

DRAFT**NYISO Business Issues Committee Meeting Minutes****December 5, 2012****10:00 a.m. – 2:00 p.m.**

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

The chair of the Business Issues Committee (BIC), Ms. Deidre Altobell (Con Edison), called the meeting to order at 10:05 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 Meeting Minutes – October 17, 2012 and November 14, 2012Motion #1:

The Business Issues Committee (BIC) approves the October and November 2012 meeting minutes.

The motion passed by show of hands with an abstention

3. Seams Report

Mr. Rana Mukerji (NYISO) reviewed the Seams Report included with the meeting material. There were no questions or comments.

4. Planning Update

Mr. Henry Chao (NYISO) provided the planning update. For EIPC, the Stakeholder Steering Committee discussed the draft phase 2 report, which is posted on the EIPC website. Mr. Chao encouraged NY stakeholders to submit comments to the EIPC by December 10. The phase 2 report contains reliability analysis and production cost of the final three scenarios that were defined in last year's phase 1 report that was submitted and accepted by the DOE.

Mr. Rich Miller (Con Edison) said it was his understanding that the electric gas coordination study was being moved under the EIPC. He asked the NYISO to provide status reports in its monthly planning update to BIC. Mr. Chao provided a brief history of the study. The NYISO issued an RFP earlier in 2012 and received a large volume of responses. Unfortunately, the bids to the RFP were much higher than the NYISO initially expected. The NYISO spoke with EIPC because EIPC would have leftover funding. EIPC stakeholders and the DOE responded positively and the NYISO sought to incorporate new responses from the new study participants, which included NYISO, ISONE, PJM, IESO, TVA and MISO. The EIPC intends to issue the RFP through PJM in January 2013 because PJM is the primary contractor of the EIPC funding. Mr. Miller asked if the RFP will have a date of completion for the report. Mr. Chao said the RFP will be issued and contractor will respond to complete the study by end of 2014. He noted that the NYISO would like the study completed in phases so the results can be reviewed by Market Participants (MPs) in a timely manner.

5. Proposed Revisions to OATT Attachment F

Mr. Sheri Prevratil (NYISO) reviewed the presentation included with the meeting material. The revisions are required to satisfy a condition included in the Commodities Futures Trading Commission's (CFTC) proposed exemption order. This condition provides that no ISO/RTO tariff can include a requirement that market participants be notified before their Confidential Information is provided to the CFTC in response to a CFTC data request. Currently, Attachment F requires NYISO to provide advance notice to the MPs whose Confidential Information is being requested pursuant to an order or a subpoena from a court or regulatory body (except for FERC). In order to comply with the

condition included in the CFTC's Proposed Order, NYISO proposes to treat CFTC requests the same as FERC requests for information under Attachment F. As discussed, the NYISO made clear that the proposed tariff revisions would only be filed with FERC if the CFTC's final exemptive order includes this condition.

Motion #2:

The Business Issues Committee (BIC) approves the Tariff Revisions pertaining to the notice requirement for disclosing Confidential Information as described at this BIC meeting on December 5, 2012 and recommends that the Management Committee approve the proposed tariff revisions for purposes of a Section 205 filing by the NYISO. Filing of such tariff revisions with FERC will be subject to the conditions described in the materials presented at the December 5, 2012 BIC.

The motion passed by show of hands with abstentions

6. Interchange Distribution Calculator (IDC) Billing – Proposed Tariff Changes

Mr. Chris Russell (NYISO) reviewed the presentation included with the meeting material. IDC is a tool that supports the NERC Transmission Loading Relief (TLR) procedure for the Eastern Interconnection. The tool is needed by NYISO Operations, but NERC will no longer cover its cost in the Quarterly fee. To ensure the continuation of the services, the Eastern Interconnection Reliability Coordinators (RCs) will enter into an agreement with OATI for the provision of the IDC Tools (effective April 1, 2013). OATI, instead of NERC, will bill the RCs for the cost of the IDC Tools.

