

NYISO Management Committee Meeting

October 25, 2006
Meeting Agenda
Consolidated Edison
4 Irving Place, New York, NY

Draft MINUTES OF THE MEETING

1. **Introduction, Meeting Objectives & Chairman's Report**

Mr. Jerry Ancona (National Grid), Chairman, called the meeting to order at 10:02 a.m and welcomed the members of the Management Committee ("MC"). He gave a preview of the agenda items.

2. **Approval of the Minutes**

Mr. Ray Stalter of the NYISO suggested that the September minutes be delayed in order to consolidate additional comments received. The Minutes would be re-distributed once comments were consolidated and then possibly be placed on an upcoming special MC agenda for approval.

3. **President's Report**

a. **October 11, 2006 Software Release**

Mr. Mark Lynch, NYISO President and CEO, presented the President's Report. Mr. Lynch stated that the October software release was deployed to production during off-hours on October 11th with minimal impact to the overall system and to the Market Participants ("MPs"). He reminded the MPs that this would be the last major deployment this year due to Sarbanes Oxley issues; however, there will be periodic maintenance outages.

Mr. Howard Fromer of PSEG commented that there was an element in the October software release that dealt with the SRE out of merit issue that was deployed on October 11, with the knowledge that the software was flawed. Mr. Fromer further stated that if the problem had manifested itself, it could have resulted in improper prices. He also stated that this should have been brought to MPs attention, prior to deployment, to provide guidance in weighting the pros and cons instead unilaterally deploying a piece of software that was known to be defective Mr. Fromer suggested that going forward, the market place should be consulted regarding a deployment which has pros and cons associated with the decision to go forward.

Mr. Lynch responded that the problem was discovered late during the testing

process and that Mr. Fromer's comments were duly noted regarding notification to the market place.

Mr. William Roberts of Edison Mission commended the NYISO for deploying the software during the off hours. Mr. Roberts noted that this seems to work very well for his traders.

Doreen Saia of Mirant commented that there has been a problem with FERC filings getting to market participants in a timely manner and requested that the NYISO develop a process that automatically notifies the service list once filings are made by Hunton & Williams. Mr. Stalter agreed to look at that issue further.

b. RNA Schedule Update

Mr. Lynch noted that the original schedule that came out in September looked at providing the next Reliability Needs Assessment in February. Market participants expressed concerns about having sufficient time to respond to the alternative regulated solutions, if needed, prior to issuing a new CRP. An accelerated schedule was provided, with the initial base case results available in early November and a Board review and approval in January 2007. Mr. Lynch also noted that the only way to meet this accelerated schedule is to have full cooperation from all market participants. He encourages everyone to review the materials expeditiously and provide comments once the materials are made available by NYISO Operations. Mr. Fromer commented that the timing depends on what the NYISO provides to the market participants and should the NYISO arrive at a different result with the RNA, it should be identified, up front, to the market participants.

Mayor Sasson of ConEdison commented that in the NERC annual report on capacity assessment over the next 10 years, there is a projection on load and generation increases over the same period. However, in NY's planning process, there is no assessment of generation growth which he believes creates an unbalance in the generic process where load increases but generation does not. He encourages the NYISO to investigate the way NERC does its projection.

c. Strategic Plan Update

Mr. Lynch noted that the Board, at the October meeting, approved the updated Strategic Plan and extended special thanks to the Transmission Owners and Multiple Intervenors for providing comments.

d. Price Validation Status Update

On the price validation status update Mr. Lynch noted that in the October software release, enhancements were made to the power system models that will help detect telemetry errors. This change will help address an issue that occurred in early September, and led to a large number of price corrections. He also stated that in the first half of the month the NYISO continued to review the issuance of price corrections and the root cause.

4. Vice Chair Election – 2006-2007 Term

Mr. Ancona moved to vote on the selection of the Vice Chair for the MC. Mr. Stalter provided voting instructions. Ballots were distributed in the room for members attending in-person, while members participating by phone were asked to email their selections. Mr. Stalter noted that the result would be reported before the completion of the meeting.

