
DRAFT**NYISO Management Committee Meeting Minutes****December 21, 2011****10:05 a.m. – 12:00 p.m.**

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

Mr. Howard Fromer (PSEG), the Chair of the Management Committee (MC), called the meeting to order at 10:05 a.m. and welcomed the members of the MC. Meeting participants introduced themselves and their affiliations. There was a quorum.

For the Chairman's Report, Mr. Fromer announced the 2012 chairs of the MC subcommittees and working groups. Mr. Fromer also announced that the ISO has agreed to track deliverables throughout the course of the year and provide this list as part of the meeting materials. Mr. Fromer updated members of the Board Selection Subcommittee progress. Two days of interviews were conducted. At the January 25, 2012 MC meeting, there will be a presentation. The MC and the NYISO Board will have adequate time to fulfill their obligations and responsibilities to select the new board member to fill the vacancy.

Mr. Fromer also informed the MC that he requested the NYISO to make available the contact information of committee and working group chairs on the NYISO website so that Market Participants (MPs) could get in touch with their colleagues. He noted that other ISOs/RTOs provide this information, except the NYISO. If any MPs would prefer to opt out, they can advise the ISO of that. Mr. Tom Rumsey (NYISO) expressed a concern that MPs may be solicited by unknown parties or contacted by the media. Mr. Bill Palazzo (NYPA) suggested that it would be better if this information was only accessible via NYISO's secured website. Mr. Bill Heinrich (NYS Department of Public Service) said this was a great idea and asked if it was for all three standing committees. Mr. Fromer said correct. Mr. Rich Miller (Consolidated Edison) asked if the NYISO was going to send a notice out for the contact information. Mr. Fromer said the ISO is planning to do that.

2. Approval of MC Minutes – November 29, 2011

Motion to approve the Minutes of the November 29, 2011 MC meeting.

Motion passed unanimously with abstentions.

3. President and CEO Report

Mr. Stephen Whitley (NYISO) reported that the NYISO Board approved the Coordinated Transaction Scheduling which was approved by the MC at the November meeting. He informed the Board of the discussion at the November MC that the NYISO would file in advance of New England. He noted that he spoke with the ISO-NE President about the filing sequence and ISO-NE is in lockstep with NYISO.

Infrastructure Master Plan (IMP)

Ms. Mary McGarvey (NYISO) updated on the status for the financing of the IMP. The NYISO has closed on the commercial mortgage approved by PSC earlier in 2011. NYISO taking draws and paying a variable interest rate of 3%. NYISO exploring ways to hedge interest rate exposure on that variable rate over the past several months and have reported at BPWG of the status of potential refinancing efforts; most

notably to obtain a private placement bond offering which would fix the rate going forward with the loan. NYISO has encountered difficulties with potential investors. Essentially the private placement market is saturated currently with deals and bond offerings. Investors expressed a number of concerns such as potential risk of NYISO not obtaining regulatory approval. NYISO has experienced other hurdles including provisions the ISO does not have in its Tariff that investors would prefer to see reserves on its balance sheet. We have been told by our private placement agent that a deal cannot be done. The NYISO is looking at other options to refinance to lock in the interest rate and will keep stakeholders apprised.

Ms. McGarvey also reported the trending of Rate Schedule 1 actual and projected recoveries. The NYISO over-collected over the summer to the tune of over \$1 million and that is beginning to erode. The NYISO under-collected \$300K in November and is projecting an under-collection of \$800K for December. This will create a deficit for the year of about \$300K. The NYISO is looking at ways to fund that under-collection with minor spending under runs for 2011 or drawing from the working capital fund and pay it back in a future year. The NYISO is optimistic that it can fund the deficit with spending under runs. With respect to the 2012 budget, the NYISO factored \$1.5 of funds remaining from 2011. That now seems unlikely, but the ISO won't know until it closes its books for 2011. The NYISO may have to reprioritize its spending in 2012.

Market and Operations Reports

Mr. Rick Gonzales (NYISO) reviewed the market performance highlights and operations highlights from November. Mr. Doreen Saia (GenOn) asked if the Beck-Niagara line outages affected the Lake Erie loop flow. Mr. Gonzales said correct and it will likely trend more clockwise in the future. Mr. Whitley reminded stakeholders of the new feature on the NYISO website called "Interregional Data" where users can view the direction of loop flow.

