

**NYISO Business Issues Committee Meeting Minutes****March 17, 2016****2:05 pm – 4:30 pm**

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

The Chair of the Business Issues Committee (BIC), Mr. Chris LaRoe (Brookfield Power) called the meeting to order at 2:05 pm by welcoming the members of the BIC. The members of the BIC identified themselves and attendance was recorded. A quorum was determined.

**2. Meeting Minutes**

There were no comments or questions regarding the minutes of the January 13, 2016 or February 10, 2016 BIC meetings that were included with the meeting material.

**Motion 1:**

Motion to approve the minutes of the January 13, 2016 and February 10, 2016 BIC meetings.  
*Motion passed unanimously.*

**3. Market Operations Report**

Mr. Rana Mukerji (NYISO) reviewed the market operations report included with the meeting material. Bruce Bleiweis (DC Energy) asked for information pertaining to the cyber attack in Ukraine, which was discussed at MC Liaison subcommittee meeting on March 15, 2016. Mr. Mukerji stated that Mr. Doug Chapman (NYISO) will provide a report on this issue at the next Management Committee meeting.

**4. Broader Regional Markets Report**

Mr. Mukerji reviewed the broader regional markets report included with the meeting material, noting that the report has been streamlined. Mr. Dave Clarke (LIPA) asked if there was any update regarding FERC action in the proceeding related to cost allocation for the Michigan-Ontario PARs. Mr. Mukerji indicated that the NYISO is continuing to await FERC action on the ALJ's Initial Decision that was issued December 18, 2012.

**5. Planning Update**

Mr. Zach Smith (NYISO) provided the update. Mr. Smith noted that the 2015 Northeastern Coordinated System Plan review schedule has been posted and will be discussed at the March 22, 2016 Joint ESPWG/IPTF/TPAS meeting. An IPSAC webex meeting regarding the plan will be held on May 9, 2016. There were no questions or comments.

**6. Coordination Agreement between ISO NE and NYISO – ministerial revisions**

Mr. Ethan Avallone (NYISO) reviewed the presentation included with the meeting material. There were no questions or comments.

**Motion 2:**

The Business Issues Committee ("BIC") hereby recommends that the Management Committee approve changes to the NYISO's Coordination Agreement with ISO-NE as more fully described in the "Coordination Agreement between ISO-NE and NYISO - Ministerial Clean-Up Revisions" presentation made to the BIC on March 17, 2016.

*Motion passed unanimously.*

## 7. Demand Curve Reset Process Changes

Paul Hibbard of the Analysis group presented a summary of the changes recommended to the ICAP Demand Curve reset process as described in the presentation that was included with the meeting material).

Summary of changes include:

- Demand Curve Reset Period: 4 years (currently, 3 years)
- Net EAS revenues
  - Forecast net Energy and Ancillary Services (EAS) revenues using three-year average of historical net revenues (with no econometric adjustments)
  - Adjust historical revenues to reflect market conditions at the tariff-specified level of excess (i.e., minimum installed Capacity Requirement, plus MW rating of peaking unit) through GE MAPS based scaling factors (“level of excess” adjustment)
- Annual updates
  - Net EAS revenues: Update annually based on updated historical net EAS revenues (new LBMPs and costs), applying fixed “level of excess” adjustment factors
  - Gross cost of new entry (CONE): Adjust all zones based on single composite escalation factor, using finalized data at the time of update, sourced from publicly-available indices
  - Calculation of Reference Point Prices: Include annual updates to the winter-to-summer ratio (WSR) to reflect changes in system conditions

Mr. Howard Fromer (PSEG) questioned the method of calculating the net EAS revenues and what costs would be utilized to determine whether it would be economic for the peaking plant to produce energy during any given period. Mr. David Allen (NYISO) said the gas price costs for the peaking plant will reflect actual costs over the historical three year period being assessed.

Mr. Mark Younger (Hudson Energy Economics) stated he has a concern with the proposed methodology for the level of excess adjustment and he does not think it is appropriate to do it in the way that has been proposed. He added that there haven’t been any calculations done regarding the magnitude of the level of excess adjustment factors for this reset and we are, at this time, only relying on information drawn from what NERA did in the last reset to substantiate claims regarding the expected magnitude of this adjustment factor going forward. Mr. Hibbard stated that while a more complex methodology involving a table of adjustment factors for different levels of excess could be developed, its usefulness or improved accuracy compared to what has been proposed is questionable. Mr. Fromer stated that locking in a number that you are going to apply for the next three annual updates, as is being proposed, may also be inaccurate. Mr. Allen said when this process began, the goal was to come to approach that was conceptually consistent with the criteria we laid out; both getting towards accuracy and something that is simple, repeatable and formulaic. Mr. Allen noted that we still have to go through the demand curve reset process and decide the parameters that go into the modeling before knowing what the ultimate results of this process will be.