5. 2006 – 2007 Projects Review

Mr. Rich Dewey of the NYISO presented a report on the 2006 project accomplishments and the candidate list for the 2007 project budget planning. Mr. Dewey reviewed the status of the various projects that were scheduled during 2006, and pointed out significant milestone accomplishments, including the completion of the backlog of final bill close-outs, ICAP system automation, TCC auction system automation and the automation of voltage support payment.

Mr. Mark Younger of Slater Consulting requested that the NYISO provide a pie chart for 2006 efforts that shows where the money goes. Ms. Mary McGarvey of the NYISO responded that the information that Mr. Younger is requesting, total project budget and the actual against those projects, was already provided to the BSP and PPT for 2006.

Mr. Dewey also outlined key business drivers of the 2007 budget planning. Some key efforts for 2007 include:

- Excellence in Execution
- Multi-year infrastructure Upgrades
 - i. Settlement System Replacement
 - ii. Comprehensive Bid Management System
- Regulatory Compliance Initiatives
 - i. Demand Response for Ancillary Services
 - ii. Long Term Firm Transmission Rights
- Pricing and Billing Accuracy

The planning process, from identifying key business drivers to finalizing a candidate set of projects, was also reviewed for 2007. A list of projects was provided in Mr. Dewey's presentation. Mr. Stuart Nachmias of Con Edison requested that the projects listed be prioritized as priority 1, priority 2 or as compliance priority, which would provide MPs with a better sense of which projects would be cut should other critical issues arise.

Mr. Younger expressed concerns that the project initiatives for 2007 do not list a cost break-down for each of the initiatives. This is necessary in helping MPs to decide with project to move forward with. Mr. Dewey responded that when the

projects are ready to be launched, detailed information of the cost breakdown, as well as benefits, is usually provided.

Mr. Ancona suggested combining the PPT and BSP because of the difficulty in separating the two groups. Neil Butterklee of ConEd echoed Mr. Ancona's sentiments on combining the PPT and BSP. He suggested combining other groups like the MSWG and SPWG which would allow more effective and efficient use of resources and save money. Mr. Stalter commented that he would work with the Chairs to come up with a process to combine the groups.

Mr. Fromer expressed concern that combined cycle modeling, which the FERC directed the NYISO to investigate, was not a part of the 2007 product enhancement candidate. Mr. Dewey responded that the NYISO has implemented some incremental changes and changes to the penalty exemption rules that have fulfilled the NYISO's obligation under the FERC order. He noted that if the project is not listed as part of the 2007 list of candidates, there is no specific budget allocation for work during 2007. Mr. Lynch responded that the NYISO believes it has met its obligation to the FERC order regarding the combined cycle modeling.

6. Review of 2007 NYISO Budget

Mr. Tom Concadoro of the New York Power Authority provided an overview of the 2007 budget to the MC. The overview included a review of the 2007:

- Budget target of \$139.7 million which exceeds the target for 2007 set in 2003 by \$1.5 million. However, changes in projected load result in a Rate Schedule 1 rate of \$0.821/MWh which is consistent with the target.
- Overall increase – Increase of \$6.6 million includes higher debt service payments relating to prior year obligations which peak in 2007.
- Debt levels – NYISO is continuing to reduce levels of outstanding debt by reducing annual financings, shortening length of repayment and utilizing available funds to repay outstanding debt.
- Overall focus on improving NYISO's existing processes and procedures rather than significant market or technology changes.

Mr. Concadoro also provided:

- A detailed budget by cost category which shows current projection in comparison to the previous four years.
- 2007 Rate Schedule 1 revenue requirement
- Salaries and Benefits – Budget only reflects salaries and benefits for 405 fulltime employees, of the 425 total, due to an expected 20 vacancies.

i. Professional Fees

During the discussion on professional fees, Mr. Tim Bush of Navigant Consulting asked when the MPs will see the cost associated with contracting price validation eliminated. Mr. Lynch responded that the consulting costs associated with price

validation project will be eliminated once that process moves in house. The price validation is current being done by LECG.

