

## NYISO Business Issues Committee Meeting Minutes– DRAFT

Wednesday, January 19th, 2004~~5~~

NYS Nurses Association  
11 Cornell Road  
Latham, NY 12110

### 1. Welcome & Meeting Objectives

Jim Scheiderich, Chair of the Business Issues Committee (BIC), called the meeting to order at 10:21 AM and welcomed the members of BIC. Attendees introduced themselves, naming the organizations they represent.

### 2. Approval of minutes for 12/15/2004

NYISO staff distributed the final draft minutes from the December 15<sup>th</sup> meeting, which included Market Participant comments, to BIC members before the meeting.

Motion 1:

Motion to approve the minutes from the ~~December 15~~November 17<sup>th</sup> BIC meeting.

*(Motion passed unanimously by a show of hands.)*

### 3. Chair's Report

Mr. Scheiderich reported that the BIC working group issues matrix was distributed for review. Mr. Scheiderich indicated that both the Credit Issues Task Force and the Generator Issues Task Force were presently without chairpersons. Mr. Scheiderich indicated that these positions would be filled when necessary.

~~Mr. Ray Stalter, of the NYISO, commented on the January 18th marketplace notification regarding AMP and solicited the BIC for feedback. In response to a question from Mr. Mark Younger of Slater Consulting, regarding the deadlines for pursuing a filings re hearing of the D.C. Circuit decision, Ms. Liz Grisaru of the NYISO replied that filings were due 45 days from the Appellate Court ruling. Ms. Grisaru also stated that the NYISO was considering asking for such a rehearing. At the same time the NYISO was considering contingency plans in the event that the court decision became effective without any modification. In response to a question from Tariq Niazi of the NY State Consumer Protection Board, regarding NYISO analysis and reporting of the AMP, Ms. Grisaru replied that the NYISO would not be performing further analysis. Ms. Grisaru added that in the event that the AMP decision was reversed, the NYISO would be planning ahead.~~

### 4. Market Operations Report

Mr. Charles King of the NYISO presented the Market Operations Report and noted the new all-time winter peak load on December 20<sup>th</sup>, 2004 of 25,540 MWs. Average costs rose in comparison to November; the increase was attributable to higher loads and higher gas prices.

With regard to SMD2, Mr. King noted that Mr. Rich Dewey of the NYISO had presented an SMD Readiness Report at the January 12<sup>th</sup> MSWG, and that additional information was disseminated during the January 14<sup>th</sup> SMD2 Technical Conference. In response to a question from Ms. Doreen Saia of Mirant, Mr. King noted that the NYISO would be monitoring system reliability, including any unduly cold or inclement weather, prior to the February 1<sup>st</sup> implementation.

### 5. Regional Market Enhancements

Mr. King noted that, with regard to the elimination of rate pancaking, on Nov. 18, 2004, FERC ordered the elimination of the regional through and out rate for transactions sinking in PJM and MISO and conditionally accepted the rate design proposal filed by the Unified Plan proponents effective December 1, 2004. Although FERC accepted the NYISO's proposal to implement the Phase 1 ITS/VRD Pilot Program, the pilot would not be conducted during January 2005. Mr. King indicated the ICAP Working Group would be used as the forum to discuss interregional ISO RAM issues and that NYISO had submitted a hybrid proposal to its stakeholders for consideration which incorporates a forward capacity market for procurement of a portion of future resource requirements. In a response to a question from Mr. Kevin Jones of Navigant Consulting for LIPA, Mr. King indicated that the NYISO would respond to questions regarding ISO-NE RAM issues. Additionally, Mr. King noted that the NYISO Board of Directors had approved changes to the Tariff relevant to the controllable tie lines project.

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**6. Working Group Updates**

**A. Billing and Accounting**

Topics to be discussed at the next meeting of the BAWG include the final bill closeout, the Metering Data Task Force manual, the proposed Market Settlements Guide, billing implications of SMD2, the effects of BAS outages upon invoicing and station power. Market Participants should address questions regarding concerns over billing and impacts on residuals and uplifts to Mr. Kevin Kipers of NYPA.

