
DRAFT**NYISO Management Committee Meeting Minutes****September 28, 2012****10:10 a.m. – 1:30 p.m.**

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

Mr. Howard Fromer (PSEG), the Chair of the Management Committee (MC), called the meeting to order at 10:10 a.m. and welcomed the members of the MC. Participants introduced themselves and their affiliations. There was a quorum. Mr. Fromer reported that the Board Selection Subcommittee process has been initiated to select a new Board of Director. A search firm will be selected in the near future and the goal is to have three candidates interviewed by January 2013. Mr. Fromer also encouraged stakeholders to participate in the BPWG meetings.

2. Approval of Meeting Minutes – July and August 2012Motion #1:

Motion to approve the July MC Minutes.

Motion passed with an abstention.

Motion #2:

Motion to approve the August MC Minutes as edited.

Motion passed with an abstention.

3. President and COO Report

Mr. Steve Whitley (NYISO) provided a summary of the NYISO's FERC Order 1000 compliance filing. Throughout the stakeholder process, stakeholders have discussed and provided their input on the NYISO's compliance filing with Order 1000. After considering stakeholder comments, the Board decided that the proposal that was put together with stakeholder input represented a balanced outcome and fairly reflected the interests of all parties and met the minimum requirements of Order 1000. The Board recognized that stakeholders will represent their views at FERC, but it is best for the NYISO to submit the compliance filing and ask for FERC guidance. Regarding LIPA's proposal to decide public policy transmission needs and cost allocation for Long Island, the Board decided that this issue should be carved out of the compliance filing. The respective roles of LIPA and the PSC in making public policy decisions is a sensitive issue that state policy makers may want to address on their own. The NYISO will remain neutral on that topic. Mr. Mike Mager (Multiple Intervenors) said that he was disappointed with this outcome and disagreed that the proposal reflected the best interests of all stakeholders. Mr. Dan Congel (TC Ravenswood) agreed.

Ms. Doreen Saia (GenOn) said it was disconcerting that stakeholders spent a lot of time working with NYISO staff to work out the cost allocation provisions for the CARIS rules and now a new structure that does not resemble CARIS is part of the proposal. The provision infers that the PSC could define cost allocation for transmission projects driven by Public Policy Requirements. She said it is a major departure from our current processes, and likely a violation of the Federal Power Act. She added generators are struggling how and why that structure is being submitted.

Mr. Fromer said Order 1000 pushes the concept of compliance filings to the extreme and expressed a concern that the proposal lacked stakeholder consensus. He said the NYISO is unique compared to other

ISOs in that it has joint governance with the Management Committee and not the Board alone deciding what the NYISO tariff should look like. He indicated that he doesn't think the Board has any idea if the MC supports or opposes this outcome. The cost allocation proposal for transmission needs driven by Public Policy Requirements in particular is a radical departure from our current processes and is an endorsement of socialism. Mr. Frank Francis (Brookfield) agreed.

Mr. Whitley said the Board is very concerned about negative impacts to competitive markets. There is a step in the NYISO's compliance filing for the NYISO's external Market Monitoring Unit to review new transmission projects that come through the public policy process and to advise the whether they would impact the competitive markets. Mr. John Buechler (NYISO) explained how this process would work. Mr. Fromer stated that he appreciated this step, but said the NYISO has no authority to prevent a new project that has an impact on NY's competitive markets from going forward. Mr. Mager agreed.

Mr. Bart Franey (National Grid) said Order 1000 was a difficult order to comply with and the issues regarding cost allocation are unique. It is very hard to establish them in the abstract what these projects are intended to facilitate. It is important to consider that nothing is required to be built, but that FERC is only requiring that a process be developed. He acknowledged that the NYISO Board showed leadership in making a tough decision. He believed it was a balanced approach that went through a stakeholder process that was open. Ms. Saia agreed that the stakeholder process was open and it was a difficult order, but noted that there was a concern raised that a project could avoid the reliability or economic planning processes, and would seek the new cost allocation methodology for public policy when the project should have qualified for either the reliability or economic cost allocation methodology.