Mr. Sasson expressed concern that there is no budget allocated for the RNA study.

ii. FERC Fees

During the FERC fees discussion Mr. Concadoro noted that the FERC fees were included in the RS#1 budget revenue requirements and the practice of including the fees in the RS#1 is not utilized by other ISOs. Instead FERC fees are assessed as a direct pass through to MPs.

iii. Debt Services

The NYISO plans to obtain debt financing of \$80 million to cover capital acquisitions and product enhancements during 2007 - 2010. \$20 Million/year will be available for borrowing during this period. This debt will be repaid over a three year life to coincide with the average life of the underlying assets. This is a reduction from a four year life utilized in prior debt facilities. Interest on the 2007 debt borrowings is estimated at 7%. Interest hedging will be completed in early 2007.

iv. Summary - BSP Comments

During the summary of the BSP comments discussion, Mr. Sasson expressed concern about employee turnover at the NYISO and the level of experience as a concern. Mr. Lynch responded that the NYISO expects to maintain a high level of experience.

Mr. Tom Rudebusch expressed concern that the NYISO might not meet the 2008 budget and requested a straw poll to hold the NYISO to the original forecasted budget of 2003. Mr. Lynch responded that the NYISO does plan to meet the targeted rate level.

Mr. Nachmias commented that he expects to see a RS#1 rate decrease due to the NYISO no longer operating as a startup and the fact that certain projects are moving in house. Mr. Nachmias proposed a fixed rate as an option

New Business

None raised

10. Adjournment

The meeting was adjourned at 12:40 pm

NYISO Management Committee Meeting

October 25, 2006

Con Edison, NY, NY

MOTIONS FROM THE MEETING

* The Management Committee elected Ray Kinney, of NYSEG/RG&E, to fill the Vice Chair position for December 2006 through November 2007. Matt Picardi, the current Vice Chair will assume the position of Management Committee Chairman beginning December 2006.

(Mr. Kinney was elected MC Vice Chairperson by ballot with 100 % affirmative votes)

New York Independent System Operator - Committee Membership

Management Committee - Attendance October 25, 2006 - NY, NY - Parties Checked in Attendance