**B. Billing Issues Resolution Team**

No report.

**C. Electric System Planning (Joint OC/BIC WG)**

The ESPWG met on January 10<sup>th</sup>. FERC issued an order on the comprehensive planning process for reliability on December 28, 2004. The order accepted the CRPP and NYISO-TO agreement, with modifications. A compliance filing is due 60 days from the order date. A status report concerning cost allocation and economic planning is due 90 days after the order. The NYISO will propose and file timetables within 60 days of order. During the January 1<sup>st</sup> meeting, the ESPWG discussed the comprehensive reliability process including implementation criteria and the PSC straw proposal. The ESPWG is ~~Close~~ ~~close~~ to finding the least common denominator of MP consensus for the economic comprehensive planning process.

**D. Installed Capacity**

No report.

**E. Interconnection Issues Task Force** (slides)

During its January 10th meeting, the IITF reviewed findings of the PowerGem 2009 Deliverability Study. The study found that only 3 of 300,000 contingency pairs modeled represent potential deliverability issues. The preliminary finding is that these potential issues can be resolved via PAR settings or other modeling assumption. The completed PowerGem analysis will be presented at the next IITF meeting scheduled for January 25, 2005. The NYISO will review the annual planning process and must file its plan with respect to a deliverability requirement with FERC by February 7, 2005.

**F. Market Structure**

During the January 13th meeting, issues relating to SMD2 and the Transmission Services Manual were discussed. A special January 18<sup>th</sup> meeting with ISO-NE focused on the ITS pilot project.

**G. Price Responsive Load**

The January 4<sup>th</sup> meeting discussed the status of demand response registration, extension of the Day-Ahead Demand Response Program requirements, and a discussion on consolidating language and developing ICAP Baseline rules for Small Customer Aggregation.

**H. Scheduling & Pricing**

No report.

**7. Revised Attachment N Methodology**

Mr. Art Desell of the NYISO and Mr. Scott Harvey of LECG described proposed revisions to Attachment N of the OATT regarding the shortfall allocation methodology. Mr. Desell described the procedural history covering the implementation of revised Attachment N from May 2003 through Spring 2004. The "Make Whole Approach" of the 2003 Version of Attachment N did not operate as intended. No changes were proposed to those sections of Attachment N that deal with TCC Holders' settlements or collection of

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congestion rents from energy purchasers. Revisions are necessary to correct the formulae for more accurately calculating the benefit of returns-to-service, for the inclusion of the impact of deratings and upratings from transmission maintenance, and for measuring impact of outages and returns-to-service to eliminate the financial impact of "noise."

The NYISO's proposed revisions to the methodology would retroactively correct invoices since January 2004 and add a provision to address issues raised when shortfall allocation formulas fail to work properly and produce an invalid result. The NYISO is developing a white paper to address cases where the methodology does not work. Also, in order to avoid lengthy billing delays, in such cases, the NYISO will allocate charges and shortfalls to TOs. The revised Attachment N will include the principles that form basis for the Make Whole approach to calculating auction revenue charges and payments, outage charges and return to service payments. Details of the principles will be described in a new TCC manual.

Mr. Desell reviewed the timeline for these proposals. These proposals will be brought for a BIC vote in February, to the MC and Board of Directors in March. The white paper describing the methodology and proposed tariff changes will be distributed by February 7<sup>th</sup>. The new Manual will be brought for a BIC vote in April 2005, the NYISO will implement revisions in early 2006, and the NYISO will file language with FERC indicating its intended revisions to Attachment N and its intent to put formulas related to shortfall allocations in the new TCC manuals.

### **8. TCC Auction Schedule Update**

Mr. Desell described the Spring 2005 TCC auction schedule. Mr. Desell detailed the available transmission system capability, elaborating that 15% of existing commitments were sold as 5-year TCCs in Autumn 2000 and 10% of existing commitments were sold as 1-year TCCs in Autumn 2004.

