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**NYISO Business Issues Committee Meeting Minutes**  
**September 12, 2017**  
**10:00 a.m. - 4:15 p.m.**

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

Mr. Andrew Antinori (NYPA) called the meeting to order at 10:00 a.m. by welcoming the members of the BIC. The members of the BIC identified themselves and attendance was recorded. A quorum was determined.

**2. Approval of BIC Minutes**

There were no comments or questions regarding the draft meeting minutes for the July 24, 2017 and August 9, 2017 BIC meetings that were included with the meeting material.

Motion #1:

Motion to approve the July 24, 2017 and August 9, 2017 BIC meeting minutes.

***Motion passed unanimously.***

**3. Market Operations Report and Broader Regional Markets Report**

Mr. Rana Mukerji (NYISO) reviewed the Market Operations report posted with the meeting material. There were no questions or comments.

Mr. Mukerji reviewed the Broader Regional Markets report included with the meeting material. Mr. Mark Younger (Hudson Energy Economics) requested an update regarding when the NYISO will provide an update on UDR deliverability requirements. Ms. Debbie Eckels (NYISO) stated this issue would be addressed at the September 18, 2017 ICAPWG meeting.

Ms. Doreen Saia (Greenburg Traurig) requested an update regarding the targeted in-service date for the replacement of the Ramapo 3500 PAR. Ms. Jane Quin (Con Edison) stated that the currently targeted in-service date for the replacement PAR was between September 13, 2017 and September 15, 2017.

**4. Western NY Public Policy Transmission Planning Report**

Mr. Dawei Fan (NYISO) reviewed the presentation included with the meeting material.

Mr. Howard Fromer (PSEG) requested confirmation of when the process at hand commenced. Mr. Zach Smith (NYISO) stated that the solicitation for public policies that may drive transmission needs, which subsequently gave rise to the New York State Public Service Commission's identification of the Western New York Public Policy Transmission Need in July 2015, was issued in August 2014.

Mr. Fromer stated that, based on the time it has taken to arrive at this step in the process, it is critically important that the NYISO assess ways to more efficiently and expeditiously complete this process going forward. Mr. Smith stated that a lessons learned process will be conducted and would include an assessment of ways to improve the efficient execution of the process. Mr. Smith also noted that a project has been proposed for 2018 to conduct a comprehensive review of the NYISO's reliability, economic and public policy planning processes.

Mr. Carl Patka (NYISO) stated that stakeholders had requested more time for review during this process, that the first time any new transmission planning process is conducted additional time is required, and that give the importance of the decision for the State, the NYISO is taking time needed to make sure that the work is conducted correctly.

Mr. Lawrence Willick (LS Power) raised a concern about operational impacts of the PAR included as part of proposal T014. Mr. Fan stated the System Impact Study (SIS) preliminary results for proposal T014 identified two potential overloads that could be mitigated through operating actions. Mr. Smith added these two potential overloads were only

identified under very specific transfer conditions that involved transfers from NY to Ontario and high levels of transfers from PJM to NY and not under normal conditions of securing the system during peak conditions. Mr. Smith further stated that under those specific conditions it would make sense operationally to utilize the proposed PAR to help reduce flows over the affected facilities.

Mr. Willick also stated he did not agree with the weighting accorded to production cost savings in the comparative assessment of project proposals. Mr. Steve Gibelli (NextEra) replied congestion relief is not part the primary evaluation by other ISOs/RTOs and that T014 results in NYCA load payment reductions. Mr. Fan stated that the comparative evaluation was conducted in accordance with the applicable procedures and tariff requirements.

Mr. Miles Farmer (NRDC) stated the study does not capture the social cost of carbon and recommended that this be accounted for in the future. Mr. Smith stated that this recommendation could be further considered as part of a lessons learned.

Mr. David Clarke (LIPA) stated that the cost allocation method should align with the zonal benefits provided by the project.

Mr. Aaron Breidenbaugh (Consumer Power Advocates) asked to what extent developers were committed to prices if they were selected. Mr. Smith explained that issues related to cost recovery, including any proposed cost containment measures, are determined by FERC and that the NYISO would consider enhancements to its consideration of cost containment as part of the lessons learned process.

Ms. Saia asked for a timeline for the AC Transmission proceeding. Mr. Smith stated Q1 2018. Ms. Saia recommended that a short, succinct presentation be provided to MPs and get that information out sooner.