Organization	Sector	Representative	Alternate1	Alternate2	Alternate3	Alternate4	Alternate5	Proxy	Guest
NYS Energy Research & Develop. Auth.	End Use - Gov. Agency/Aggr.	Paul DeCotis	Karl Michael	David Coup	Erin Hogan	Christopher Hall			
The City of New York	End Use - Gov. Agency/Aggr.	Michael Delaney	Gil Quiniones	Thomas Simpson	Jonathan Wallach	Tim Daniels			
Alcoa/Reynolds Metals Company	End Use - Large Consumer	✓ Robert Loughney	Michael Mager	Morgan Parke					
Helmshley-Spear Inc.	End Use - Large Consumer	David Bomke	George Diamantopoulos	Edward Strauss	Herb Rose				
IBM Corporation	End Use - Large Consumer	✓ Robert Loughney	Michael Mager	Morgan Parke					
Occidental Chemical Corp.	End Use - Large Consumer	✓ Robert Loughney	Michael Mager	Morgan Parke					
Praxair Inc.	End Use - Large Consumer	✓ Robert Loughney	Michael Mager	Morgan Parke					
Wegmans Food Markets	End Use - Large Consumer	✓ Robert Loughney	Michael Mager	Morgan Parke					
Metropolitan Transportation Authority	End Use - Large Cons. Gov.	Jesse Samberg	Gary Caplan	Walter McCarroll					
American Sugar Refining, Inc.	End Use - Small Consumer	John Gebhard	Quintin George	Catherine Luthin	✓ John Dowling	Jennifer Kearney			
Association for Energy Affordability, Inc.	End Use - Small Consumer	David Hepinstall	Larry DeWitt						
Beth Israel Health Care System	End Use - Small Consumer	Catherine Luthin	✓ John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner			
Building and Realty Institute	End Use - Small Consumer	Herb Rose	Judith Mondre	Ted Lee	✓ Tariq Niazi				
Columbia University	End Use - Small Consumer	Catherine Luthin	✓ John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner			
Mount Sinai Medical Center	End Use - Small Consumer	Catherine Luthin	✓ John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner			
New York Presbyterian Hospital	End Use - Small Consumer	Catherine Luthin	✓ John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner			
New York University	End Use - Small Consumer	Catherine Luthin	✓ John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner			
NY State Consumer Protection Board	End Use - State Agency	✓ Tariq Niazi	Doug Elfner						
AES NY	Generation Owners	Christopher Wentlent	Rick Santoroski	Charles Sjoberg	Dave Evanoski				
Astoria Energy LLC	Generation Owners	Joseph Swift	Leonard Singer	Chuck McCall					
Calpine	Generation Owners	Brett Kruse	Kris Zadlo	Steve Remillard					
East Coast Power Linden Holding LLC	Generation Owners	Thomas Hoatson	Robert Licato	Kathy Benini					
Edison Mission Marketing & Trading	Generation Owners	✓ William Roberts	Jeffrey Ellis	✓ Peter Brown	Rich Mooney				
Energy Nuclear Northeast	Generation Owners	Marc Potkin	Angelo Vai	✓ Ron Mackowiak					
Horizon Wind Energy	Generation Owners	Anntonette Alberti	Patrick Doyle	P.J. Saliterman	Charlie Turlinski	Scott Alexander	Greg Kemmis		
Indeck Energy Services	Generation Owners	Mike Ferguson	John Schrage	✓ Mark Younger					
