

NYISO Business Issues Committee Meeting Minutes -- DRAFT
Thursday, September 16th, 2004

Special Teleconference Meeting to Consider VSS Proposal

1. Welcome & Meeting Objectives

Wes Yeomans, Chairman of the Business Issues Committee, called the meeting to order at 10.07 AM and welcomed the members of the BIC. Attendance was taken by sector; attendees introduced themselves, naming the organizations they represent.

2. Voltage Support Service Presentation and Proposal

Liz Grisaru of the NYISO thanked the members of the BIC for attending and indicated that the motion under discussion had been revised relative to discussions at the September 13 meeting of the S&P Working Group. Ms. Grisaru indicated that the proposed motion would be limited to a tariff amendment filing, which extends the current program for one year. Ms. Grisaru stated that, under the proposal, the current compensation rate of \$3,919 would continue as it exists in the Tariff today through the end of the 2005 calendar year.

Bob Waldele of the NYISO gave a presentation entitled "Operations Reactive study, Voltage Support Service, 2004 Update." Mr. Waldele noted that the material was previously presented and discussed at the Market Structures Working Group on August 31, and during the Sept. 13 S&P teleconference.

Mr. Waldele noted that during 2004, Technical Bulletins #91, *Scheduling annual generator Reactive Capability Tests* and #103, *Voltage Support Service - Request for Qualification for facilities located within the New York Control Area* were revised to include new VSS test report forms that were designed to improve ease of reporting for cross-compound or combined cycle generators. He stated that the draft report of the Completed Phase 1 load power factor was submitted to the SOAS and that the issues for Voltage Support Ancillary Service consideration had been developed.

Mr. Waldele then reviewed issues related to the Voltage Support Ancillary Service and reactive capability testing requirements. He noted that in 2002 the NYISO Operations Engineering was assigned the lead role to review annual testing, work with Market Services to follow up deficiencies in testing, and provide confirmation to Grid Accounting during the process. Mr. Waldele confirmed that questions from suppliers had been addressed through the revisions to the Technical Bulletins. He noted that real-time voltage support issues are also being addressed on an on-going basis. Mr. Waldele stated that the number of suppliers and MVAR capability had increased – for 2004, a total of approximately 285 participating units with a gross MVAR capability in the range of 15,200 – 15,500.

Chairman Yeomans asked about the NYISO's position on load modifiers in relation to VSS payments. Mr. Waldele responded that load modifiers were an issue of visibility to the NYISO. Currently most VSS participants are ICAP providers. To date, there have not been requests for load modifiers to participate.

Mr. Waldele enumerated VSS issues in terms of three categories: issues needing immediate attention, near-term issues, and longer-term issues. Among the issues requiring immediate attention were Clarification of Testing Requirements, and the Six-year Test Requirement. Clarification of Testing Requirements was accomplished through updates to the Technical Bulletins #91 and #103. NYISO staff recommends continuation of the waiver of the Six-year Test requirement until it can be reviewed for consistency with future proposed changes to the NERC standards.

Mr. Waldele then described near-term issues. First, Reactive Capability is currently addressed in the Ancillary Services manual and in the Market Services Tariff Rate Schedule 2. Mr. Waldele indicated that NYISO staff has proposed that reactive power be metered as net MVAR - which is consistent with MW metering for ICAP DMNC and energy. All generators participating would be required to test lagging MVAR capability during the Summer Capability Period. Second, the

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current NYISO position on Gross vs. Net Capability is that net capability gives a better picture of reactive capability. The final near-term issue identified was Compensation. Mr. Waldele proposed that the Capability basis for compensation be the full demonstrated range of control – the combined lagging and leading net MVAR capability as determined by actual test.

The longer-term issues identified were Compensation for non-generator resources. This issue was raised by owners of synchronous condensers or assets that could become synchronous condensers. Interconnection Requirements issues are currently being addressed internally at the NYISO, NPCC, and NERC. Compensation for Static Compensators or FACTS-type devices is not addressed in the Voltage Support Ancillary service as there currently is no provision in Rate Schedule 2 of the Services Tariff for these devices. It was noted, however, that SVC or STATCOM, -type devices can be compensated through TCC awards. Two-tier voltage support service was identified as a longer-term issue involving the measurement of loads and the allocation of reactive resources.

Mr. Liam Baker of Reliant asked whether the manner in which MVAR capability is reported and compensated would be changed. Ms. Grisaru indicated that it would remain the same for the 2004 year. Mr. Waldele added that the compensation basis would continue to be maximum gross lagging capability.

