

NYISO Management Committee Meeting

DRAFT

January 6, 2000
Con Edison
New York City

MINUTES OF THE MEETING

I. Introduction and Meeting Objectives

Mr. Lou Rana, Chairman of the NYISO Management Committee (MC), called the meeting to order and welcomed the members and guests.

Mr. Rana suggested the following objectives for the meeting:

- *Review and Approve Draft MC By-Laws
- *Action on motion concerning governmental agencies.
- *Actions on ICAP Market, Auction and Tariff revisions and relevant motions.
- *Select Sector Representatives for January Liaison Meeting with Representatives of the Board.

II. Approval of Minutes

The Minutes of the December 9th MC Meeting were amended at the meeting and approved.

III. Approval of Bylaws

Following a brief review of the most recent changes to the Bylaws, presented by Mr. James Schmidt of Hunton & Williams, a motion was made by Mr. Ruben Brown, representing Keyspan Energies, to accept the Bylaws as described by Mr. Schmidt. Mr. Robert Hiney, of NYPA, seconded the motion. The motion passed unopposed with a show of hands. Mr. Schmidt indicated that a final set of Bylaws would be prepared and made available shortly.

Motion: Motion to accept the revised Bylaws. Motion Passed with unanimous vote.

IV. Report on Affiliate Status of Governmental Agencies and Market Participants

Mr. Ira Freilicher, Hunton & Williams, Counsel to the NYISO, discussed the affiliate relationships of certain parties. Mr. Freilicher stated that upon review, the NYISO has determined that the NYC MTA and NYSERDA are not considered to be affiliated with each other, the Consumer Protection Board or any other member or party for purposes of participation in the NYISO governance process. Each authority is governed by an independent Board of Directors and consequently can participate as unaffiliated voting members of the NYISO.

Mr. Freilicher also reported that there are three sets of affiliated Market Participants. These are: 1. East Coast Power (non-voting) and ENRON (voting), 2., Energetix (non-voting) and R.G.&E. (voting), and 3. TransEnergie (non-voting) & Hydro Quebec (voting). Mr. Freilicher indicated that he is unaware of any objections to the affiliate and voting status described for these Market Participants. Mr. Freilicher noted that a fourth set of participants, Orion Power and Constellation, had submitted a rebuttal with respect to the issue of affiliation. The NYISO has accepted the rebuttal and regards both Orion Power and Constellation as unaffiliated members each with voting status.

V. Motion Regarding Participation of Governmental Agencies in ISO Governance

Mr. Leonard Singer, of Couch White, opened the discussion by reviewing the previous deliberations of the MC concerning this issue at November 1999 and December 1999 meetings. For the January meeting, Mr. Singer had prepared a written motion which would limit the participation of all governmental agencies to the Government Agency Subsector. He stated that action was necessary at this time as the Metropolitan Transit Authority (MTA) had requested voting status in the Large Consumers subsector of the End-Use Consumer Sector. Mr. Singer reiterated his position that it was the intent of the settling parties to strictly limit governmental agencies, whatever their function, to 5% of the total votes. Mr. Singer also stated that if the motion carried, he intended to prepare a clarification to the ISO Agreement that will be presented to the MC for action at a future meeting.

Ms. Renee Schwartz, NYC MTA counsel, expressed the MTA's concern that if the motion proposed by Mr. Singer passed, the MTA would be precluded from participating as a voting member in the governance structure of the NYISO, since the definition of eligible governmental agencies could be read to exclude the MTA. Mr. Singer clarified that this was not the intent of his motion. Ms. Schwartz also noted that it is the MTA's position that a plain reading of the ISO Agreement does not preclude the MTA from participating as a voting member in the End-Use Consumer Sector.

During discussion some members expressed the view that the issues presented by the MTA's application are strictly legal ones and must be referred back to the ISO Board of Directors for action. Mr. Freilicher and other members stated that it is proper for the MC to interpret its own agreement. Mr. Freilicher further indicated that the decision of the MC on this matter would not be binding on the Board. Additional discussion addressed process proposals for further negotiation of this issue prior to any action by the MC. Mr. Singer expressed a willingness to

engage in further negotiation, but he considered it essential for the MC as a whole to guide further negotiations by expressing its views on this matter through a vote on the motion.

