

# NYISO Management Committee Meeting

February 2, 2005

Crown Plaza, Albany, NY

10:00 a.m. – 3 p.m.

## MINUTES OF THE MEETING

### 1. Introductions, Meeting Objectives & Chairman's Report

Chris Wentlent of AES, Chairman, called the meeting to order at 10:00 AM and welcomed the members of the Management Committee ("MC"). The meeting objectives are to:

- Act on January 5, 2005 Minutes
- Act on Final Bill Invoice for Batch 2 months
- Act on Proposed Revisions to ELR/CLR Process
- Act on GRT Tariff Language
- Act on Amendment of Sales Tax Provision
- Act on Proposed Revisions to NYISO Virtual Bidding Credit Policy

Mr. Wentlent commented on the meeting objectives and changes to the agenda. He noted that the 2/7/2005 date for the final bill invoice has been canceled and a new date will be issued. He also noted that item ten (10), Attachment L and Attachment M have been removed from the agenda.

### 2. Approval of the Minutes

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

Motion to approve the Minutes from the January 5, 2005 MC meeting.

***(Motion passed unanimously by show of hands with abstentions and comments incorporated by Tim Bush)***

### 3. President's Report

William Museler of the NYISO welcomed the Members of the MC.

- **Market Performance Highlight**

Mr. Museler noted that the average cost per Megawatt hour increased in January to \$80 from a cost of \$66.61 in December of 2004. The increase was driven primarily by the increase in fuel cost. There was also an increase in the DAM Regulation prices.

- **FERC/Board Meeting Agenda**

The FERC has scheduled a meeting with the boards of directors of all the ISOs and RTOs to discuss the governance of RTOs and ISOs, Reliability, and the Regional State Committees. The FERC will also discuss the various new functional groups and their responsibilities. The meeting is scheduled for March 10<sup>th</sup>. A report of the meeting will be given at the following Management Committee meeting.

- **CEO Search Update**

Several candidates were re-interviewed for the CEO's position. Mr. Museler stated that the board could potentially make a decision within the next couple of weeks on a successful candidate. Mr. Museler also mentioned a provision in the NYISO's agreement for consultation with the Management Committee before a final decision is made on the selection of a new President. However, due to confidentiality agreement, Mr. Museler has proposed that a sub group of the MC consisting of the Chairs and Co-chairs of the MC, the Operating Committee ("OC"), the Business Issues Committee (BIC) and additional one or two members to provide feedback on the preferred candidate prior to finalization. MC to provide feedback on Mr. Museler's proposal when meeting is reconvened after lunch.

Paul Gioia of LeBoeuf Lamb Greene & MacRae LLP suggested an alternate proposal. Mr. Gioia proposes to have an executive session at the next MC meeting or sooner to discuss the selection of the new CEO. Mr. Gioia further suggested that members wishing to participate in the meeting will have to be there in person to maintain the confidentiality agreement. The proposal also suggested that members be allowed to submit written feedback on the candidate. This would provide a broader consultation across all sectors.

Mr. Museler agreed to take Mr. Gioia's proposal into consideration.

Mr. Museler thanked everyone for their participation in the parallel operation. He noted that MPs participation was very helpful in successfully deploying SMD2.

The persistent dragging report will be provided by David Patton for distribution to the MC no later than Monday, February 7.

## **AMP**

Mr. Museler reported that the problem that triggered the unintentional mitigation in the Legacy System was corrected in the SMD2 system. Suppliers that were unintentionally mitigated would be made whole through the billing adjustment process.

Mark Younger of Slater Consulting inquired about the rationale of having a test of the bid production cost guaranteed in the AMP if the test is not consistent with the tariff.

Mr. Museler suggested that this item should be addressed at the appropriate committee.

Kevin Jones of Navigant Consulting for LIPA "inquired about the time line for notifying parties of the specific hours for which they were mitigated incorrectly due to the software error.

In an answer provided by the Market Monitoring Unit ("MMU"), Market Participants affected by the AMP were told they would be notified on 02/9/2005.

Howard Fromer of PSEG asked if the NYISO is confident that the Market clearing prices were not affected by the mitigation?

Mr. Museler responded that the prices were impacted minimally, if at all.

Doreen Saia of Mirant requested that the NYISO provide a more detailed analysis at the next Working Group meeting of the impact on energy prices for the days and hours in question.

Mr. Museler agreed that additional information would be provided at the next Working Group meeting.

## **TCC Issue**

Mr. Museler stated that some of the TCC issues were discovered during the original TCC settlements calculation and additional issues were discovered as part of the NYISO's database reviews. The main issues revolved around the formula used in the distribution of TCCs auction revenues and day ahead congestion balancing payments. He noted that he believes the issues do not cause revenue shortfalls but they will affect the distribution between the Transmission Owners ("TO") and not the other TCC holders. Mr. Museler reiterated that the NYISO will not issue any final bill invoices until this issue is resolved.

Mr. Gioia requested confirmation from Mr. Museler on the following:

- That the invoices for final close outs will not be issued until he is satisfied that the NYISO has uncovered all the errors and that they have been corrected.

- That the problem has been uncovered and fixed and the Market Participants will be consulted.