Mr. Miller said Con Edison believes that IDC is not a section 215 FPA activity that never should have been part of the NERC budget. However, this charge should have been an ordinary administrative charge for the NYISO and not a non-budget item and it should be cost allocated in accordance with the Rate Schedule 1 formula. Mr. Russell noted that the 2013 budget has already been approved by the NYISO Board of Directors. Mr. Miller said it would be acceptable to Con Edison to proceed with this proposal as a non-budget item for one year. Mr. Tom Rudebusch (NYAPP) and Mr. Kevin Lang (City of New York) supported Con Edison's position.

Mr. Scott Leuthauser (HQ US) said he support the proposal as outlined in the presentation. Ms. Doreen Saia (GenOn) agreed with Mr. Leuthauser and added that IDC is a tool to manage the TLR process, which exclusively is a load issue to address congestion.

Mr. Miller amended the motion to include language that the IDC would be a budget charge beginning on January 1, 2013. The mover and seconder deemed the amendment as friendly. Ms. Mollie Lampi (NYISO) asked that the minutes reflect that the filing to FERC will include a sunset date to effectuate the BIC vote. Mr. Chris LaRoe (IPPNY) requested a roll call vote.

Motion #3:

The Business Issues Committee (BIC) recommends that the Management Committee approve, and recommend to the NYISO Board for filing under Section 205 of the Federal Power Act, amendments to the OATT Section 6.1.3 as described in the presentation made to the BIC this date, December 5, 2012, **provided, however, that the charge will be a budget charge beginning on January 1, 2014.**

The motion failed with 57.0% affirmative

7. Economic Planning Manual Process – Proposed Manual Changes

Mr. Howard Tarler (NYISO) reviewed the presentation included with the meeting material. He noted that MPs have suggested changes to this manual and the NYISO has compiled a list and MPs are welcome to offer additional suggestions that the NYISO will discuss in the future.

In response to a question, Mr. Tarler said the manual conforms to the tariff. Ms. Saia asked about the idea of combining all of the planning manuals into one manual. Mr. Tarler said the NYISO's plan is to make changes to each of these manuals, but the NYISO would discuss with stakeholders if it would make sense to continue to keep separate manuals.

Motion #4:

The Business Issues Committee (BIC) hereby approves the proposed changes to the Economic Planning Process Manual as presented and described at the December 5, 2012 BIC Meeting.

The motion passed by show of hands with one opposed and abstentions

8. Demand Response (DR) in the Real Time Energy Market – Market Design Concept Approval

Ms. Donna Pratt (NYISO) reviewed the presentation included with the meeting material. FERC ordered the NYISO to allow for qualified DR resource participation in its real-time energy market. The NYISO concept seeks to streamline enrollment for DR resources in order to increase DR participation in its markets and model them as supply resources. She noted that the NYISO will have to further discuss the principles of this concept with its stakeholders in early 2013.

Mr. Younger noted there are very few Energy Limited Resources (ELR) in New York and analysis has been done that shows that 4 hours of responding is not enough for ELR. He suggested that the NYISO should look at whether maintaining the limit of only 4 hours for the ELR and for DR is appropriate or if it needs to be expanded. He said there hasn't been a need to look at the rules, but if there are significantly more resources latching onto the ELR rules, then those basic rules should be reviewed.

Mr. Bob Boyle (NYPA) said slide 14 notes a restriction that says "permitted up to the applicable baseline load." He said this should be under consideration and not defined as one of the rules. The applicable baseline load plus the export capability allowed by the Transmission Owner to the grid should be discussed. Ms. Pratt noted that her presentation outlines concept principles and the NYISO would need to discuss behind the meter generation with its stakeholders.

