NYISO Management Committee Meeting Minutes
March 30, 2016
10:00 a.m. – 1:15 p.m.

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1. **Introductions, Meeting Objectives, and Chairman's Report**
The chair of the Management Committee (MC), Mr. Andy Antinori (NYPA), called the meeting to order at 10:00 a.m. by welcoming the members of the MC. Members identified themselves and attendance was recorded. A quorum was determined.

2. **Approval of Meeting Minutes**
The draft meeting minutes for January and February 2016 were presented for approval.

<u>**Motion #1:**</u>
The Management Committee (MC) approves the January and February, 2016 meeting minutes.
The motion passed unanimously by show of hands

3. **President/COO Report**
Mr. Rich Dewey (NYISO) filling in for Mr. Brad Jones (NYISO) reminded members on the upcoming Sector Meetings and encouraged everyone to attend and participate in the discussions. He noted that this would be Mr. Jones's first time at the Sector meetings and would be a good opportunity for members to talk with him.

Mr. Dewey also announced the dates for the Joint Board of Directors and Management Committee meeting. This year's meeting will be held on June 13 at the Otesaga Resort in Cooperstown, NY, followed by the Management Committee meeting on June 14.

Mr. Rick Gonzales (NYISO) stated as part of Potomac Economics new contract, they will be reaching out to stakeholders to set up meetings, independent of the sector meetings, to provide input into their work. Mr. Pallas LeeVanSchaick (Potomac Economics) will be sending out a note to the sectors with available dates.

Mr. Gonzales reviewed the market operations and operations performance highlights included with the meeting material.

4. **2015-2016 Winter Cold Snap Operations**
Mr. Wes Yeomans (NYISO) reviewed the presentation included with the meeting material. He noted that this was the lowest winter peak since 2004. There were three cold weather periods in winter 2016: January 5th peak load - 23,162 MW, January 19th peak load - 23,317 MW (winter 2016 Peak), and February 12-15 peak load - 22,951 MW (coldest weather). Topics discussed in the presentation included winter 2016 ambient conditions, cold weather operations, winter 2016 natural gas send out, and cold weather wind performance.

5. **Proposed Demand Curve Reset Process Changes**
Mr. Paul Hibbard (Analysis Group) provided a summary of the proposed changes to the ICAP Demand Curve (DCR) process as described in the presentation included with the meeting material. He noted that Analysis Group has been working with stakeholders on the proposal since October 2015. A summary of proposed changes noted in the presentation are:

DCR Period: 4 years (currently, 3 years)

- 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 adjustment 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; methodology will use historical data from the same time period as used in the net EAS revenue estimate

Reference point price collar

- As proposed by stakeholders, the annual change in reference point prices calculated as part of the annual updates for the 2018/2019, 2019/2020 and 2020/2021 Capability Years will be limited to an allowable year-to-year increase of 12% or decrease of 8%
- Annual updates to underlying components will occur independently of collar

Mr. Mark Younger (Hudson Energy Economics) stated his concerns regarding the proposed level of excess adjustment methodology and advocated for elimination of any level of excess adjustment.

Mr. Randy Wyatt (NYISO) provided an overview of the proposed tariff revisions associated with the four years with annual updates proposal, as described in the presentation included with meeting material.

Ms. Doreen Saia (Greenberg Traurig) requested that the NYISO develop a list of all the methodologies and data inputs that will be developed as part of the ongoing reset, so that all parties are clear about the decisions that still need to be made and which, if any, methodologies or inputs have already been determined.

Ms. Amanda Trinsey (Multiple Intervenors and the City of New York) made the following statement:

> The winter summer ratio (WSR) is a big change from the proposal that was presented at the April 2016 Business Issues Committee (BIC) meeting. At the BIC we voted in favor of the motion for the proposal for four years with annual updates, and we supported the methodology for estimating energy and ancillary services revenues, gross CONE, and the winter summer ratio methodology. Since then, we have had this change [to the WSR calculation methodology]. We had every intention to come to MC today and support the proposal as it was presented at BIC. We have fundamental issues with this change. We don't believe there is a basis to move away from what was presented at BIC. We don't believe it's in the consumer's best interest to move to this new methodology for the WSR. In our view it is not a more accurate and reasonable process and doesn't align with what we are trying to do with this new paradigm for this demand curve. Importantly, we were very disappointed in how this process unfolded and the short time period that stakeholders were given to analyze and compute this information and because of this, we will be voting against

> the motion, but for this change to the WSR, we would have supported this.