Mr. Clarke stated that LIPA supports the proposed level of excess adjustment methodology. The proposal is to start out with historic revenues and adjust them to the tariff specified excess levels of surplus. Since we have had significant historic capacity surplus beyond these minimum design levels in the past, the historic energy and ancillary service revenues are lower than they would be if there had been no surplus. Therefore, the use of those historic pricing lower levels without a level of excess adjustment would result in revenue estimates that don’t match the capacity supply assumptions that are being used to determine the net CONE values for the ICAP Demand Curves.

Ms. Margie Philips (Direct Energy) stated a concern with timing of the updates to the WSR value and how it is calculated. She stated that she supports the inclusion of annual updates if the WSR is taken out of the proposal and worked on over the course of the ongoing reset.

Mike Mager (Couch White) explained that Multiple Intervenors (MI) and the City of New York support the NYISO's proposal. Mr. Mager noted, however, that their comfort level in going from 3 to 4 years is directly related to having annual updates and that the comfort level with annual updates is directly related to them being very mechanical, non-controversial, and simple to implement and understand.

Mr. Mark Younger stated that during the last reset, the level of excess adjustment increased the net EAS offset for the upstate unit by 10%. Use of an adjustment factor that is not modified to account for changes in the actual level of excess over time is likely to overstate the level of the adjustment based on the expectations of shrinking excess in New York over the coming years. Given the claim that the level of excess adjustment is not likely to be a big adjustment, he believes the proper thing is to remove the level of excess adjustment entirely rather than determine a speculative value for the adjustment. Due to the use of historical market prices, the process will inherently correct for changes in excess over time and reflect how the changes actually affected market outcomes. Mr. Younger contended that that would be a much more transparent process and avoid the potential for inappropriate results.

Mike Cadwalader (Atlantic Economics) noted opposition to the suggestion that the level of excess adjustment be eliminated and explained the potential complexity related to the alternative of developing a table of adjustment factors for different levels of excess and selecting different adjustment factors to apply annually.

Ms. Kelli Joseph (NRG) explained NRG supports moving from 3 to 4 years but does not support annual updates. Ms. Joseph noted that NRG is not comfortable with the level of uncertainty associated with annual updates. She added that NRG would be more supportive of annual updates if included as part of a proposal to implement a forward capacity market construct.

Chris Hargett (Con Edison) stated that Con Edison and O&R agree with LIPA and MI and support the NYISO's proposal regarding the level of excess adjustment. Mr. Hargett stated that estimating level of excess adjustments in the annual update period is too challenging and unlikely to provide a material improvement in the accuracy of the results. He explained that Con Edison proposed a collaring mechanism during recent ICAPWG discussions that would limit the allowable magnitude of changes to the reference point price values resulting from the annual update process. Mr. Hargett noted that many stakeholders appeared supportive of the collaring mechanism. Mr. Hargett explained that the reference point price collar would cap the maximum allowable year over year change in ICAP Demand Curve reference point prices calculated pursuant to the annual updates for the 2018/2019, 2019/2020 and 2020/2021 Capability Years with a 12% maximum allowable increase and an 8% maximum allowable decrease. Mr. Hargett noted that Con Edison would be proposing an amendment to the motion to, in part, address their proposed collaring mechanism.

Mr. Dave Lawrence (Energy Connect) noted concerns regarding application of the proposed collaring mechanism to reference point prices. Mr. Lawrence stated that it would better to apply the collar to the annual reference value (*i.e.*, net CONE) for each peaking unit.

Mr. Hargett noted that Con Edison did not support applying the collar mechanism to annual reference values for peaking units because this would fail to adequately address the concerns regarding the potential for volatility in year-to-year changes in the reference point prices. This potential volatility is what Con Edison is seeking to mitigate through its proposed collaring mechanism.

Motion #3a:

### Motion to amend motion 3:

The Business Issues Committee (“BIC”) hereby recommends that the Management Committee approve the proposed changes to the ICAP Demand Curve reset (“DCR”) process to implement a four year DCR period with annual updates, as more fully described in the presentations entitled “NYISO 2015/2016 ICAP Demand Curve Reset” and “Proposed DCR Process Changes” made to the BIC on March 17, 2016; provided, however, that: (i) as discussed at the March 17, 2016 BIC meeting, the proposal shall be revised to include the collaring concept, which shall be limited in duration to the 2017-2021 demand curve reset period and will be applicable at the identified percentage levels to the reference point price values for the 2018/2019, 2019/2020 and 2020/2021 Capability Years; and (ii) while the BIC recommends that the winter-summer ratio shall be one of the parameters updated annually, the specific methodology to be applied to calculate annual updates to the winter-summer ratio for the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 Capability Years remains under review and the BIC requests that the ICAP Working Group seek to define the methodology for discussion and action at the MC meeting where the agenda item concerning the revisions to the demand curve reset process is addressed.