Mr. Museler responded "Yes" to the above questions by Mr. Gioia.

Mr. Gioia also requested that the minutes reflect his questions.

Tim Bush requested that the minutes reflect the request he made at the previous MC meeting that any issues surrounding the imposition of sales tax on NYISO market participants for retroactive periods, for which the NYS Tax and finance department would look to the NYISO for recovery, be brought to the MC for action.

#### **4. Facilities Update**

Mr. Museler stated that the building owners Board of Directors will be meeting on February 4<sup>th</sup> to approve the sale. Upon approval by the counter party, the NYISO's Board of Directors will vote on the purchase in February.

#### **5. Billing Issues**

Charles Garber, Chief Financial Officer ("CFO") of the NYISO re-iterated that the NYISO will not issue a final bill close out until it is certain that the invoice is correct. Mr. Garber extended an invitation to Market Participants to discuss any concerns relating to the invoice.

Mr. Gioia commented that in view of the comments made by Mr. Museler and Mr. Garber which covered the issue of the motion, the TOs requested that the motion be withdrawn.

#### **6. SMD2 Report on Go Live**

Rich Dewey encouraged MPs to continue to bid in both systems until Feb. 7 in case there is a need to fall back to the Legacy System. The First SMD2 bill will be available to the market place by Friday, February 4. As a precautionary measure prices will be reserved through the end of the week.

Jim Scheiderich of Select Energy commented on the high prices in some of the RTD intervals and expressed his concern on why RTC was not identifying these issues as intended. Mr. Scheiderich suggested getting this issue into the right committee to initiate a discussion.

Mr. Dewey responded that the NYISO will be looking at the real time prices with LECG and will be prepared to discuss the analysis of the first week of operations in the appropriate committee.

Howard Fromer asked if a precautionary notice will be sent out daily as part of a standard market notice that will state that all day ahead prices are reserved? Will the NYISO indicate, in the notice, specific problems and specific hours?

Mr. Museler replied that Mr. Fromer's request is reasonable and would be discussed with Market Monitoring.

Michel Prevost of Hydro Quebec asked why the Central East limit was reduced from 2700 MWs to 2500 MWs and if the reduction was an impact of SMD2. Mr. Prevost also asked if the limit will remain at 2500 MWs or will be raised back to 2700 MWs.

Mike Calimano of the NYISO responded that the change was not permanent and the change was possibly due to issues on the system.

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

Mollie Lampi of the NYISO presented NYISO's proposed changes to the tariff to reflect how ELR/CLRs are dealt with. She proposed various changes as more thoroughly described in the ELC/CLR presentation which should be incorporated by reference.

Ms. Lampi explained that the proposed tariff modifications would address these inconsistencies.

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

The Management Committee approves changes to the tariff, to provide for the following, as is more completely described in the presentation made at the February 2, 2005 Management Committee meeting: Clarify the definition of ELR units and require that they justify their status to the ISO; 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; Eliminate special balancing rules for CLR units and require they balance at RT rather than DA prices; and Clarify the definition of Normal Upper Operating Limit. The Management Committee recommends that the Board also approve these changes and authorize a filing with the FERC under Section 205 of the FPA.

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

### **8. Proposed revisions to the NYISO Virtual Bidding Credit Policy**

William Roberts of Edison Mission presented the motion to revise the NYISO Virtual Bidding Credit Policy.

Doreen Saia of Mirant asked if it is possible to get the NYISO Board of Directors to sign off on the changes in February to allow prompt filing to the FERC.

Mr. Museler responded that there is no guarantee but that he believes the Board will move as quickly as possible to address the proposal.

**Motion #3:**

The Management Committee approves the tariff language, as presented and discussed today, February 2, 2005, to allow netting of amounts receivable as an acceptable form of collateral in the Virtual Bidding Market and reduce the number of days of collateral to four days and requests that the Board authorize a filing to the FERC pursuant to Section 205 of the Federal Power Act to amend Attachment W of the Open Access Transmission Tariff and Attachment K of the Services Tariff accordingly.

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

**9. Proposal to amend the Sales Tax Provision adopted at the January 5,2005 MC meeting (was removed from the agenda)**

Neil Butterklee of Consolidated Edison stated that the members of the Management Committee have agreed to delay the motion to amend the Sales Tax Provision, based on the issues raised, until March.

**10. Gross Receipts Tax Issue/Tariff Language (was removed from the agenda)**

Glenn Haake of IPPNY stated the members of the MC have decided to delay the GRT issue, based on the issues raised, until March.

**11. New Business**

Mr. Haake, of IPPNY, asked about the conference call to discuss the new FERC Electronic Quarterly Report ("EQR") that the NYISO is required to file. Mr. Haake requested additional information on the purpose of this call.

Mr. Ray Stalter of the NYISO agreed to email information concerning the EQR to the MC members.

Mr. Fromer requested that the NYISO provide the MC with the information communicated to FERC on what transpired with AMP activation. Mr. Fromer requested a discussion on this topic at the next scheduled meeting.

Mr. Museler stated that the NYISO has not yet laid out the sequence of events to FERC. The issue will be put on the agenda for the S& P Working Group scheduled for February 15.

## **12. Adjourn**

The meeting was adjourned at approximately 13:30