Ms. Margie Philips (Direct Energy) expressed a concern that they have not been convinced that the information necessary to make the WSR adjustments is going to be available to stakeholders. She noted that there is a lot of detail involved that does not appear to have been fully worked out. Ms. Philips stated that one of the most important things for Direct Energy is to have transparency around the price formation. Although Direct Energy is not opposed to annual WSR adjustment conceptually, it has not been convinced by NYISO about how it will work and whether the information will be posted about generator outages, entrance and retirements. For that reason, Ms. Philips noted that Direct Energy will abstain. Ms. Philips indicated that Direct Energy would have preferred that the WSR methodology not be included as part of today's vote and instead be worked on further with stakeholders as part of the ongoing reset.

Mr. Younger stated that the WSR adjustment was always intended to capture seasonal changes in the capability of the units. The entry and exit of resources is not a seasonable difference in the capability of the units; it changes the number of units. Mr. Younger noted that the revised methodology proposed by the NYISO ensures that the WSR continues to accurately reflect seasonal differences in capacity availability. He agreed, however, that this should have been presented sooner and the NYISO should have provided a full example of its initial proposal. He encouraged NYISO to take this back for future DCRs to ensure that the WSR methodology is clearly described to stakeholders.

Ms. Saia noted concerns regarding the process related to discussion of the proposed change to the WSR calculation methodology, and requested that in the future resets the NYISO to come forward information regarding WSR as early as possible in the process. She noted that the WSR is a very important issue that should be clearly presented for stakeholder consideration.

Mr. Mike Cadwalader (Atlantic Economics) provided the following comments on the inflation rate the NYISO proposes to apply in connection with its buyer-side capacity market mitigation (BSM) rules :

> I do have a concern about the procedure that the ISO proposes to use to adjust demand curves to account for inflation going forward. Currently, when the ISO conducts its buyer-side mitigation exemption test, it needs to forecast costs and revenues in periods that are not covered by the ICAP demand curves that have been filed with the Commission. The ISO assumes that inflation will continue at whatever forecasted rate of general inflation was included in the escalation factor that was used for the currently valid set of ICAP demand curves. With the move to annual updates, the ISO will no longer file demand curves that use pre-set escalation factors from year to year. Instead, it will update the demand curve each year based on actual inflation that occurred over the preceding year. This begs the question of what inflation rate the ISO should use for the purposes of performing these buyer-side mitigation assessments. The ISO proposes to use the general inflation rate for the preceding 12 months, which was part of the inflation rate in the most recent annual update. This is mechanically the same procedure that the ISO currently uses, in that it uses the same general inflation rate that was used to escalate the demand curves. But the shift from using prospective inflation rates to

> using retrospective inflation rates means that using this inflation rate is no longer consistent with the rationale that FERC provided when requiring the ISO to make these adjustments to account for inflation. When it originally addressed this issue in 2012, FERC stated that inflation adjustments were necessary in order to ensure that revenues and costs in each year were accounted for on an "apples-to-apples" basis. There is no reason to assume that the general inflation rate that was realized over the last year is a good forecast of the inflation rate that is expected to occur over the years following the current demand curve. Consequently, there is no reason to believe that the ISO's proposal will comply with FERC's directives to incorporate inflation adjustments that will ensure an apples-to-apples comparison. Instead, the ISO should file and use a forecast of general inflation, similar to the forecast it uses today, to be used for this purpose.

Ms. Trinsey noted support for Mr. Cadwalader's position and indicated that Multiple Intervenors and the City of New York share his concern. Mr. Paul Gioia said the Transmission Owners still have an issue with the proposed inflation adjustment for purposes of the buyer-side mitigation rules. Mr. Allen said that the NYISO will take this back concern and entertain additional discussion. Mr. Younger stated that he agrees with Mr. Cadwalader's concern regarding the inflation rate to be used in connection with the buyer-side mitigation rules; the year by year fluctuations in inflation can be much bigger and more volatile than a forecast and should be looked at more closely. Mr. Shaun Johnson (NYISO) stated that the NYISO would be open to further consideration of the concerns raised as part of upcoming projects to examine other potential enhancements to the BSM rules.