KeySpan Ravenswood, LLC	Generation Owners	Jim Brennan	Rich Hohlman	Joe Vignola	✓ Jim D'Andrea	Madison Milhous	Rich Rapp		
Mirant New York, Inc.	Generation Owners	✓ Philip Smith	✓ Doreen Saia						
New Athens Generating Co.	Generation Owners	Jack Breen	Chris Bursaw	Dan DeVinney	✓ Rich Felak				
Noble Environmental Power LLC	Generation Owners	Thomas Swank	Liz Grisaru						
Selkirk Cogen Partners, L.P.	Generation Owners	Tim Biittig	Steve Kamppila						
TransCanada Power Marketing	Generation Owners	William Taylor	Elaine Beaudry						
Advantage Energy, Inc.	Other Suppliers	Kyle Storie							
Amerada Hess Corporation	Other Suppliers	Hemant Jain	Kevin Laguardia	Bias Hernandez	George Braulke				
Brookfield Energy Marketing Inc.	Other Suppliers	Robert Ricketts	Daniel Whyte						
Cinergy Capital and Trading	Other Suppliers	John Deeds	Walt Yeager						
Con Edison Energy	Other Suppliers	Ken Bekman	Ivan Kimball						
Con Edison Solutions	Other Suppliers	Ken Bekman	Stephen Wemple						
Conectiv	Other Suppliers	Bill Fehr	John Foreman						
Constellation Energy Commodities, Inc.	Other Suppliers	✓ Glen McCartney	✓ Dan Allegretti	Sara O'Neill					
Constellation New Energy Inc.	Other Suppliers	Michael Constantine	Sara O'Neill						
Consumer Powerline	Other Suppliers	Vinay Gupta	Mike Gordon	Ray Stirbys	Chau Shen				
Coral Power, LLC	Other Suppliers	✓ Matt Picardi	Marc Overdyk	Dave French					
DC Energy	Other Suppliers	Bruce Bleiweis	Dean Wilde	Andrew Stevens	Sadao Milberg	Chris Carpenter	Matthew Tate		
Dynegy	Other Suppliers	Barry Huddleston	Jason Cox	Kevin White				✓ Glenn Haake	
ECONnergy	Other Suppliers	Saul Horowitz	Tom Halleran						
Energy Curtailment Specialists, Inc	Other Suppliers	Glen Smith	Stephen Lynch	Marie Pieniazek	Robert Boyle				
Energy Spectrum	Other Suppliers	Gary David	Henry Hartstein	Aron Iskowitz	Ruben Brown	Arthur Pearson			
EnerNoc	Other Suppliers	David Brewster	Aaron Breidenbaugh						
Epic Merchant Energy	Other Suppliers	Mike Kinsey	✓ Erik Abend	Wade Sullivan					
Exelon Generation - Power Team	Other Suppliers	Scott Silverstein	Joe Klimaszewski	Jim Verna					
Fortistar/Lockport Energy Associates, L.P.	Other Suppliers	Roger Kelley	Tom Gesicki	✓ Mark Younger	✓ Glenn Haake				
FPL Energy	Other Suppliers	✓ David Applebaum	Fernando DaSilva	Ron Scheirer					
Galt Power	Other Suppliers	✓ Rick Mancini	Stephen Fernands						
HQ Energy Services	Other Suppliers	Michel Prevost	✓ Paul Norris	Erik Bellavance					
KeySpan Energy Services	Other Suppliers	Terrence Kain	✓ Jim D'Andrea	Edwin Kichline	James Cross	John Vaughn			
Morgan Stanley Capital Group	Other Suppliers	Patrick Murray	Karen Kochonies	Levon Kazarian	Doron Ezickson	Nikolai Markarian			
NRG Power Marketing	Other Suppliers	Tim Foxen	Jim Mayhew	Lee Davis					
NU / Select Energy	Other Suppliers	Gunnar Jorgensen	Jim Scheiderich						
Ontario Power Generation Inc.	Other Suppliers	Barry Green	✓ Dave Barr	Ken Lacivita	Scott McArthur	David Barr	✓ Glenn Haake		
Orion Power New York	Other Suppliers		John Meyer						

