

NYISO Business Issues Committee Meeting Minutes**January 12, 2011****10:05 a.m. – 1:50 p.m.**

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

The chair of the Business Issues Committee (BIC), Bart Franey (National Grid), called the meeting to order at 10:05 am by welcoming the members of the BIC. The members of the BIC then identified themselves and attendance was recorded. A quorum was determined.

2. Approval of Minutes – December 8, 2011 – Discussion/Vote

The meeting minutes from the December 8th were presented for approval.

Motion # 1:

The Business Issues Committee (BIC) approves the December 8th, 2011 meeting minutes.

The motion passed unanimously by show of hands with abstention.

3. Market Operations Report /Seams ReportMarket Operations

Mr. Rana Mukerji (NYISO) provided an overview of the Market Operations report. The slides presented were based on preliminary data through December 19th with a full report to be provided at the December Management Committee meeting. He informed the group that the LBMP was \$64.91/MWh up from the previous amount of \$41.96/MWh in November accredited to an increase in natural gas prices. The send out of 453 GWh/day for December is a result of cooler temperatures. Natural gas is the most significant change from \$4.10/MMBtu up to \$9.51/MMBtu. Uplift per MWh remains negative from November into December but increased from \$-.24/MWh to \$-.10/MWh. Mr. Mark Younger (Slater Consulting) inquired if the NYISO is analyzing the causes to why the LBMPs are low for the month of December as compared to the high cost of natural gas. Ms. Nicole Bouchez (NYISO) stated that page A-I of the Market Report shows the implied heat rates, though low, are not out of a normal range. It was agreed to report any findings at the Management Committee meeting of the full month review.

Seams

Mr. Mukerji provided an overview of the Seams report. He began by highlighting the FERC Order received on December 30th. Regarding the Enhanced Inter Regional Coordination, FERC accepted the NYISO's proposed EITC implementation schedule. FERC instructed the ISO's to expedite the implementation of the interface pricing revisions and market-to-market coordination (congestion management) and ordered both projects to be implemented by Q2 2011. This is a change from the original schedule proposed by NYISO. FERC assigned the buy-through congestion project the lowest priority and said it would consider buy-through after the market-to-market and enhanced interface pricing projects are implemented. Mr. Mukerji stated the need for these projects to be implemented by Q2 2011 is problematic, as NYISO does not have the resources to adequately fulfill the Committee approved project pipeline. To complete the interface-pricing project in Q2 would affect a number of the projects scheduled for this year and would conflict with the major hardware upgrade

slated for Q2. NYISO plans to request a Q4 implementation in its request for rehearing of the Commission's Q2 2011 implementation date. The market-to-market implementation requires a new joint operating agreement with PJM, and the negotiation of entitlements with PJM. NYISO intends to request a rehearing from FERC to seek a market-to-market implementation deadline of Q4 2012. The cost allocation of the Phase Angle Regulators is addressed in a December 31st FERC order. Alex Schnell informed the group that NYISO will be seeking a rehearing to request that FERC rule on certain prerequisite legal issues before it requires parties to Docket No. ER11-1844 to participate in settlement discussions or a hearing on the merits.

4. Planning Update

Mr. Henry Chao (NYISO) informed the group that IPSAC has scheduled a March 30th meeting to discuss the production cost for the 3 regions – PJM, NY and NE with the report to be delivered in Q2 of 2011. This group is studying and analyzing how each region treats energy efficiency and the cost of energy efficiency incorporated in the planning process. Another Northeast planning study, NCSP 2011, is underway for NY stakeholders to participate. Members can participate by attending the IPTF meetings, which is the platform to coordinate and collect the NY Stakeholder input.

On the Eastern Interconnection Studies the Roll-up Case 2020 is finalized. Please contact Zac Smith zsmith@nyiso.com for distribution.

EIPC WG is working with the CRA, the consulting firm hired by the EIPC, who are calculating the macroeconomics and is collecting input to define the regions within the model. The study will begin in Feb 2011. EIPC will be studying the 8 future scenarios defined by the Stakeholders Steering Committee. The scenarios are to be finalized at Stakeholder Steering Committee in March.

5. Inter-regional Interchange Scheduling

Mr. Robert Pike (NYISO) informed the group that a white paper, jointly drafted with ISONE, was circulated with the meeting material. He also informed the group that a January 22nd meeting is scheduled to further discuss this concept. The intent of Inter-regional interchange scheduling (IRIS) is to overcome the barriers to efficient outcomes between scheduling transactions between NY and NE. The consequences of sub-optimal scheduling of the interface are that the interface is under utilized resulting in higher production costs and consumer costs in both regions. Rich Miller (Con Ed) inquired to what degree the natural gas prices affect the cost analysis. Mr. Robb Pike explained the benefits accrue through out the regions regardless of different natural gas prices (2006 – 2009). The distribution of power on the interface, which is not dominated in any one direction, results in net benefits accruing to each region. The analysis demonstrates that both regions would benefit from improved scheduling on that interface. As the higher priced region is operating on a steeper portion on the supply curve, the importing region will have greater benefit in terms of price reductions by receiving the imports. It was agreed to determine the total cost production for the next discussion.

The solution options being reviewed are tie optimization (TO) and coordinated transaction scheduling (CTS). TO is consistent with the least-cost economic dispatch system used internally for each ISO's energy market. CTS is a joint scheduling process to help determine real time interface schedules between regions. He then highlighted the common elements of the solution options such as higher frequency schedule changes across the interface, eliminate charges and credits that inhibit efficient trade across the interface, FTR/TCCs used to hedge price risk on external interface, and maintaining the existing day ahead market operation.