Motion : A motion was made and seconded to table the motion offered by Mr. Singer to limit all governmental agencies participation to the governmental agency sub-sector. Following a secret ballot, the motion to table achieved a vote of 53% in favor and thus failed to pass.

Motion : Mr. Singer's motion was made and seconded. (Written motion attached to these minutes). Following a secret ballot, the motion achieved a vote of 72.94% in favor and thus passed.

Following further discussion, *the MC agreed to form a small group consisting of Mr. Singer, Mr. Freilicher and representatives of the MTA and other interested parties to review the issue relative to MTA's participation on the MC and recommendations for changes to the ISO Agreement which would clarify the participation of certain governmental agencies for the future.*

VI. NYISO Market Operations Report

Mr. Museler, CEO of the NYISO, reported on the status of the Day-Ahead & Real-time Markets and indicated that, with minor exceptions, the Day-Ahead Market and its associated software processes have been working correctly as designed. He added that the real-time market over-all has been performing well, although some problems were still being experienced. Mr. Museler indicated that both NYISO & Navigant Staff have been working closely to identify and correct all problems with SCD. In addition, a great deal of effort is being expended to review all calculated prices from both the Day-Ahead and Real-time markets. Mr. Museler reviewed the processes used by the NYISO to review and correct anomalous prices. He noted that the individual prices are run through a battery of tests, many of which were developed during the Market Trials to ensure that all prices used for settlement are precisely correct and consistent with the tariff(s).

Mr. Museler reported that progress continues to be made with respect to the benchmarking of SCUC, BME, and SCD. He indicated that though there is still more work to complete in this area, the results to date show no positive or negative bias when the results of these programs are compared.

Mr. Museler discussed the development of the master NYISO projects list and schedule. A summary of this discussion is included under agenda item VII.

Mr. Museler discussed measures which are being implemented to improve the NYISO's customer response. He indicated that telephone coverage would be extended during business days to cover 7am to 7pm, and on weekends & holidays from 8am to 6pm. He added that additional clerical staff will be utilized to ensure that calls get through when the Market Relations Associates/Specialists are busy researching answers to Market Participants' questions and concerns. Coverage for off-hours times would continue to rely on the NYISO Computer Operator as an initial point of contact, with referrals made to Market Relations Staff that will be designated "on call" to help resolve issues that cannot wait until the next business day.

Mr. Museler also indicated that additional steps are under development to address the need of Market Participants to obtain more timely and accurate information regarding the status and/or curtailment of their transactions. To provide the needed assistance, the NYISO has decided to add a 5th shift position to its control room staff. This position will be staffed on a 24*7 basis and the focus of this position will be to address market participant questions regarding transaction status and facilitate the notification process when transactions are curtailed.

Mr. Museler noted that the December bills are being rerun to incorporate a number of corrections that have been identified by NYISO staff. He added that the December Statement provided with the bills will indicate that performance penalties are under review and should not be paid with this bill but will be evaluated for potential adjustments in a subsequent bill or next months bill.

VII. New Issues Prioritization

Mr. Museler indicated that the document distributed to the members is the ISO's first draft of a master list of all projects and regulatory requirements that are being managed by ISO staff. Some of the items reflect New Issues raised by Market Participants in various forums, while others have been initiated by the ISO staff.

Mr. Museler stated that he and the Chair and Vice-Chairpersons of the MC, BIC and OC would be reviewing this draft and would present a proposal for prioritizing the projects to the full committees during the first quarter of 2000.

VIII. OC Report

Mr. Hank Masti, Chairperson of the OC, reported on the status of the Operating Committee. He indicated that the OC would be investigating various issues related to SCD's treatment of units which become derated below their bid min gen value.

IX. BIC Report

Mr. Marc Dworkin, Vice Chairperson of the BIC, reported on the status of the BIC and the progress of the ICAP auction and model development. Mr. Dworkin also reported that the Market Structure Working Group had met once and was planning to meet again. The main items under consideration are hub development and TCC expansion.