In response to a question from Mr. Scheidrich, Mr. Desell responded that an automated TCC auction would probably be implemented during Spring 2006. Mr. Desell detailed the schedules for the March, April, and May reconfiguration auctions and the nine rounds of the Spring Strip auctions. He indicated that if TOs waive the four-round rule, Round #8 (the fourth 6-month round) would be eliminated and Round #5 through Round #8 would be slipped one week. In response to a question from Mr. Bob Gow of NYPA, Mr. Desell indicated that, when the end state software is in place, Market Participants with grandfathered transmission rights will not be able to convert these to TCCs.

### **9. Proposed Revisions to the Energy Limited Resource (ELR) and Capacity Limited Resource (CLR) Processes**

Mr. Robert Thompson of the NYISO described the issues surrounding the current CLR/ELR processes and proposed tariff changes to better manage such units. Mr. Thompson suggested that SMD2 bidding flexibility renders special balancing rules for CLR units unnecessary. He reviewed proposed revisions to existing definitions and requirements, and proposed that the supplemental payment for ELRs should be the Day-Ahead Margin Assurance Payment (DAMAP). Mr. Thompson argued that such revisions would correct instances where units price their available MWs above the normal upper operating limit (UOL<sub>N</sub>). New bidding parameters available in SMD2, specifically the ability to enter separate values for UOL<sub>N</sub> and UOL<sub>E</sub>, make it no longer necessary for units to use bids to avoid operating in the emergency region. Because SCUC will normally honor UOL<sub>N</sub> (unless the SCUC operator dispatches above UOL<sub>N</sub>), the special balancing rules for CLRs should be eliminated. Units dispatched above UOL<sub>N</sub>, who are then unable to meet commitment, must derate in real-time.

In response to a question from Joe Klimaszewski of Sithe regarding the treatment of units able to provide UOL<sub>E</sub> for over 4 hours, but less than entire day, Mr. Thompson responded that a unit's capacity would be defined during CLR registration. Mr. Thompson noted that all previously registered units must re-register for CLR status. In response to a question from Kevin Jones of LIPA regarding generator notification of the re-registration process, Mr. Thompson noted that the proposed changes would have to be filed with FERC and, thus, would need MC approval by June. In the meantime, current rules would be applied. If the NYISO MMP doesn't complete the registration process by June, a provisional approval process would be implemented. Mr. Jones noted that he wanted to insure that current CLR units are not denied their

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status and that potential units have enough lead-time to complete the registration process. In response to a question from Mr. Bart Franey of National Grid regarding whether the movement to UOL<sub>E</sub> by the SCUC was part of a current NYISO EOP, Mr. Thompson indicated that the NYISO has a set of guidelines that indicate to the operator instances where they have to go from UOL<sub>N</sub> to UOL<sub>E</sub>. The rule of thumb for moving the limits is whether the capacity requirements for the coming day can be met. Mr. Klimaszewski asked whether it were possible for the SCUC operator to go to UOL<sub>E</sub> after the DAM has been posted and not include it as an SRE. Mr. Thompson replied that this was not possible and that these procedures would be conducted after the real-time process. In response to a question from Glenn Haake of IPPNY, Mr. Thompson replied that the UOL range is available in real-time and that if NYISO Operations has advance notice, it will inform Market Participants as soon as possible, preferably four hours in advance, so units could make preparations to go to UOL<sub>E</sub>. The real-time process will not change. The only difference is that top of bid curve now has a label of UOL<sub>E</sub>.

