mr. LeeVanSchaik replied to the extent you can change rules to allow generators to more accurately reflect their costs should results in lower LBMPS and productions costs overall.

Motion 3

The Management Committee hereby approves revisions to the NYISO's Tariffs to allow Generators to increase their Bids in real-time on incremental energy that was committed in the Day-Ahead Market, pursuant to the presentation made to the Management Committee this date, and recommends to the Board that it authorize a Section 205 filing.

Motion passed by majority with abstentions.

9. 2009 State of the Market Report (see report posted)

Mr. Pallas LeeVanSchaick reviewed the report. Market Participants were requested to submit questions/concerns to Rich Barlette (rbarlette@nyiso.com). Mr. Barlette will coordinate questions and responses from Mr. LeeVanSchaick.

10. New Business

There was no new business.

Meeting adjourned at 3 pm.