Mr. Howard Fromer (PSEG) stated that PSEG will vote to support the motion but they think the package could have been improved upon; and the vote in support should not preclude PSEG from commenting to FERC on suggested changes to what we are voting on today. He noted that the proposal is a significant improvement from the current process, but he thinks it could still be better.

Mark Younger restated his opposition to the proposed level of excess adjustment methodology. While he is supporting moving ahead; this should not be interpreted as agreement with all aspects of the proposal.

Motion #2:
The Management Committee (MC) hereby approves revisions to the NYISO's Market Administration and Control Area Services Tariff related to the proposed changes to the ICAP Demand Curve reset process to implement a four year DCR period with annual updates as presented and discussed at the MC on March 30, 2016, and recommends that the NYISO Board of Directors authorize NYISO staff to file such revisions under Section 205 of the Federal Power Act.
The motion passed with 69.68% affirmative votes

6. **Overview of Cyber Attack on the Ukraine Electric System**
   Mr. Doug Chapman (NYISO) provided an update for members on the electric outage in Ukraine caused by a cyber incident.

7. **Revisions to the Regulatory Milestone Requirement for Large Facilities**
   Mr. Thinh Nguyen (NYISO) provided an overview of the presentation included with meeting material. The NYISO is proposing two modifications that will increase flexibility regarding the time

within which a project must meet its regulatory milestone, and to provide ability for a project to provisionally enter a Class Year without having met its regulatory milestone. Stakeholders have requested that the NYISO continue discussions on further revisions to the regulatory milestone requirements as part of its ongoing queue improvement initiatives. Ms. Anne Reynolds (American Wind Energy Association and ACENY) noted that she appreciates and supports these modifications and they are a step in the right direction in getting the interconnection process to better align with the Article 10 process. She stated that AWEA and ACENY continue to focus on these improvements and support this change.

<u>Motion #3:</u>
The Management Committee (MC) hereby approves the revisions to the Open Access Transmission Tariff as described in the tariff revisions accompanying the presentation entitled "Proposed Modifications to OATT Attachment S Regulatory Milestone Requirements" made at the March 30, 2016 MC meeting, and recommends that the NYISO Board of Directors authorize NYISO staff to file such revisions under Section 205 of the Federal Power Act.
The motion passed unanimously by show of hands with abstentions

8. Coordination Agreement between ISO-NE and NYISO Ministerial Clean-Up Revisions
Mr. Ethan Avallone (NYISO) provided an overview of the clean up revisions to the agreement (presentation included with the meeting material).

<u>Motion #4:</u>
The Management Committee (MC) hereby recommends that the NYISO Board of Directors 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 MC on March 30, 2016.
The motion passed unanimously by show of hands with abstentions

9. New Business
Mr. Rich Dewey reminded members that next month's we are looking for means to improve the quantity and content of discussions at the Board Liaison meetings. One opportunity is next month the April Board meeting will be held at the NYISO offices. This is an additional opportunity for members to attend in person. Mr. Antinori staid it's very helpful for us to have topics and it's a great opportunity to interact with the Board. He encouraged members to send topics and attend the meeting.

Mr. Antinori provided an update on the Board Selection Subcommittee (BSSC) Board candidate search. He announced that the NYISO Board has filled the two open positions that were recommended from the slate of candidates recommended by the BSSC and approved by the MC. A press release with more detail will be sent out early next week.

As the BSSC was developing the slate of candidates, the BSSC was also cognizant of the fact that there was going got be third vacancy in April. And while this is a Market Participant process, the Board had asked if consideration might be given to filling the third open position with a candidate from the original slate, as opposed to creating a new Board search to develop a new slate of candidates. Mr. Antinori stated that the BSSC has reconvened to discuss this; they will reach out to their various Sector representatives to see if there was a consensus to support a third person from the original slate rather than starting a new search. If the BSSC would come to a consensus than the BSSC would make a recommendation to the MC and the MC would vote on the recommendation. If the BSSC does not have consensus, a notification would be sent out to the MC with this information.

Mr. Fromer (PSEG) asked if the current slate matches the qualifications and expertise the Board is looking to fill. Mr. Kevin Jones (NYISO) stated that the initial search was more specific to a finance background and the seat that is being vacated in April is more of a general background. One was more specific than the other.

Mr. Tom Rudebush (MEUA) stated that diversity should be considered when selecting the Board candidate.

The meeting was adjourned at 1:30 pm.