Mr. David Lawrence (EnergyConnect) asked if stakeholders don't want to proceed with this methodology in six months from now, would the NYISO would have its hands tied to the BIC conceptual vote. Ms. Pratt said the BIC conceptual vote gives the NYISO a starting point to develop the market rules. She noted that the NYISO has historically used this process to develop its DR products. Mr. Mike Mager (Multiple Intervenors (MI)) agreed and noted that MI's ultimate support of this concept will depend on the specifics of the final rules and if they are reasonable and they provide a reasonable and verifiable product to the market.

Mr. Samuel Wolfe (Viridity Energy) asked for a more detailed explanation of the daily offer obligation. Mr. David Allen (NYISO) said the daily offer requirement would only apply to Dispatchable Demand Response (DDR) that only elect to participate in the capacity market and so it would be part of their capacity obligation to submit their economic offers in the DAM, similar other resources that are capacity suppliers. Mr. Wolfe asked if DR currently in the SCR subject to that must offer requirement. Mr. Allen said this would be a change and explained that if an entity wanted to sell capacity and participate in the energy and ancillary services market, this would be a new requirement for an entity. If an entity didn't want to provide daily offers, it could continue to participate as an SCR. Mr. Boyle expressed a concern that if the straw vote is agreed to, does it limit everyone from exploring CLR in the future. Ms. Pratt said the straw vote provides the NYISO a starting point and added that it's possible the ELR and CLR may not fit.

Mr. David Ahrens (Energy Spectrum) asked what is the timeline for developing the different details of the program. Ms. Pratt said the NYISO will be working on this project through the end of 2013, and the NYISO plans on releasing a high level schedule of how the NYISO intends to address each topic of the program. Mr. Ahrens expressed a concern that the presentation restricts the ability of DR resources in the new product due to the reference of ELRs. Mr. Lawrence added that he didn't believe this presentation placed restrictions on the concept design and that this is a first step for the NYISO.

Mr. Jim D'Andrea (TC Ravenswood) asked if the NYISO performed an analysis of what percentage of load could be served by DR in a reliable manner. Ms. Pratt has been discussing with the NYSRC-ICS in this area, but has not considered any limits on DR in the marketplace. Mr. Boyle said the NYSRC-ICS has been exploring this and there hasn't been any study performed. He noted that the NYISO may be the first in the nation to create the study. He cautioned DR in the RT market may be limited by the mitigation rules surrounding them and companies may not wish to share that information. Ms. Pratt mentioned that the NYISO did a study with the ICS to look at what would happen if the DR actually responded during peak hours and how DR would affect the peaks.

The BIC approved the NYISO's market concept design with two abstentions.

9. Consumer Impact Analysis – Enhanced Scarcity Pricing

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

10. Enhanced Scarcity Pricing – Proposed Tariff Changes

Mr. Matthew Musto (NYISO) reviewed the presentation included with the meeting material. In response to a recommendation from the 2011 state of the market report, the NYISO proposed enhancements to the current market rules that would set pricing consistent with locational activations and obtain consistency between dispatch and scarcity assumptions.

Mr. Ting Chan (Central Hudson) noted that two examples were removed on slide 10 that were in the MIWG presentation, but not in the BIC presentation and asked the NYISO to include those examples for the MC presentation as they helped explain the energy calculation better. He also asked the NYISO to clarify slide 9 and make it consistent with the tariff language. Mr. Musto agreed. Mr. Boyle asked if the NYISO could include settlement data for the two examples on slide 12. Mr. Musto said he would take that back.

Ms. Saia asked if the NYISO could clarify the implementation date of Q2 2013. Mr. Shaun Johnson (NYISO) said the current spring software release is queued up for June. Ms. Saia asked the NYISO to provide the MC the schedule of spring software releases and said it would be helpful to target its release before June. She also asked the NYISO to file with sooner rather than later. Mr. Johnson said the NYISO planned on filing soon after the January NYISO Board of Directors meeting. Ms. Saia commended Mr. Musto for bringing this proposal forward and addressing stakeholder concerns.