X. Liaison Subcommittee Report

Mr. Garry Brown, Sthe Energies, delivered the report on behalf of Mr. Scott Weiner. Mr. Brown directed the members attention to the draft proposal concerning the structure of the annual meeting of participants with members of the ISO Board. The proposal contemplates that each sector will have an opportunity to present its views to the Board in open plenary sessions. It is anticipated that this day-long session will be held no later than April 2000. Mr. Freilicher indicated that he would solicit dates from the Board.

XI. Sector Caucuses

The MC adjourned for lunch and sector caucus at 12:30 PM and reconvened at approximately 1:00 PM.

XII. Presentation and Discussion Concerning ICAP Market and Auction Revisions

Mr. Rana introduced the discussion by reminding members that the Summer 2000 ICAP market could proceed under the current tariff and auction mechanism, provided that the auction procedures were brought into compliance with FERC's order. He indicated that the ISO is preparing a straightforward compliance filing to address the auction procedures. The compliance filing will be made as soon as possible.

Mr. Rana noted that the BIC ICAP Working Group had met numerous times and that participants had developed proposals for more comprehensive revisions to the ICAP market and auction procedures. Many of the proposed revisions require data, new or changed software or additional study work, such that it will not be feasible to fully implement the preferred market design for the Summer 2000 period. Therefore, Hunton & Williams had prepared a draft Tariff filing that was intended to capture some of the new features in a manner that could be implemented for the Summer 2000 period, provided they are approved by FERC. This Draft is referred to as a Stage I filing.

Mr. Ted Murphy, Hunton & Williams, reviewed the concepts and features of the Stage I filing and a lengthy discussion ensued. Many participants questioned the implementation and interpretation of preferred end-stage market features in the Stage I Draft tariff language.

Mr. Rana requested the BIC ICAP Working Group to reconvene as soon as possible to resolve any remaining issues and to clarify the language for a Stage I Tariff and Auction filing. The following schedule was established for further work on the ICAP filing:

The BIC ICAP WG will meet on January 11th and 12th. The MC will meet again on January 21st to consider a revised Stage I ICAP filing, which will be provided to the members no later than January 19th. Mr. Museler indicated that he would request the Board to work with the members on this schedule to ensure that a filing could be made by the end of January.

A motion was presented to the MC by a number of market participants to accelerate the ISO staff's proposed September 2000 timetable for completing a study of the reliability impacts, if any, of implementing the one month ICAP procurement period adopted by the BIC.

In response to this motion, Mr. Museler reported that he had decided to use outside consultants to do the study. He expected to have a scope of work prepared and the consultants hired by the end of January, and would be requesting the consultants to conclude their study by the end of March.

XIII. Discussion of Sanctions Straw man

The December 9, 1999 Sanctions Strawman Proposal was discussed. Mr. Freilicher indicated that he had not received many comments from Participants and therefore had not yet revised the document. Concerns raised by the members during discussion included: the amount of discretion that the ISO has in determining the level of penalties that are indicated as “up to” amounts; whether the ISO should be developing any sanctions or whether the ISO should rely on market incentives for participants to abide by the rules; whether the ISO should be proposing sanctions for Transmission Owners that do not follow ISO instructions during normal operating conditions.

Mr. Freilicher and Mr. Museler indicated that they are open to recommendations and comments and that the lower committees also intend to discuss the Sanctions Strawman at their January meetings. It is anticipated that a new draft of the Sanctions Strawman Proposal will be presented to the MC for consideration at the February meeting.

XIV. New Business

Mr. Jim Parmelee offered a motion to establish a Budget and Performance Review Subcommittee. After discussion, Mr. Parmelee agreed to distribute a written motion for consideration at the next regularly scheduled MC meeting.

XV. Adjourn

The meeting was adjourned at approximately 3:30 pm.

