

DRAFT

NYISO Management Committee Meeting

January 21, 2000
Con Edison
New York City

MINUTES OF THE MEETING

I. Introduction and Meeting Objectives

Mr. Lou Rana, Chairperson 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:

- Action on Stage I ICAP Tariff and Auction Documents
- Action on Motion regarding Budget and Performance Review Subcommittee

II. ICAP Market and Auction Procedures for Summer 2000

Mr. Rana noted that the members of the Management Committee had received draft tariff provisions and auction procedures by electronic mail and that copies of these documents were also distributed at the meeting. A two-page memorandum addressing the purpose of the Summer 2000 filing and suggesting a mechanism for concluding the FERC filings was also distributed at the meeting.

Mr. Rana indicated that discussion and action at the meeting would proceed as follows:

Mr. Jim Scheiderich, Chairperson of the NY ISO Business Issues Committee (BIC), would review the features of the tariff and auction procedures.

Mr. Howard Fromer, facilitator of the BIC ICAP Working Group, would discuss a limited number of issues that required clarification or resolution at the meeting.

Mr. Ted Murphy, counsel to the NYISO, and Mr. Art Desell, NYISO staff, were available to answer any questions concerning the documents or the market and auction procedures.

Messrs. Rana, Scheiderich and Fromer would propose a process for finalizing the filing documents, based on the meeting's outcome.

Mr. Rana offered the following observations concerning NY's ICAP market and requirements. He noted that Con Edison is forecasting a peak load of 10340 MW for the Summer 2000 period and that currently there are 7829 MW of resources available that meet the in-city criteria. However, the 80% locational ICAP requirement for New York City calls for 8272 MW to be located in-city, which produces a projected shortfall of 443 MW.

Mr. Rana emphasized that ICAP market and auction procedures which provide correct incentives for suppliers are essential to attract the additional supply needed in New York and that the MC must act quickly for the market and auction procedures before them to be in effect for the summer. Mr. Rana also noted that the NYISO was proceeding with a compliance filing to the current ICAP auction procedures and the market would be forced to use these procedures if new ones are not approved by FERC on a timely basis.

Overview

Mr. Scheiderich reviewed the features of the Stage I filing. He noted that Stage I does not implement unforced capacity or a one-month obligation procurement period, although those features were endorsed by the BIC. Mr. Scheiderich informed the members that these features require additional clarification among participants and study by the NYISO and that it is the intent of the BIC ICAP Working Group to have these issues resolved in time for implementation at the start of the Winter 2000 seasonal capability period.

Mr. Scheiderich noted that the Stage I tariff provisions contain enforcement provisions, in the form of sanctions and penalties for buyers and sellers, which have been controversial with some participants. Nevertheless, Mr. Scheiderich indicated that he viewed the enforcement provisions as reasonable compromises between the NYISO staff and the participants.

Issues

Mr. Fromer introduced the first of two issues requiring clarification. Mr. Fromer indicated that the Stage I tariff exempts certain municipally owned generation from the bidding and scheduling requirements of other ICAP suppliers. The exemption was provided because these resources are not visible to the NYISO's MIS and therefore cannot meet these requirements. Mr. Fromer noted that the BIC ICAP Working Group had intended to extend this exemption not only to certain existing municipally-owned resources, but also to those that would be in-service by the start of the Summer 2000 period. In order to clarify this intent, Mr. Fromer recommended that the tariff provisions be amended to indicate those resources "under construction" by December 31, 1999 also are entitled to the exemption.

Discussion ensued. Some representatives of Generators viewed this exemption as inequitable and disagreed that the Working Group had contemplated extending the exemption to resources under construction. Representatives of Municipal utilities and Public Power Authorities expressed the view that this exemption is important to allow the state to rely on all available resources during the Summer 2000 period, and that the equity issues could be revisited as the permanent ICAP market rules are developed. Discussion

also clarified that that total amount of municipally-owned generation eligible for this exemption is approximately 70 MWs out of a total statewide requirement of over 30000 MWs.

Mr. Tim Bush, Sithe Energies, offered the following motion:

The proposed exemption for municipally-owned generation should be limited to existing generation of 25 MWs or less.

The motion was seconded and defeated by a wide majority by a show of hands.

Mr. Fromer offered the following motion:

The proposed exemption for municipally-owned generation should be clarified by inserting language in Section 5.8 (b) to indicate that resources “under construction” by December 31, 1999 will be eligible.

The motion was seconded and carried by a wide majority by a show of hands.

Mr. Fromer noted that there were two issues related to the in-city ICAP market that required clarification and discussion. The first concerns the implementation of the price cap on mitigated in-city units and the second addresses the distribution of rebates that may be available as a result of the in-city auction procedures.