4. Electric Gas Coordination Working Group - Update

Mr. Wes Yeomans (NYISO) provided a verbal update on the proposed electric gas coordination working group. The NYISO introduced this scope at the BIC and OC and is asking for additional comments by December 27. The plan is to reissue the final draft on January 4 and have it on the agenda for approval at the January BIC and OC. Both BIC and OC chairs are soliciting for candidates to chair this working group. The NYISO is welcoming ISO members, gas suppliers and pipelines LDCs, PSC, and any other stakeholder wishing to participate.

Mr. Paul Gioia (representing TOs) commented that the scope may be too detailed. He noted that other working group charters are brief.

Mr. Fromer encouraged stakeholders to make sure their organizations have resources available to participate in this important working group as it is about to commence and will help the gas and electric industries work together.

5. 2012 Strategic Plan – Update and Overview

Mr. James Gallagher (NYISO) reviewed the presentation included with the meeting material. Mr. Rich Miller expressed a concern of the bullet which states implementing new capacity zones as opposed to implementing a new capacity zone process. Mr. Gallagher clarified that the language in the presentation is not meant to put the conclusion ahead of the analysis. Mr. Miller asked that this be reflected in the minutes. Mr. Heinrich asked if the NYISO would study the higher prices that new capacity zones would produce. Mr. Gallagher said the NYISO Board agreed to explore new capacity markets. It doesn't mean

we will change the markets, but the NYISO would give it a hard look. The NYISO will issue an RFP and work with MPs to explore historic data from other areas and discuss new concepts.

Mr. Erin Hogan (NYSERDA) asked how does the strategic plan correspond with the budgeting process. Mr. Gallagher said the strategic plan is not driven by the budgeting process, but feeds into it. It is a fundamental element that strives to make sure that the budget and the projects are aligned with the strategic plan.

Mr. Fromer asked how do MPs provide input on the NYISO's strategic plan. Mr. Rana Mukerji (NYISO) noted the strategic plan originates with the MP feedback from the sector meetings. Mr. Fromer expressed a concern of State Transmission and Reliability Study (STARS) as a strategic objective because it doesn't represent the market and stakeholders do not participate in the process. Mr. Whitley said the STARS work by the TOs is a 30 year forward look and updates are given to stakeholders. NYISO provides authoritative data to the TOs and as it moves forward, projects that make sense to the TOs would be submitted as part of the CARIS process so it ties together with the NYISO's strategic plan. Mr. Younger noted that there have been limited updates to MPs with regards to STARS and is not a positive process as far as MPs are concerned.

Mr. Fromer asked what would the NYISO like the MPs to do at this point. Mr. Mukerji noted that the Board has approved the strategic plan language, but the NYISO always welcomes comments and MPs can always provide input at the upcoming sector meetings. The Board will likely be receptive to the clarifying comments from today. Mr. Fromer suggested that before next year's plan is approved by the Board, the ISO should add a step before that happens and circulate a draft strategic plan to the MC.

Mr. David Clarke (LIPA) said he was broadly impressed with the responsiveness of the NYISO and it shows that NYISO has collectively heard MP comments and is addressing our concerns.

Ms. Hogan asked how does the Bulk Electric System (BES) definition get considered in the NYISO's strategic plan. Mr. Gonzales reminded MPs of the BES changes and the reliability rules that would impact those new facilities that fall under the definition. Mr. Gonzales said this important initiative was discussed, but wasn't part of the strategic plan. Mr. Whitley said that it is evolving and the NYISO has to understand how it will affect the system.

Mr. Jackson Morris (PACE Energy and Climate Center) commented that NYISO has a great track record of competition that incents more efficient generation over time and we are seeing the benefits of that. ISO has a great planning processes in place and it has updated MPs about environmental regulations coming down the pike that will impact older and inefficient units. He requested that NYISO be more proactive and go beyond the units that may or may not be at risk over time and avoid a situation to have a reliability or out of market payment to maintain reliability. He acknowledged that the NYISO has never allowed this to happen.

6. New Business

Mr. Richard Barlette (NYISO) reported on the temporary managerial change to the committee support department.