Respectfully submitted,

Charles A. King

**MOTION REGARDING PARTICIPATION OF GOVERNMENT AGENCIES ON THE
ISO MANAGEMENT COMMITTEE**

DRAFT
WHEREAS pursuant to the ISO Agreement, the End-Use Consumer Sector includes a specific subsector for Governmental Agencies (see Section 7.06 [d]); and

WHEREAS the ISO Agreement states, in two sections, that the Governmental Agency subsector shall never exercise more than five (5) percent of the total votes on the Management Committee (see Section 7.07 [third paragraph] and Section 7.08 [first paragraph]) and allowing such Governmental Agencies to vote in any other sector (except as specifically provided in the ISO Agreement for the New York Power Authority and the Long Island Power Authority) would result in governmental agencies exercising more than five (5) percent of the total votes on the Management Committee; and

WHEREAS the parties to the ISO governance settlement, as incorporated in the ISO Agreement, intended that voting membership in the Large Consumer subsector of the End-Use Consumer Sector would be reserved for private sector businesses in order to give such businesses a vote in the ISO governance structure because they provide substantial contributions to the economy of the State of New York through the provision of, among other things, private-sector jobs and the payment of state and local taxes and because the cost of electricity for these businesses is both an important factor in their ability to compete nationally and globally and an important element in whether the business remains in and expands operations in New York;

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE MANAGEMENT COMMITTEE THAT:

Allowing governmental agencies, including public authorities as defined in the New York Public Authorities Law, to participate as voting members in the Large Consumer subsector of the End-Use Consumer Sector, is contrary to the express and implied terms of the ISO Agreement and, therefore, the Management Committee requests that the ISO Board not certify any governmental agency or public authority as a voting member of the Large Consumer subsector of the End-Use Consumer Sector.

DRAFT Motions

Item #	Motion	Voting Results	Status
01-09-00-1	Motion to accept the revised Bylaws.	Unanimous	Passed
01-09-00-2	Motion to table the motion offered by Mr. Singer to limit all governmental agencies participation to the governmental agency sub-sector.	53% in favor	Failed to Pass
01-09-00-3	The original motion offered by Mr. Singer and distributed in written form prior to the MC meeting in which all governmental agencies (that do not own/operate distribution facilities <u>and</u> provide an electric utility service to the public.) would be restricted to participating in the governmental agency sub-sector.	72.94% in favor	Passed

Action Items

Number	Item	Responsibility	Status
01-09-00-01	Form a small group consisting of Mr. Singer, Mr. Freilicher and representatives of the MTA and other interested parties to review the issue relative to MTA's participation on the MC and recommendations for changes to the ISO Agreement which would clarify the participation of governmental agencies for the future.	Management Committee	
01-09-00-02	Provide the overall NYISO Project List to the MC, BIC & OC Chairs by 1/6/00.	NYISO	Done
01-09-00-03	Have a first draft schedule for all of the projects available for review by the end of January.	NYISO	On schedule for 1/28/00

New York Independent System Operator - Committee Membership
Management Committee - Attendance January 6, 2000 Meeting in NYC