Mr. Rana stated his view that the MC had already expressed a clear intent that the Stage I ICAP market and auction procedures must not lead to New York City customers paying more than the price-capped amount for any mitigated ICAP. Mr. Rana requested and received clarification from certain MC members that the rebate procedures, as currently drafted, met that standard. Mr. Rana also requested the NYISO staff to independently confirm that the tariff and auction procedures will not require New York City customers to pay more than the price-capped amount for any mitigated generation that is purchased, and to make any changes necessary to the documents to ensure this outcome. NYISO staff agreed to Mr. Rana’s request.

Discussion of additional issues and further clarifications

The members raised numerous issues and questions during discussion. Ms. Gina Corrado, PECO, requested that the documents clarify the circumstances under which a supplier will be exposed to retroactive deficiency penalties. Mr. Fromer explained that this possibility might arise if a supplier sold more ICAP at the start of the obligation procurement period than its later DMNC test indicated it was eligible to sell, and also failed to cover that shortfall in the monthly auctions.

Mr. Peter Brown, Brown, Olson & Wilson, clarified that the intent concerning External System Resources is to allow these resources to participate in NY’s ICAP market if they are located within control areas which have demonstrated that they are willing to curtail exports and own load on an equivalent basis. As currently drafted, section 5.12.1 implies

that only resources which are also control areas can meet this criteria. It was agreed that the documents would be revised to reflect the intent articulated by Mr. Brown.

Ms. Mary Lynch, Orion Power, asked if the intent of section 5.12.5 is to allow resources which had demonstrated an increase in DMNC ratings during a capability period to sell the increased capacity prospectively during the remainder of the capability period. Ms. Lynch also inquired if this provision would extend to new capacity or just a restoration of previously existing capacity. During discussion, it was clarified that restoration of existing capacity during the capability period was covered by 5.12.5 but that new capacity was not. NYISO staff stated that it would investigate the reliability issues related to extending this provision to incremental capacity (that is, additional capacity at an existing resource) and if this extension would not compromise reliability, the documents would be revised to further extend these provisions to incremental capacity.

Mr. Ray Kinney, NYSEG, indicated his company's position that the price paid for recalled energy should not exceed the spot price in the area from which the energy is recalled. The proposal is to allow ICAP suppliers to submit recall bids, and to pay for recalled energy at the recall bid price. Mr. Kinney indicates that NYSEG will not support the filing if this provision stands.

Mr. Len Singer, Couch White, raised an issue concerning Stage I market features and Interruptible Load resources. Mr. Singer indicated that while the procedures appear to allow Interruptible Load to bid into the market, the NYISO systems are not able to support this activity. Mr. Singer stated his view that while Stage I is an improvement to the existing market design and auction procedures, he is not convinced that the systems necessary to support full participation by Interruptible Load cannot be made available by the Summer 2000 period. Mr. Singer indicated that if progress is not made on this front by the time that responses to the proposed filing are required, his clients may protest on the grounds of limited participation afforded these resources.

During discussion, Mr. Freilicher indicated that both the NYISO staff and Board of Directors are very supportive of providing full participation for Interruptible Load resources but that the implementation will require additional time. Mr. Scheiderich offered to discuss this issue at the next meeting of the BIC Scheduling & Pricing Working Group with NYISO staff available to review implementation matters. Mr. Rana requested the NYISO staff to present a timeline that will allow full participation of Interruptible Loads. Mr. Freilicher indicated that staff would report back at the next MC meeting.

Process Proposal

Based on the discussion and clarifications at the meeting, Mr. Rana indicated that the tariff and auction documents would need to be revised. He suggested that a small group be charged with this task so that a target filing date of January 28, 2000 could be met. After additional process discussion, Mr. Scheiderich offered the following motion:

The Management Committee approves of the 1/20 Tariff and related Auction description as presented, along with inclusion of any resolutions to issues resolved at the 1/21/00 Management Committee meeting.

Further, the MC agrees to a limited Participant group to oversee the finalization of the Tariff filing.

During discussion, it was clarified that the limited Participant group would be comprised of one representative from each sector, one PSC staff member and the Chairpersons of the MC, BIC and facilitator of the BIC ICAP Working Group. The group was directed to: work with NYISO staff and Hunton & Williams to revise the documents to reflect the discussion at the 1/21/00 MC meeting; sign off on the filing on behalf of the MC; and to file the documents with FERC no later than January 28, 2000.

The motion was seconded and approved by a vote of 93.4%.

III. Budget and Performance Review Subcommittee

The sponsor of the motion, Mr. Jim Parmelee, indicated that he wished to remove the item from the agenda at this meeting and would reintroduce his motion at the next regularly scheduled MC meeting.

IV. Adjournment

The meeting was adjourned at approximately 2:45 pm.

Respectfully submitted,

Gina Fedele
Acting Secretary