Of the two solutions, the ISO's jointly recommended the Tie Optimization as the preferred solution due to its overall solution efficiency. Mr. Pike responded to a question regarding implementation costs by informing the group that there is not a substantial difference in costs between the two

solutions as they are both constructed on a higher frequency platform. The settlement rules and managing the Day Ahead to Real time settlement protocols will require the most involvement in terms of software costs. The target for the concept approval is planned for May 2011 with an early 2013 implementation.

5. Emergency Demand Response Program Manual Revisions

Ms. Kathy Whitaker (NYISO) reviewed the revisions to the manual that were made to incorporate changes to settlement procedures as a result of DRIS. These included the enrollment schedule to the DRIS event calendar, clarifying ineligibility of days before EDRP events or DADRP schedules for baseline calculations, and removing the timeline for settlement diagram as well as ministerial changes.

Motion # 2.

The Business Issues Committee (BIC) hereby approves changes to the Emergency Demand Response Program manual presented at the January 12th 2011 BIC Meeting.

The motion passed unanimously by a show of hands with abstentions.

6. Billing and Accounting Manual Revisions

Mr. Paul Edmundson (NYISO) provided an overview of the revisions that included all of the changes that incorporate the filing made by the NYISO's Strategic Tariff review that reorganized Schedule 1 settlements into one area.

Motion # 3

The Business Issues Committee approves the tenth installment of the revised Billing and Accounting Manual, as recommended by the Billing and Accounting Working Group on a December 17, 2011 teleconference and as described to this BIC meeting on January 12, 2011. Installment 10 contains all OATT Schedule One settlements in narrative format in Section 8.1 and illustrated formulaically in Appendix M.

The motion passed unanimously by a show of hands with abstentions.

7. NYISO Generation in Excess of Host Load

Ms. Carrie Pasch (Energy Spectrum) presented a power point which she stated was a revised version of what the NYISO presented earlier in the year at the ICAP WG meeting. Ms. Pasch stated that the change in the presentation was the proposed tariff language that would change the current definition for a Special Case Resource (SCR). The proposal would adopt the new definition and would incorporate the change.

Mr. David Lawrence (NYISO) stated that the NYISO was uncomfortable with the proposed Tariff language as it creates a hole in the Tariff. This language would allow resources to participate as SCRs that should not be participating. Manual audits would have to be performed of participating resources to determine if they should be SCR participants and would require the NYISO to penalize those RPs who have registered their resource greater than their APMD calculation. NYISO adopted the automated system, DRIS, to ensure that the Tariff is fully implemented and feels what is being proposed today is premature. In order to implement this correctly, it is necessary to identify rules in DRIS that identifies base load units and identify units that are operating above their host load.

Mr. John Dowling (End Users) inquired if the NYISO deems Energy Spectrum's proposal as unacceptable because it cannot be audited through automation because it is not in the DRIS system, or if the NYISO is aware of the total number of participants in this concept that would need to be audited. Mr. Lawrence stated that there is a hole in the implementation of the Tariff, and indicated that this proposal is not excluding anyone. A registrant cannot ask for an ICAP value greater than the

APMD. Ms. Gloria Kavanah (NYISO) urged the committee members to take Energy Spectrum's proposed language back to the ICAPWG to ensure that there is a common understanding and that tariff language matches that understanding. Mr. Younger stated that when this concept was originally presented by the NYISO, the NYISO also stated that additional analysis was required and since the NYISO has raised concerns here today, it is clear that this needs to go back to the ICAPWG. Ms. Kavanah stated that the proposal contains new language as of today's presentation and the NYISO would like to go through the new language and review it under a number of different permutations to ensure we have captured all possibilities. Ms. Kathy Whitaker (NYISO) added that the Operations perspective needs to be considered to ensure there are no reliability impacts and that we are not counting on MWs during an emergency that are not available.

Ms. Doreen Saia (GenOn) encouraged the group to take this concept back to the ICAPWG to listen to the NYISO's presentation to identify what the issues are and in good faith work through the issues with a schedule for a special BIC and Management Committee meeting to get to the Board in February to meet the needs of the affected SCR's. Mr. Franey summed up the discussion by stating that NYISO is not comfortable permitting the implementation of the SCR generation proposal because it would require some kind of audit, as it is unknown how many baseload resources exist, and that the physical solution to implement this would need to be in place before the summer capability period. Since this is not feasible, the only solution would be to administratively prohibit this from happening. In addition, reliability concerns exist as there is risk to the NYISO that if the registered SCRs when called up on at a time of an emergency are not there. You cannot get around the need to physically screen these resources to ensure that they are assigned to the right bucket—as a base line unit or SCR unit. If parties are going to make the motion then it should be noted that there is a realization that this is largely administrative controls. Rich Miller (Con Edison) noted the agreement of having a special BIC if the concerns can be resolved at the upcoming ICAPWG. It was determined Energy Spectrum wanted to move forward with the motion.

Motion # 4

The Business Issues Committee (BIC) directs the Installed Capacity Working Group (ICAPWG) at its January 19, 2011 meeting to further discuss the issues described in the presentation made to the BIC today and the development of tariff language regarding the definition of SCR Generator and solutions for allowing the participation of SCR Generators for the Summer 2011 Capability Period. Subject to the discussions at the January 19th ICAPWG, the BIC shall consider the scheduling of a special meeting following the January 19th ICAPWG to help facilitate the ability to address this matter on an expedited basis.

The motion passed with 93.5% affirmative votes.

8. New business

There was no new business. The meeting was adjourned at 1:47 pm.