*Motion passed with 100% affirmative votes.*

### Motion #3:

The Business Issues Committee (“BIC”) hereby recommends that the Management Committee approve the proposed changes to the ICAP Demand Curve reset (“DCR”) process to implement a four year DCR period with annual updates, as more fully described in the presentations entitled “NYISO 2015/2016 ICAP Demand Curve Reset” and “Proposed DCR Process Changes” made to the BIC on March 17, 2016; provided, however, that: (i) as discussed at the March 17, 2016 BIC meeting, the proposal shall be revised to include the collaring concept, which shall be limited in duration to the 2017-2021 demand curve reset period and will be applicable at the identified percentage levels to the reference point price values for the 2018/2019, 2019/2020 and 2020/2021 Capability Years; and (ii) while the BIC recommends that the winter-summer ratio shall be one of the parameters updated annually, the specific methodology to be applied to calculate annual updates to the winter-summer ratio for the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 Capability Years remains under review and the BIC requests that the ICAP Working Group seek to define the methodology for discussion and action at the MC meeting where the agenda item concerning the revisions to the demand curve reset process is addressed.

*Motion passed by majority show of hands with abstentions.*

### Working Group Updates

**BAWG** – Mr. Norman Mah (Con Ed Solutions) reported that BAWG had met and reviewed the grid accounting report.

**CPWG** – Mr. Mah reported that the CPWG did not meet since the last BIC meeting.

**ESPWG** – Mr. Butler provided the following written report:

ESPWG has met twice since the last BIC meeting.

- Activity has focused on development of a new transmission interconnection process for projects selected in a planning process, Development Agreements for the public policy and reliability planning processes, and a pro forma Operating Agreement for non-incumbent transmission projects.

- ESPWG also reviewed the treatment of energy efficiency and demand-side measures in the new load forecast to be released shortly, and heard about the NYISO's new, planned Clean Power Plan study, which will examine the potential impact of large-scale renewable penetration on system operations.

- Finally, the NYISO reviewed the topology assumptions used in its study of the proposed Fitzpatrick deactivation. The deadline for proposals to address the projected capacity shortfall caused by the Fitzpatrick retirement and other retirements has been postponed until April 29, 2016 so that the NYISO can update the projected need to reflect the new load forecast due out shortly.

**ICAPWG** – Mr. Liam Baker (EasternGen) reported that the ICAPWG has worked on the proposed ICAP Demand Curve reset process changes proposed at today’s BIC meeting and the Renewables and Self-Supply Compliance Filing.

**IPTF** – The group has not met since the last BIC meeting.

**LFTF** – Mr. Bryan Irrgang (LIPA) reported the LFTF finalized the 2016 ICAP forecast.

**MIWG** – Mr. Bob Boyle (NYPA) reported that the MIWG met several times and discussed the changes to the Coordination Agreement between ISO-NE & NYISO, Energy Storage Optimization, Hybrid GT Pricing Improvements, FERC Offer Cap NOPR, and the Annual Broader Regional Markets FERC Report.

**PRWLG** – The group did not meet.

**EGCWG** – The group will meet March 31, 2016.

## **8. New Business**

Mr. Paul Gioia (Whiteman Osterman & Hannah) stated that for several years the Transmission Owners, LIPA and NYPA have been urging the NYISO to consider developing the criteria for elimination of capacity zones. He noted that the Transmission Owners previously received assurances that this effort was going to happen this year. NYISO, however, subsequently informed the Transmission Owners that given all the work related to the ICAP Demand Curve reset and other capacity market projects that the NYISO will not be able to pursue the project this year. There was concern among the Transmission Owners about supporting a four year demand curve period without considering zone elimination rules. Mr. Gioia stated that in response to such concerns, the Transmission Owners have been assured by NYISO that once the ICAP Demand Curve reset reports are completed, that the NYISO will reconvene consideration of the criteria for the elimination of the zones with the objective that any stakeholder approved tariff provisions coming out of that process would be filed next year, and that this issue would retain its priority status next year. In response to a request from Mr. Gioia, Mr. Mukerji committed that the NYISO will work on this matter as soon as possible.

Meeting adjourned at 4:30 pm.