Mr. Thompson clarified how ELR resources differ from CLR resources in that an ELR resource may be limited in operating at its UOL<sub>E</sub> level for four consecutive hours. The definition of ELR resources should be revised to (i) remove “design considerations” from the list of qualifying characteristics (ii) add a registration requirement and (iii) render the Article 5 DMNC requirement consistent with the ELR definition. In response to a question from Roy Shanker of East Coast Power Linden Holding LLC, Mr. Thompson responded that removing design considerations from the current Tariff definition would not preclude certain units from ELR treatment. Mr. Thompson described how, currently, ELRs bid their UOL<sub>E</sub> (i.e., the top of the bid curve) for the entire day. There is an understanding with the NYISO that the unit may only provide this for four hours. If the NYISO takes the unit above its UOL<sub>N</sub> at the beginning of the day, leaving it unable to provide a prior commitment at the end of the day, current balancing rules settle the unit at the Day-Ahead Margin Protection Payment. Since SCUC cannot recognize the top of the bid curve in the legacy system, ELR units currently use price to preclude being scheduled at this point on the curve. The Tariff change proposed includes the DAMAP for this supplementary payment. With dual UOLs, the need for ELRs to use price to keep SCUC from moving them into UOL<sub>E</sub> is no longer necessary. SCUC will honor UOL<sub>N</sub> assuming units meet their daily obligation by doing so. Units are expected to bid the energy equivalent of its daily MWhr limit (i.e., four-hour limit). In response to a question from Bill Heinrich of the PSC regarding why the hourly settlement is fairer than the daily settlement, Mr. Thompson responded that the hourly settlements under the proposed DAMAP would better protect the an operator’s margin, whereas, the averaging process of a daily settlement would limit the economic benefits of those individual hours within the dispatch day that may have had higher margins for the operator.

Mr. Thompson stated that the changes proposed do not impact an ELR or a CLR unit’s ICAP obligations. ICAP units are still required to bid their ICAP equivalent into the Day-Ahead Market.

Mr. Howard Fromer of PSEG asked if there was a limit to the number of bid blocks that could be allocated to the emergency upper operating limit. Mr. Thompson replied that limits would be set in conjunction with MMP and that the intention of the proposals was to get units away from using price to prevent scheduling at UOL<sub>E</sub>.

**Motion #2:**

The BIC recommends that the Management Committee approve changes to the tariff to provide for the following, as is more completely described in the presentation made at the January 19, 2005 BIC:

- Eliminate special balancing rules for CLR units and require they balance at RT rather than DA prices;
- Clarify that dual UOLs are available to ELR and CLR units;
- Substitute the supplemental payment, currently available to ELR units that must revise their DA schedule, with the Day-Ahead Margin Assurance Payment otherwise payable under SMD2;
- Clarify the definition of ELR units and require that they justify their status to the ISO.

*(Motion passed unanimously by show of hands with abstentions.)*

**10. Proposal to establish the NYISO Market Settlements Guide**

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Mr. Stalter presented the proposed market settlements guide explaining that the current Accounting and Billing Manual was prepared in 1999. NYISO staff, LECG, and the Billing and Accounting Working Group have worked over many months to develop a replacement document that would meet two objectives: provide an expanded and more useable guide for financial settlements under the legacy market systems; and, reflect the anticipated revisions necessary to accommodate SMD2. The proposed replacement document is significantly more complex and detailed compared to the 1999 Manual. The complex review process for the Accounting and Billing Manual led to the suggestion to create a settlements guide. Mr. Stalter stated that the Market Settlements Guide was completed and posted. Calculations and formulas have been reviewed by LECG for tariff compliance. Future revisions would be reviewed by the BAWG, and reported to Business Issues Committee.

In response to a question from Mr. Younger, Mr. Stalter stated that calculations are a reflection of the market rules and that the market rules themselves are described in NYISO Manuals. Mr. Kipers of NYPA noted that the Accounting and Billing Manual is currently entirely pseudo-code. He stated that any processes needing committee approval will be isolated and placed into a separate manual. If any calculations are wrong within the guide, the BAWG will report to the BIC. Mr. Scheidrich noted that the materials described are settlement rules, not operation rules. Ms. Saia stated that the change to a guide sets a precedent for new rules or approaches which circumvent the current NYISO manuals process. She observed that this empowered working groups to do work they were not allowed to do in the past. Mr. Kipers noted that calculations could be verified in the DSS and that whether the process described by calculation is Tariff-compliant is another issue.