Ms. Patti Caletka (NYSEG/RG&E) provided the following statement for the minutes:

The NYISO should evaluate the projects as submitted or as modified thru a documented bid clarification process. If the NYISO requires new information to be accounted for in its Request for Solicitation, such as an updated base case or other requirement, the NYISO should issue an addendum to the initial RFSs directing the bidders account for the new information and provide a timeline for participants to resubmit proposals for evaluation. In this way, it would provide all bidders the same opportunity to make adjustments to their submission as well as eliminate the need for the NYISO to blend components of alternative proposals submitted by a developer or re-designing or adding to projects to rectify shortcomings as well as ensure their compliance with applicable environmental and interconnection requirements.

Ms. Quin provided the following statement for the minutes:

Con Edison applauds the NYISO's and the Public Service Commission's efforts to support transmission build out driven by critical public policy requirements. We recognize that under the NYISO's tariff an appropriate cost allocation methodology in the Western New York process is the responsibility of the New York Public Service Commission and/or the developer of the selected project. If a methodology is not proposed by the NY Public Service Commission or developer the cost allocation will default to a load ratio share basis. Based on the NYISO's Draft Report, we note that the majority of the benefits accrue to certain Western and Upstate regions of the New York Control Area. Left unchanged, the Western New York cost allocation will be based on a load ratio share basis, which will inappropriately allocate significant project costs to regions that experience limited benefits from the project. The New York Public Service Commission has not yet issued a proposed cost allocation methodology that may resolve this issue,

but on behalf of our customers we remain focused on a methodology that is commensurate with the beneficiaries pay principles inherent in FERC Order 1000.

Ms. Margaret Janzen (National Grid) provided the following statement for the minutes:

Regarding the NYISO's implementation of its Public Planning Process for transmission needs in WNY, National Grid would like to express constructive feedback regarding the evaluation and comparison process, and the results of the production cost analysis.

Regarding production cost results, the NYISO should provide more detailed information on factors such as flows over internal and external interfaces, changes in generation dispatch and describe the causation of LBMP/production cost changes to give market participants a clearer view on how these projects impact the dynamics of the NY markets.

Regarding the evaluation and selection process, NYISO should clearly identify metrics that are of primary interest relative to other metrics used in selection and before project solicitation. In addition, NYISO procedures should clearly reflect responsibilities of developers and local TO with regards to the non-BPTF system.

Lastly, National Grid agrees with the NYISO conducting a 'Lessons Learned' review of the process, in order to improve it for future public policy projects.

Mr. Michael Mager (Couch White) stated Multiple Intervenors and the City of New York intended to abstain from the vote regarding the draft study, but that their respective votes should not to be construed as an objection to the NYISO's efforts throughout the process. Mr. Mager further stated that Multiple Intervenors and the City of New York understand the need to address the issues in western NY, but were choosing not to endorse any specific project at this time. Mr. Mager also suggested that, as part of a lessons learned, the NYISO assess how best to expedite the process going forward and recommended that further discussions occur with respect to revising the tariff to expressly provide for and take account of cost containment measures proposed by developers.

Mr. Younger requested clarification regarding the purpose of the vote and whether it is intended to provide an indication of agreement that the process was conducted consistent with the applicable tariff requirements or approval of the NYISO's recommendation regarding project selection. Mr. Carl Patka (NYISO) replied it is a tariff-required advisory vote that is intended to inform the Board on party's views on the report, which, as required by the tariff, includes the NYISO staff's recommendation regarding project selection. He also explained there is no ability to appeal an advisory vote as of right. The ISO Agreement, however, affords the NYISO Board of Directors (Baord) the authority to consider certain matters on its own initiative. Therefore, the NYISO is requesting that interested parties submit requests by September 15, 2017 to indicate whether they have an interest in being afforded an opportunity to submit supplemental written comments directly to the Board, as well as provide oral presentations to the Board, regarding the report.

Mr. Fromer requested clarification regarding when the applicable cost allocation methodology for any selected project will be known. Mr. Patka stated that, pursuant to the tariff, cost allocation is a separately determined matter. The tariff provides that the New York State Public Service Commission (NYPSC) may express a preference in their order establishing a Public Policy requirement. The tariff also provides that the developer may propose their own methodology within 30 days after the NYISO has selected the developer's project. If the developer proposes a methodology, the tariff provides for collaboration between the developer and NYPSC to try and establish a mutually agreed to methodology. Absent agreement, both the NYPSC's and the developer's preferred methodologies are submitted to FERC for consideration. Absent proposed methodologies from either the NYPSC or the developer, the tariff provides for application of the default load ratio share cost allocation methodology. Mr. Patka stated that, to date, the NYISO has not received an alternative cost allocation methodology proposal from the NYPSC or any developer regarding the WNY transmission need.