Organization	Sector	Representative	Alternate	Proxy	Guest
County of Erie	End Use - Gov. Agency/Aggr.	Richard M. Tobe			
NYS Energy Research & Develop. Auth.	End Use - Gov. Agency/Aggr.	✓ Peter R. Smith	Charles Kowalski		
The City of New York	End Use - Gov. Agency/Aggr.	Jay L. Kooper	✓ Richard B. Miller	✓ Jonathan Wallach	
US General Services Administration	End Use - Gov. Agency/Aggr.	Brian K. Magden	Virg W. Ostrander		
ATCO Management Co.	End Use - Large Consumers	Peter DiCapua	Scott Petersen	✓ Connie Oliva	
IBM Corporation	End Use - Large Consumers	✓ Leonard H. Singer			
NYC Office of Energy Conservation	End Use - Large Consumers	Chet Advani	Stuart Barth		
Occidental Chemical Corp.	End Use - Large Consumers	✓ Leonard H. Singer			
Praxair Inc.	End Use - Large Consumers	✓ Leonard H. Singer			
Reynolds Metals Company	End Use - Large Consumers	✓ Leonard H. Singer			
Xerox Corporation	End Use - Large Consumers	✓ Leonard H. Singer			
Aaron Breidenbaugh	End Use - Small Consumers	✓ Aaron Breidenbaugh			
American Association of Retired Persons	End Use - Small Consumers	Douglas H. Ward			
Association for Energy Affordability, Inc.	End Use - Small Consumers	✓ David Hepinstall	✓ Molli Lampi		
Citizens Advisory Panel	End Use - Small Consumers	✓ Gordian Raacke			
Coordinated Housing Services, Inc.	End Use - Small Consumers	Phyllis J. Kessler	✓ Gregory Wortham		
New York Energy Buyers Forum	End Use - Small Consumers	Catherine Luthin	John Dowling	✓ Richard Miller	
Rent Stabilization Association	End Use - Small Consumers	Michael Printz			
NY State Consumer Protection Board	End Use - State Agency	✓ Tariq N. Niazi			
AES NY	Generation Owners	✓ Christopher Wentlent	Rick Santoroski		
East Coast Power	Generation Owners	Jack Feinstein	Gary Keevill		
Edison Mission Marketing & Trading	Generation Owners	Kenneth L. Lackey	✓ Bob Agnello		
Indeck Energy Services	Generation Owners	Mike Janczak	✓ Mike Ferguson		
KeySpan Ravenswood, Inc	Generation Owners	Howard A. Kosel	James Brennan	✓ Murat Alptekin	✓ Jim D'Andrea
NRG Energy	Generation Owners	✓ Marc Dworkin	Nancy Jones		
Orion Power New York	Generation Owners	Mark Sudbey	✓ Janet Audunson	x Mary Lynch	
PG&E Generating	Generation Owners	✓ Daniel E. DuBois	Scott Miller		
Sithe Energies, Inc.	Generation Owners	✓ Scott Weiner	✓ Timothy R. Bush	✓ Garry Brown (Alt2)	✓ John Reese
Southern Energy of NY	Generation Owners	Craig Lesser	✓ Mark Petro		
Sunset Energy Fleet LLC	Generation Owners	James C. Hall	Jerry Montrose		
TransCanada Power Marketing	Generation Owners	William Taylor	Elaine Beaudry	✓ John Reese	
United American Energy	Generation Owners	Phil Dutton			
NYS Department of Public Service	Non-voting	✓ Saul Rigberg	Joel Brainard		
1st Rochdale Cooperative NYC	Other Suppliers	Phyllis J. Kessler	✓ Gregory Wortham		
Aquila Energy Marketing Corp.	Other Suppliers	Jason T. Stever	✓ Peter Brown		
Automated Power Exchange	Other Suppliers	Jim Verna			
Cinergy Services, Inc.	Other Suppliers	Walt Yeager			
Citizens Power LLC	Other Suppliers	✓ William Roberts	✓ Alan Foster		
Con Edison Solutions	Other Suppliers	✓ Ken Bekman	Stephen Wemple		
Constellation Power Source	Other Suppliers	✓ Harvey Reed	Douglas Keegan		
Dynegy Marketing and Trade	Other Suppliers	Other Suppliers	Miles Allen		
Dynegy Power Marketing	Other Suppliers	Other Suppliers	Dave Black		
Energetix, Inc.	Other Suppliers	Other Suppliers	Byron Farnsworth		
Enron Power Marketing Inc.	Other Suppliers	✓ Howard A. Fromer			
HQ Energy Services	Other Suppliers	Matthew LaRocque	✓ Johane Meagher		
KeySpan Energy Services	Other Suppliers	✓ Ruben Brown	Angela Schorr	✓ Murat Alptekin	✓ Peter Chamberlain
National Energy Marketers Association	Other Suppliers	Craig G. Goodman			
NewEnergy, Inc.	Other Suppliers	Bob Aronson			
Niagara Mohawk Energy Marketing	Other Suppliers	Jim Cifaratta	Sam Moreton		✓ Marc Overdyk
NORESCO	Other Suppliers	Chuck Coyne			
NU / Select Energy	Other Suppliers	Gunnar Jorgensen	James Scheiderich	Paul Norris	
NYSEG Solutions	Other Suppliers	Mark R. Beaudoin	Ann Marie Reynolds		
Ontario Power Generation Inc.	Other Suppliers	✓ Barry Green	Tasos Karatsoreos		
PECO Energy Company	Other Suppliers	✓ Marjorie R. Philips	✓ Regina Carrado		
PP&L Inc.	Other Suppliers	Garreth Kirkner			
PP&L Energy Plus	Other Suppliers	John Brodbeck	✓ Glen McCartney		
PSEG Energy Technologies Inc.	Other Suppliers	Patricia Esposito	Ken Lempicki		
Public Service Electric & Gas Company	Other Suppliers	✓ James D. Hebson	Michael LaFalce		
Sempra Energy Trading	Other Suppliers	Phil Borrello	Dana Volpe		
Southern Company Energy Marketing	Other Suppliers	Marty Matijasich	Vicki Lynch		
Statoil Energy Inc	Other Suppliers	Mark Wilson			
Strategic Energy Ltd.	Other Suppliers	John E. Molinda	✓ Jacqueline Cochrane		
TransEnergie U.S. Ltd.	Other Suppliers	José A. Rotger			
Williams Energy Services	Other Suppliers				
Wisbest Connecticut, LLC	Other Suppliers	Joe Devito	Peter Brown		
Long Island Power Authority	Public Power - Authorities	✓ Seth D. Hulkower	✓ Jim Parmelee		