Chairman Yeomans asked whether changes relative to the use of net and leading factors would necessitate a new tariff filing for the second through the fourth quarters of 2004. Ms. Grisaru replied that the proposed motion addressed definition of service, not dollar value.

Tim Bush of Navigant Consulting indicated that the proposed motion did not include a commitment to the study of long-term issues. He suggested the creation of a support committee to investigate longer term compensation of HVDC facilities.

Ms. Rebecca Craft of Consolidated Edison suggested that the proposed motion, in addition to addressing cost, should explore the issues with a more holistic bent and also address scope and testing considerations. Mr. Scheidrich opined that as the VSS rate would be fixed regardless of the outcome of the other two factors, the motion addresses money issues. Ms. Craft proposed a revision to the motion to include cost impacts, scope, and testing issues in the language. She reiterated that any task force addressing short and near-term issues should, upon completion of these, address long-term issues.

Motion #1:

The Business Issues Committee ("BIC") recommends that the Management Committee approve tariff amendments to extend the provisions of Rate Schedule 2 of the Services Tariff for calendar year 2005, and directs the appropriate working group to report back to the BIC by the end of the first quarter of 2005 on the cost impacts, scope, and testing issues related to the near-term proposals described in the NYISO staff presentation presented at the special meeting of the BIC on September 16, 2004.

(Motion passed unanimously with abstentions)

Meeting was adjourned at 11:18.

Respectfully submitted,
Caleb Derven
Recording BIC Secretary

NYISO Business Issues Committee

September 16, 2004

Teleconference Meeting

MOTION FROM THE MEETING

Motion #1:

The Business Issues Committee ("BIC") recommends that the Management Committee approve tariff amendments to extend the provisions of Rate Schedule 2 of the Services Tariff for calendar year 2005, and directs the appropriate working group to report back to the BIC by the end of the first quarter of 2005 on the cost impacts, scope, and testing issues related to the near-term proposals described in the NYISO staff presentation presented at the special meeting of the BIC on September 16, 2004.

(Motion passed unanimously with abstentions)