Mr. Breidenbaugh stated Consumer Power Advocates supports the comments of Multiple Intervenors, the City of New York and Con Edison. Mr. Breidenbaugh further stated that cost allocation needs to be aligned with FERC's requirement that beneficiaries pay.

Mr. Thomas Paynter (DPS) stated that the Commission supports the principle of beneficiaries pay in general.

#### **4a . Potomac Economics Review of Western NY Public Policy Transmission Planning Report**

Mr. Pallas LeeVanSchaick (Potomac Economics) reviewed the presentation included with the meeting material.

Mr. Paul Gioia (Counsel for the NY TOs) stated since the NYDPS had confirmed the need for building transmission in Western NY twice, and NYISO had conducted the comprehensive analysis for evaluation and selection of the project, there should not be a need for MMU to review and reconfirm that the transmission project would be beneficial to NY.

#### **Motion #2:**

**WHEREAS**, the Electric System Planning Working Group ("ESPWG") and Transmission Planning Advisory Subcommittee ("TPAS") have held a series of meetings with NYISO Staff to discuss and review the studies and analyses underlying the NYISO's findings regarding the Western New York Public Policy Transmission Need; and

**WHEREAS**, NYISO Staff has posted a draft Western New York Public Policy Transmission Planning Report dated September 5, 2017, including Appendices ("Draft Report"), for the September 12, 2017 Business Issues Committee ("BIC") meeting; and

**WHEREAS**, NYISO Staff has incorporated modifications to the Draft Report based on comments received at five joint ESPWG-TPAS meetings from July 20, 2017 through August 28, 2017.

**NOW, THEREFORE**, based on the presentation made by the NYISO at the September 12, 2017 BIC meeting and the posted Draft Report, the BIC hereby recommends that the Management Committee recommend approval of the Draft Report by the NYISO Board of Directors.

***Motion passed with 100% affirmative votes.***

#### **5. Proposed Transmission Constraint Pricing Manual Changes**

Ms. Jennifer Boyle (NYISO) reviewed the presentation included with the meeting material. There were no questions or comments.

#### **Motion #3:**

The Business Issues Committee ("BIC") hereby approves the revisions to the Transmission and Dispatching Operations Manual, Day-Ahead Scheduling Manual, and Ancillary Services Manual as more fully described in the presentation entitled "Transmission Constraint Pricing Manual Changes" made to the BIC on September 12, 2017.

***Motion passed unanimously.***

#### **6. Detailed Overview of the Brattle Study**

Dr. Sam Newell (The Brattle Group) provided an in depth review of the study posted with the meeting material.

Mr. Clarke, Mr. Mager and Ms. Hogan request clarification, and provided comments, regarding Brattle's assumptions for load reductions in 2025 resulting from energy efficiency and conservation. Dr. Newell stated that the assumed load reductions were based on conservative assumptions regarding long-term demand elasticity that resulted in an estimated reduction in load of 2.5 terawatt hours (TWh) in 2025 – or approximately 5% of large commercial and industrial load statewide.

Mr. Fromer and Mr. Rich Bolbrock (MEUA/NYMPA) provided comments regarding Brattle's assumptions related to incremental combined cycle capacity in 2025. Dr. Newell stated that the estimate was derived based on an assumption

that investment in combined cycle capacity would be economic and the amount of such investment that could be sustained as economic after accounting for reductions in energy and capacity prices that result from the additional of combined cycle capacity to the system. Dr. Newell further noted that Brattle only included 2/3 of the combined cycle capacity additions it estimated could be economic in 2025 to account for the fact that the estimate of the amount combined cycle investment being economic in 2025 may not come to fruition. Sensitivity analysis was also conducted to provide additional information on potential changes in the estimated customer cost impacts if no incremental combined cycle capacity investment occurs or if the full amount that Brattle estimated could be economic in 2025 were to occur.