Mr. Miller said Con Edison understood the importance of aligning scarcity pricing with scarcity situations. However, Con Edison doesn't believe this is the perfect solution to get the most economically efficient result in shortage situations. Con Edison amended the motion because it would like to see this proposal move forward but would like a comprehensive look at shortage pricing. Mr. Miller noted that the BIC is voting on the concept and that the MC will vote on the tariff language. Mr. Mukerji said the NYISO could provide a straw proposal that would more comprehensively address shortage pricing by Q2 of 2014, but noted the motion language wouldn't require the NYISO to implement the proposal by Q2 of 2014. The mover and seconder deemed the amendment as friendly.

Motion #5:

The Business Issues Committee (BIC) approves the design pertaining to Enhanced Scarcity Pricing as presented to this BIC meeting on December 05, 2012, **provided, however, that the NYISO will provide a comprehensive evaluation and proposal regarding shortage pricing by the 2nd quarter of 2014.**

The motion passed by show of hands with abstentions

11. Consumer Impact Analysis – 2013 Projects

Mr. Niazi reviewed the presentation included with the meeting material. In 2013, the NYISO's Consumer Interest Liaison will analyze the following projects: Additional Capacity Zones; Demand Response; Real Time Energy Market; Coordinated Transaction Scheduling; PJM; DRIS-SCR Provisional ACL; and Selection of Most Economic Generating Technology. This analysis will be performed prior to committee approval.

Mr. Chan said Central Hudson disagreed with the Additional Capacity Zone consumer impact analysis that has been performed thus far and the NYISO governance process should have a discussion on the boundaries of a new zone. Mr. Niazi noted that the NYISO would be presenting its proposal to stakeholders in January 2013.

12. Working Group Updates

BAWG – Mr. Angel Morales (Con Edison) reported that the BAWG discussed the NERC IDC that was acted by BIC and there was discussion of receiving the metering data on time for the holidays.

CPWG – No update.

EGCWG – No update.

ESPWG – Mr. Aydemir Nehrozoglu (Con Edison) reported that the ESPWG is currently reviewing lessons learned items and study assumption issues for the next CARIS. The two major tasks going forward will be the development of the CRP, which is targeted for completion within the first quarter of 2013, and the CARIS Phase 2 study proposed by LS power, which will be conducted through the first half of 2013. LS Power's proposed CARIS Phase 2 project is a new 345 kV transmission line between Edic and Fraser.

ICAPWG – Mr. Chris LaRoe (IPPNY) reported that ICAPWG met jointly with MIWG to discuss the consumer impact analysis on the Additional Capacity Zone. The NYISO also presented for the first time on an item that was recommended from Dr. Patton and FTI of exempting merchant facilities from mitigation. The NYISO also gave a presentation on drawing parameters and criteria for various stages of inability to not participating in the capacity market. That presentation was intended to apply to the variability of resources in the capacity market, but the conversation evolved into planning discussions on CRIS rights. And finally the development of the demand curve process was discussed with NERA representatives.

IITF – No update.

IPTF – Mr. Nehrozoglu reported that the IPTF is currently working on Order 1000 compliance for interregional planning. A compliance filing is due April 11, 2013 to FERC. A key item under discussion is a proposal for inter-regional cost allocation. NYISO will be asking for MP comments on this proposal.

LFTF – Mr. Arthur Maniaci (NYISO) provided the LFTF update. The task force seeks to perform and conclude its 2013 ICAP weather normalization work in December.

MIWG – Ms. Patti Caletka (NYSEG/RG&E) reported that MIWG met jointly with PRLWG to discuss the quarterly state of the market report and the items that the BIC voted on. MIWG also met jointly with PJM participants to discuss the CTS concept proposal.

PRLWG – No update.

13. New Business

Ms. Altobell thanked the outgoing working group chairs and named the 2013 working group chairs.
Meeting adjourned at 2:00 p.m.