New York Independent System Operator - Committee Membership

Business Issues Committee - Attendance September 16, 2004 - Albany, 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.	✓ David Coup	Paul DeCotis	Chris Hall	Erin Hogan	John Spath			
The City of New York	End Use - Gov. Agency/Aggr.	Michael Delaney	Gil Quiniones	Scott Butler	Jonathan Wallach				
Alcoa/Reynolds Metals Company	End Use - Large Consumer	Robert Loughney	Michael Mager						
ATCO Management Co.	End Use - Large Consumer	Peter DiCapua	Scott Petersen	George Diamantopoulos					
IBM Corporation	End Use - Large Consumer	Robert Loughney	Michael Mager						
Occidental Chemical Corp.	End Use - Large Consumer	Robert Loughney	Michael Mager						
Praxair Inc.	End Use - Large Consumer	Robert Loughney	Michael Mager						
Xerox Corporation	End Use - Large Consumer	Robert Loughney	Michael Mager						
Metropolitan Transportation Authority	End Use - Large Cons. Gov.	Jesse Samberg	Gary Caplan	Walter McCarroll					
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				
CNYC Inc. (Council of NY Coop & Condo)	End Use - Small Consumer	Herb Rose	MaryAnn Rothman	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 Energy Buyers Forum	End Use - Small Consumer	Herb Rose	David Bomke	Tariq Niazi					
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			
Refined Sugars, Inc.	End Use - Small Consumer	John Gebhard	Quintin George	Catherine Luthin	✓ John Dowling	Jennifer Kearney			
NY State Consumer Protection Board	End Use - State Agency	Tariq Niazi	Doug Elfner						
AES NY	Generation Owners	Doug Roll	Charles Sjoberg	Christopher Wentlent					
American National Power, Inc.	Generation Owners	Dorothy Capra	Bill Henson						
Astoria Energy LLC	Generation Owners	Greg Banhazl	Leonard Singer						
Calpine	Generation Owners	None Assigned	Thomas Kaslow	Richard Felak					
East Coast Power Linden Holding LLC	Generation Owners	Roy Shanker	Thomas Hoatson	Robert Licato	Kathy Benini				
Edison Mission Marketing & Trading	Generation Owners	✓ William Roberts	Robert Agnello	✓ Jeffrey Ellis	Peter Brown	Rich Mooney	Pam Van Horn		
Energy Nuclear Northeast	Generation Owners	Marc Potkin	Angelo Vai	✓ Ron Mackowiak					
Indeck Energy Services	Generation Owners	Mike Ferguson	John Schrage	✓ Mark Younger					
KeySpan Ravenswood, LLC	Generation Owners	Rich Hohlman	Joe Vignola	Jim Brennan	Jim D'Andrea	Madison Milhous	Edwin Kichline		
Mirant New York, Inc.	Generation Owners	Vicki Lynch	Susann Felton	✓ Doreen Saia					
Orion Power New York	Generation Owners	✓ Liam Baker	Bill Berg						
Selkirk Cogen Partners, L.P.	Generation Owners	Tim Biittig	Steve Kamppila						
Sithe Energies, Inc.	Generation Owners	David Applebaum	Linda Clarke	Regina Carrado					
TransCanada Power Marketing	Generation Owners	William Taylor	Elaine Beaudry						
1st Rochdale Cooperative NYC	Other Suppliers	Gregory Wortham							
Advantage Energy, Inc.	Other Suppliers	Kyle Storie							
Agway Energy Services, Inc.	Other Suppliers	Russell Miller	✓ Jim Scheiderich						
Amerada Hess Corporation	Other Suppliers	Kevin LaGuardia	Blas Hernandez	George Braulke					
Cinergy Capital and Trading	Other Suppliers	Jason Barker	Walt Yeager						
Con Edison Energy	Other Suppliers	Stephen Wemple	Ivan Kimball						
Con Edison Solutions	Other Suppliers	Stephen Wemple	Rich Staines						
Conectiv	Other Suppliers	Bill Fehr	John Foreman						
Constellation New Energy Inc.	Other Suppliers	Peter Duprey	Carrie CullenHitt	Sara O'Neill	Susan Chamberlin				
Constellation Power Source	Other Suppliers	✓ Glen McCartney	Mary Lynch	Daniel Allegretti					
Coral Power, LLC	Other Suppliers	Matt Picardi	Dave French						
DC Energy	Other Suppliers	Bruce Bleiweis	Andrew Stevens	Matthew Tate					
Dominion Energy Marketing, Inc.	Other Suppliers	Wes Walker	Lou Oberski	Michael Bekker					
Duke Energy North America, LLC	Other Suppliers	Stacy Dimou	Del Disher						
Dynergy	Other Suppliers	✓ Alan Foster	Jason Cox	Kevin White	Tom May	Steve Vavrik			
ECONergy	Other Suppliers	Saul Horowitz	Tom Halleran						
El Paso Merchant Energy	Other Suppliers	Jeff Moore	Asavari Alvarez						
Exelon Generation - Power Team	Other Suppliers	David Applebaum	Linda Clarke	Regina Carrado					
Fortistar/Lockport Energy Associates, L.P.	Other Suppliers	Roger Kelley	Tom Gesicki	✓ Mark Younger	✓ Glenn Haake				
FPL Energy	Other Suppliers	Fernando DaSilva	Dan Wheeler	Sharesh Ganjoo					
HQ Energy Services	Other Suppliers	Christian Desilets	Michel Prevost	Paul Norris	Benoit Goyette				
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				
NRG Power Marketing	Other Suppliers	✓ Tim Foxen	Katie Sullivan	Peter Chamberlain					
NU / Select Energy	Other Suppliers	✓ Jim Scheiderich	Gunnar Jorgensen						