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Organization	Sector	Representative	Alternate	Proxy	Guest
New York Power Authority	Public Power - Authorities	✓ Robert A. Hiney	William Palazzo		
Adirondack Council	Public Power - Environmental	✓ Mollie Lampi	Bernard Melewski		
Environmental Advocates	Public Power - Environmental	Jason K. Babbie			
Nat'l Resources Defense Council	Public Power - Environmental	Dale S. Bryk	✓ Mollie Lampi		
Pace University	Public Power - Environmental	✓ Mollie Lampi			
Scenic Hudson	Public Power - Environmental	Cara Lee	✓ Mollie Lampi		
Sierra Club - Atlantic Chapter	Public Power - Environmental	Frank Morris	John Stouffer		
Bath Electric, Gas & Water Systems	Public Power - Munis & Co-ops	W. Neal Wrinkle		✓ Paul Pallas	
City of Jamestown Board of Pub. Util.	Public Power - Munis & Co-ops	✓ Michael Darroch			
Town of Massena	Public Power - Munis & Co-ops	Clifford Engstrom		✓ Paul Pallas	Tom Rudebusch
Village of Fairport	Public Power - Munis & Co-ops	Ken Moore		✓ Paul Pallas	
Village of Freeport	Public Power - Munis & Co-ops	✓ Hubert Bianco	Robert Kortright		
Village of Rockville Centre	Public Power - Munis & Co-ops	✓ Paul J. Pallas			Tom Rudebusch
Village of Westfield	Public Power - Munis & Co-ops	Jim Hamilton		✓ Paul Pallas	
Central Hudson Gas & Electric	Transmission Owners	Ronald Brand	Carl Meyer		
Consolidated Edison	Transmission Owners	✓ Lou Rana			✓ Paul Gioia
Niagara Mohawk Power Company	Transmission Owners	✓ Clement E. Nadeau	✓ Jerry J. Ancona		✓ Marty Amati
NY State Electric Gas	Transmission Owners	✓ Denis Wickham	Raymond Kinney		
Orange & Rockland, Inc.	Transmission Owners	Phil Nannery			
Rochester Gas & Electric Co.	Transmission Owners	✓ Clifton Olson	Laurie King-Pirchner		
Metropolitan Transportation Authority	End Use - Gov. Agency/Aggr.	✓ Robin C. Stevens			✓ W. McCarroll, R. Schwartz
Con Edison Energy	Other Suppliers	✓ Ken Bekman	Ivan Kimball		
NYISO	Non-voting				✓ Bill Museler
NYISO	Non-voting				✓ Chuck King
NYISO	Non-voting				✓ Jonathan Mayo
Hunton and Williams	Non-voting				✓ Gina Fedele
Hunton and Williams	Non-voting				✓ James Schmidt
Hunton and Williams	Non-voting				✓ Ted Murphy
NYISO	Non-voting				✓ Ira Freilicher
					✓ Kristen Kranz