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PPM Energy	Other Suppliers	Thresa Allen	T.H. Rawls	Tom Shields					
PP&L Energy Plus	Other Suppliers	Tom Hyzinski	✓ Joseph Langan	Sharon Weber					
PSEG Energy Resources & Trade	Other Suppliers	✓ Howard Fromer	Michael LaFalce						
Sempra Energy Trading	Other Suppliers	Dan Staines	Maria Agovino	Scott Englander	Barry Trayers				
SESCO Enterprises, LLC	Other Suppliers	Mike Schubiger	Jim Thoresen						
Strategic Energy LLC	Other Suppliers	✓ Jason Barker	Jeff Knox	Pamela Melton					
TransEnergie U.S. Ltd.	Other Suppliers	Raymond Coxo	Michael Jacobs						
U.S. Power Generating Co.	Other Suppliers	✓ Liam Baker	Mark Sudbey						
Williams Power Company	Other Suppliers	David Singer	Mark Lassman	Robert O'Connell					
Long Island Power Authority	Public Power - Authorities	✓ Kevin Jones	Jim Wittine	Dave Clarke					
New York Power Authority	Public Power - Authorities	Bob Deasy	✓ William Palazzo	Kim Byham					
American Wind Energy Association	Public Power - Environmental	Valerie Strauss	Larry DeWitt	Douglas Ward	Mike Jacobs	Carol Murphy			
Environmental Advocates	Public Power - Environmental	Anne Reynolds	Larry DeWitt						
Nat'l Resources Defense Council	Public Power - Environmental	Dale Bryk	Larry DeWitt						
Pace University	Public Power - Environmental	Edward Smeloff	Larry DeWitt						
Scenic Hudson	Public Power - Environmental	Larry DeWitt							
Bath Electric, Gas & Water Systems	Public Power - Munis & Co-ops	Matthew Benesh	✓ Tim Bush	Jim Hamilton	Ken Moore	Jack Brown			
City of Jamestown Board of Pub. Util.	Public Power - Munis & Co-ops	✓ David Gustafson	Wally Haase	John Oelbracht	Steven Kulig	✓ Tom Rudebusch			
Lake Placid Village	Public Power - Munis & Co-ops	Peter Kroha	✓ Tim Bush						
Municipal Commission of Boonville	Public Power - Munis & Co-ops	Kenneth Stabb	✓ Tim Bush						
Plattsburgh Municipal Lighting Dept.	Public Power - Munis & Co-ops	Jack Brown	✓ Tim Bush						
Village of Arcade	Public Power - Munis & Co-ops	Larry Kilburn	✓ Tim Bush						
Village of Fairport	Public Power - Munis & Co-ops	Ken Moore	✓ Tim Bush	Paul Pallas					
Village of Freeport	Public Power - Munis & Co-ops	Hubert Bianco	Anthony Fiore	✓ Tom Rudebusch					
Village of Rockville Centre	Public Power - Munis & Co-ops	Paul Pallas	Jim Hamilton	Matthew Benesh	Jim Hamilton	Jack Brown	Ken Moore	✓ Tom Rudebusch	
Village of Solvay	Public Power - Munis & Co-ops	Anthony Modafferi	✓ Tim Bush						
Village of Westfield	Public Power - Munis & Co-ops	Jim Hamilton	✓ Tim Bush	Matthew Benesh	Jack Brown	Ken Moore			
Central Hudson Gas & Electric	Transmission Owners	Charles Freni	✓ John Watzka						
Consolidated Edison	Transmission Owners	Terry Agriss	✓ Stuart Nachmias	✓ Neil Butterklee					
National Grid	Transmission Owners	✓ Jerry Ancona	Wes Yeomans	Janet Gail Besser	Herb Schrayshuen	Bart Franey	Terron Hill		
NY State Electric Gas (NYSEG)	Transmission Owners	Ray Kinney	✓ Patti Caletka	Hank Masti	Cliff Olson	Denis Wickham			
Orange & Rockland, Inc.	Transmission Owners	None Assigned							
Rochester Gas & Electric	Transmission Owners	Ray Kinney	✓ Patti Caletka	Hank Masti	Cliff Olson	Denis Wickham			
Ace Energy Company, Inc	Non-voting	Marie Pieniazek	Stephen Lynch						
ACENY	Non-voting	Carol Murphy	Valerie Strauss						
Boundless Energy, L.L.C	Non-voting	John Tompkins	Brian Chernack	Chuck Gilbert					
Caitness Energy, L.L.C	Non-voting	Ross Ain	Gary Keevill	Mitchell Garber					
Customized Energy Solutions	Non-voting	✓ Rick Mancini	Stephen Fernands	Bill Schofield					
Ecogen, L.L.C	Non-voting	Tom Hagner							
Energetix, Inc.	Non-voting	Barney Farnsworth							
Fluent Energy	Non-voting	Michael Mastroianni	David Koplas	Margie Miller					
Hudson River Energy Group	Non-voting	Frank Radigan	Richard Canfield						
Hydro-Quebec TransEnergie	Non-voting	Glenn Sylvain	Mario Boucher						
NYS Department of Public Service	Non-voting	Penny Rubin	Rajendra Addepalli						✓ Bill Heinrich
Stealth Energy	Non-voting	Gad Cohen							
The Structure Group	Non-voting	Bob Furry	Alex Lago						
Tom Halleran	Non-voting	Tom Halleran							
US Direct Energy Inc.	Non-voting	Marie Pieniazek	Stephen Lynch						
William P. Short	Non-voting	William Short	Marc Schaefer	Joe DeVito	John Brodbeck	Ron Matlock	Paul Savage	Roberto Denis	
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting	None Assigned							

NYISO and Hunton & Williams Members in Attendance:

- ✓ Ira Frellicher Hunton & Williams
- ✓ Mark Lynch NYISO
- ✓ Rob Fernandez NYISO
- ✓ Mary McGarvey NYISO
- ✓ Mollie Lampi NYISO

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✓ Rich Dewey	NYISO								
✓ Mike Calimano	NYISO								
✓ Frank Francis	NYISO								
✓ Amy Curley	NYISO								
✓ Leigh Bullock	NYISO								
✓ Ray Stalter	NYISO								
✓ Debbie Eckels	NYISO								
✓ Tom Shattuk	NYISO								
✓ Charles Garber	NYISO								
✓ Tom Shattuk	NYISO								
✓ Charles Garber	NYISO								

Key:

✓ = In attendance