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Ontario Power Generation Inc.	Other Suppliers	Tasos Karatsoreos	Jim Mastorakos	Ken Lacivita	Erica Cheung	Scott McArthur	✓ Glenn Haake		
PP&L Energy Plus	Other Suppliers	Joseph Langan	Tom Hyzinski	Roland Moor	David Yannarell	Sharon Weber			
PSEG Energy Resources & Trade	Other Suppliers	Howard Fromer	Michael LaFalce	Bob Logan	Dennis Sobieski				
Reliant Energy Services, Inc.	Other Suppliers	✓ Liam Baker	Bill Berg						
Sempra Energy Trading	Other Suppliers	Dan Staines	Maria Agovino	Scott Englander	Robert Fagan				
SESCO Enterprises, LLC	Other Suppliers	Mike Schubiger	Jim Thoresen						
Strategic Energy LLC	Other Suppliers	Francis Pullaro	Michael Swider	Jeffrey Knox	James McCormick	Matt Morais			
Strategic Power Management, Inc.	Other Suppliers	Mario DiValentino	Tom Folchi	Dan Duthie					
TransEnergie U.S. Ltd.	Other Suppliers	Michael Jacobs	José Rotger						
Williams Energy Marketing & Trading Co.	Other Suppliers	David Singer	Dennis Keener	Robert O'Connell					
Long Island Power Authority	Public Power - Authorities	James Parmelee	Kevin Jones	✓ Dave Clarke	Jim Wittine				
New York Power Authority	Public Power - Authorities	Bob Deasy	Bob Gow	Paul Rougeaux	✓ Kevin Kipers				✓ Lou Consiglio
American Wind Energy Association	Public Power - Environmental	Valerie Strauss	✓ Larry DeWitt	Douglas Ward	Mike Jacobs				
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	Ken Moore	✓ Tim Bush	Matthew Benesh	Ken Moore	Jack Brown			
City of Jamestown Board of Pub. Util.	Public Power - Munis & Co-ops	Michael Darroch	✓ David Gustafson	Wally Haase	Tom Rudebusch				
Plattsburgh Municipal Lighting Dept.	Public Power - Munis & Co-ops	Jack Brown	✓ Tim Bush	Ken Moore					
Village of Fairport	Public Power - Munis & Co-ops	Ken Moore	✓ Tim Bush	Paul Pallas					
Village of Freeport	Public Power - Munis & Co-ops	Anthony Fiore	Ted Kimlingen						
Village of Rockville Centre	Public Power - Munis & Co-ops	Tom Cardie	Ken Moore	Matthew Benesh	Jim Hamilton	Paul Pallas	Jack Brown	Tom Rudebusch	
Village of Westfield	Public Power - Munis & Co-ops	Jim Hamilton	✓ Tim Bush	Ken Moore	Matthew Benesh	Jack Brown	Paul Pallas		
Central Hudson Gas & Electric	Transmission Owners	James Valleau	✓ Thomas Canino	Jeff May	Rick Greener				
Consolidated Edison	Transmission Owners	✓ Rebecca Craft	Gerry Dunbar	Neil Butterklee					
National Grid	Transmission Owners	Bart Franey	✓ Wesley Yeomans	Jerry Ancona					✓ Mayer Sasson
NY State Electric Gas (NYSEG)	Transmission Owners	✓ Ray Kinney	Patti Caletka	Steve Jeremko	Hank Masti				
Orange & Rockland, Inc.	Transmission Owners	None Assigned							
Rochester Gas & Electric	Transmission Owners	✓ Ray Kinney	Patti Caletka	Steve Jeremko	Hank Masti				
Boundless Energy, L.L.C	Non-voting	Brian Chernack	Chuck Gilbert	Mark Mainetti					
Caithness Energy, L.L.C	Non-voting	Ross Ain	Jack Feinstein						
Cianbro Corporation	Non-voting	Ed Krapels	Brian Chernack	Paul Flemming					
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	Gerald Strassner						
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	✓ Bill Heinrich	David Drexler						
The Structure Group	Non-voting	Bob Furry							
Tom Halleran	Non-voting	Tom Halleran							
William P. Short	Non-voting	William Short	Marc Schaefer	Joe DeVito	John Brodbeck	Ron Matlock	Paul Savage	Roberto Denis	
zNew Member	Non-voting	None Assigned							

NYISO and Hunton & Williams Members in Attendance:

Ira Freilicher	Hunton & Williams
Kathy Robb	Hunton & Williams
✓ Ken Davis	Hunton & Williams
Rob Fernandez	NYISO
Bill Museler	NYISO
✓ Bob Thompson	NYISO
✓ Liz Grisaru	NYISO
✓ Brad Kranz	NYISO
✓ Elaine Robinson	NYISO
✓ Gerald Deaver	NYISO
✓ Leigh Bullock	NYISO
✓ Ray Stalter	NYISO
✓ Debbie Eckels	NYISO
✓ Caleb Dervan	NYISO

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✓ Maria Sturgess	NYISO								
✓ Bob Waldele	NYISO								
Tim Schmehl	NYISO								
Phil Gootee	NYISO								
John Cutting	NYISO								
Jane Lathrop	NYISO								
Ernie Cardone	NYISO								
John Charlton	NYISO								
Kathy Whitaker	NYISO								
Andy Hartshorn	NYISO/LECG								

Key:

✓ = In attendance