Motion #3:

Whereas, NYISO Market Participants have requested a technical reference document describing the NYISO financial settlement process; and,

Whereas, due to the complex technical nature of the calculations used in the financial settlement process, Market Participants are unable to verify the calculations described in the requested technical reference document;

Therefore, in order to provide for a technical reference document that describes the calculations used in the NYISO financial settlement process, the Business Issues Committee ("BIC") approves the establishment of the NYISO Market Settlements Guide, included in the materials distributed for this meeting, as a reference describing the NYISO financial settlement process. This action does not constitute approval of the substantive content of the Market Settlements Guide, which is not a NYISO manual.

BIC directs all future modifications to the Market Settlements Guide to be subject to Working Group review, and BIC approval. The BIC directs that all future modifications to the Market Settlements Guide are to be reviewed by the Billing and Accounting Working Group (BAWG), which will provide a report to the BIC on any substantive modifications to the Market Settlements Guide prior to implementation.

Motion 3a:

Motion to table motion #3.

**(Motion passed by majority show of hands.)**

**11. Proposed Revisions to the Transmission Services Manual**

Mr. Stalter presented the motion and the list of approved changes and indicated that the manual was reviewed at the MSWG.

Motion #4:

The Business Issues Committee approves revisions to the Transmission Services Manual, as presented to the Committee at the January 19, 2005 meeting.

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*(Motion passed unanimously by show of hands with abstentions.)*

**12. New Business**  
None

**13. Administrative Matters**  
None

**14. Adjournment**

Meeting was adjourned at 2:22 PM.

Respectfully Submitted,  
Caleb Derven  
Recording BIC Secretary

## **NYISO Business Issues Committee**

January 19, 2005

*The New York State Nurses Association*

### **MOTIONS FROM THE MEETING**

#### **Motion #1:**

Motion to approve the Minutes from the December 15, 2004 BIC meeting.

***(Motion passed unanimously by show of hands.)***

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

The BIC recommends that the Management Committee approve changes to the tariff to provide for the following, as is more completely described in the presentation made at the January 19, 2005 BIC:

- Eliminate special balancing rules for CLR units and require they balance at RT rather than DA prices;
- Clarify that dual UOLs are available to ELR and CLR units;
- Substitute the supplemental payment, currently available to ELR units that must revise their DA schedule, with the Day-Ahead Margin Assurance Payment otherwise payable under SMD2;
- Clarify the definition of ELR units and require that they justify their status to the ISO.

***(Motion passed unanimously by show of hands with abstentions.)***

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

Whereas, NYISO Market Participants have requested a technical reference document describing the NYISO financial settlement process; and,

Whereas, due to the complex technical nature of the calculations used in the financial settlement process, Market Participants are unable to verify the calculations described in the requested technical reference document;

Therefore, in order to provide for a technical reference document that describes the calculations used in the NYISO financial settlement process, the Business Issues Committee ("BIC") approves the establishment of the NYISO Market Settlements Guide, included in the materials distributed for this meeting, as a reference describing the NYISO financial settlement process. This action does not constitute approval of the substantive content of the Market Settlements Guide, which is not a NYISO manual.

BIC directs all future modifications to the Market Settlements Guide to be subject to Working Group review, and BIC approval. The BIC directs that all future modifications to

the Market Settlements Guide are to be reviewed by the Billing and Accounting Working Group (BAWG), which will provide a report to the BIC on any substantive modifications to the Market Settlements Guide prior to implementation.

**Motion 3a:**

Motion to table motion #3.

***(Motion passed by majority show of hands.)***

**Motion #4:**

The Business Issues Committee approves revisions to the Transmission Services Manual, as presented to the Committee at the January 19, 2005 meeting.

***(Motion passed unanimously by show of hands with abstentions.)***