Rich Bolbrock and Ms. Kelli Joseph (NRG) provided comments regarding the assumed incremental renewable capacity in 2025 and whether the assumed carbon charge would be sufficient to support such investment. Dr. Newell stated that the additional renewable capacity assumed for 2025 is consistent with the State's Clean Energy Standard goals. Dr. Newell also clarified that the study was not intended to determine whether the assumed carbon charge of \$40/ton in 2025 would be sufficient to support such investment. Rather, the study was intended to assess the impact and effects of implementing a carbon charge in the wholesale market as a complement to the State's initiatives. The \$40/ton carbon charge value was derived based on the value of the social cost of carbon in 2025, less a forecasted cost of RGGI allowances in 2025 based on information produced by RGGI as part of its currently ongoing program review.

Rich Bolbrock requested clarification regarding how Brattle calculated the estimated customer bill impact of implementing a carbon charge in the wholesale market. Dr. Newell stated that the customer bill impacts were calculated assuming an average statewide all-in energy cost (commodity and transmission/delivery) of \$0.20 per kilowatt hour (kWh).

Mr. Mager, Mr. Younger and Mr. Antinori provided comments regarding what, if any, assumptions were made regarding the disposition of any incremental energy revenues that may be attainable by NYPA from the sale of its generation in the wholesale market. Mr. Newell stated that the study and estimated customer impacts do not make any assumptions regarding the disposition of any such revenues.

Ms. Hogan requested clarification regarding the assumptions related to unit retirements in 2025. Dr. Newell stated that the only assumed retirements were the remaining coal capacity in New York and Indian Point.

Mr. Mager, Mr. Matt Schwall (IPPNY) and Ms. Saia provided comments regarding the assumed impacts of implementing a carbon charge in the wholesale market on REC prices and REC contracts in New York. Mr. Newell stated that the study does not assume that agreed to REC prices in existing contracts would be revised. Mr. Newell also noted that the sensitivity analysis does include information regarding the potential impact if all existing Tier 2 renewable facilities were eligible to receive REC payments.

Mr. Joel Yu (Con Edison) requested clarification regarding the going forward stakeholder process related to this initiative. Mr. Mukerji stated that the exact schedule has not yet been finalized, but the process will consist of both ongoing discussions in the NYISO stakeholder process and forums held jointly with the New York State Department of Public Service. Mr. Mike DeSocio (NYISO) stated that the NYISO is currently targeting a follow-up discussion regarding the going forward stakeholder process and schedule at the September 27, 2017 Management Committee meeting.

### **Working Group Updates**

- Billing and Accounting and Credit Working Group – The group met on August 21, 2017 and reviewed the standard accounting/settlement reports. KPMG provided an update on its 2017 SOC 1 audit. It was also reported that the NYISO remains on track to complete a project by the end of 2017 to provide reporting for sub accounts within the Decision Support System (DSS).
- Electric System Planning Working Group – The group met on August 18, 2017 and continued its review of the draft Western New York Public Policy Transmission Planning report. The group also met on August 28, 2017 and further reviewed the draft Western New York Public Policy Transmission Planning report, key study assumptions for the Indian Point retirement reliability assessment, and updates regarding 2017 CARIS Phase 1 study, including benchmark results and fuel price forecasts.

- Installed Capacity Working Group – The group met on August 22, 2017 and reviewed the information related to the annual update for 2018 ICAP demand curves, an update regarding the ongoing capacity market impact assessment being conducted as part of the Integrating Public Policy initiative, probabilistic locality exchange factor analysis and alternative methodologies for determining LCRs.
- Electric Gas Coordination Working Group – The group has not met since the last BIC meeting.
- Load Forecasting Task Force – The group has not met since the last BIC meeting.
- Market Issues Working Group – The group met on August 24, 2017 and reviewed the Potomac Economics' quarterly State of the Market Report for Q2 2017. The group also met on August 25, 2017 and reviewed an update regarding the initial energy market impact assessment being conducted as part of the Integrating Public Policy initiative, a capacity market aggregation proposal for distributed energy resources (DER) presented by the Advanced Energy Management Alliance, proposed manual changes related to transmission constraint pricing, eligibility of inverter-based technology to provide ancillary services, securing 100+ kV transmission facilities in the market model, energy storage integration and optimization and proposed tariff revisions related fuel cost adjustments and the minimum oil burn compensation program.
- Price Responsive Load Working Group – The group met jointly with the MIWG on August 25, 2017 and reviewed the capacity market aggregation proposal for DER presented by the Advanced Energy Management Alliance.

#### **New Business**

There was no new business.

Meeting adjourned at 4:15 p.m.