Mr. Rich Dewey (NYISO) provided the Infrastructure Master Plan update. He reported that there was a delay in the delivery of the prefab concrete panels for the exterior of the building. Due to the delay, the construction is three weeks behind schedule, but the NYISO anticipates the structure will be enclosed by December, and interior work will begin. Mr. Dewey urged stakeholders to exercise caution as there will be heavy trucks at the NYISO in the coming weeks. The facility should be ready for operations testing in third quarter of 2013 as planned. The NYISO is still tracking very favorably on the budget. Mr. Whitley added that the NYISO Board will be on hand when the new control center becomes operational.

Mr. Fromer asked the NYISO to walk through the schedule and deliverables for the in-city mitigation measures and when the NYISO would provide results of the three studies that FERC requested. Ms. Karen Gach (NYISO) said the NYISO is moving forward with the redetermination of the three projects and they will be completed by November 13. The NYISO plans to seek rehearing on the FERC Order and the rehearing request is due October 10. Ms. Saia asked for clarification that NYISO will release a public announcement of those redeterminations by November 13. Ms. Gach said that was correct.

Mr. Rick Gonzales (NYISO) reviewed the market performance and operations reports. Mr. Mark Younger (Indeck) asked for the driving factors for the lower LBMP prices in August compared to July. Mr. Gonzales noted that there were no heat waves in August and natural gas prices were down. In response to a question on Rate Schedule 1 (RS1), Ms. Mary McGarvey (NYISO) said through August, the NYISO had an under-collection of approximately \$900,000. In September, mid-month data shows that the NYISO is on track with RS1 for the month.

4. Department of Energy – Smart Grid Investment Grant Update

Mr. Jack Barsky (NYISO) reviewed the presentation included with the meeting material. Mr. Barsky reported that the project is on schedule and that the Transmissions Owners (TOs) have installed the

majority of the phasor measurement units (PMUs) at their substations and that the NYISO is building software to display the data visually and enhancing existing applications for state estimation. The additional deliverables of the project include the installation of 933 MVARs of capacitors, a controlled system separation study, and a dynamic system model calibration study. Mr. Barsky added that the NYISO will also be exchanging data with neighboring ISOs.

In response to a question, Mr. Whitley said if the PMUs were in place in 2003 with data exchanges among the ISOs, the ISOs could potentially have taken steps to mitigate the impact of the Northeast black-out. He added that this project was one of the top recommendations of the joint US-Canada study following that event. Mr. Younger asked for clarification if the NY PMUs would detect disturbances or would the NYISO have to rely on the PMUs of its neighbors. Mr. Whitley said that data from PMUs in neighboring control areas would relay that information to NYISO.

Mr. Mager requested that the NYISO document benefits regarding this project because it would help demonstrate them in a quantifiable way. He also requested that the NYISO should include the total project cost in the cost/benefit analysis. Mr. Whitley noted that capacity savings, not just energy savings, should also be included and he added that the cost of a one day blackout in NY is \$6 billion. He agreed that the NYISO should discuss those detailed savings at the BPWG meetings.

5. Refocus Customer Feedback Program

Mr. Richard Barlette (NYISO) reviewed the presentation included with the meeting material. The NYISO is developing a continuous customer feedback process providing real time customer feedback data. The survey in its current form provides the NYISO with limited data from its annual survey. The 2012 annual survey will be distributed to stakeholders in early October. Mr. Fromer suggested that the Board should receive this information at the end of the year, instead of the beginning of a year, to better inform them on NYISO staff performance on the incentive goals. Mr. Francis commented that he recently noticed several improvements in the stakeholder services department in terms of accuracy and timeliness of their responses.

6. Billing Issues Tariff Changes

Mr. Paul Edmundson (NYISO) reviewed the presentation included with the meeting material. He noted that these tariff changes are for clarification only. Mr. Fromer asked for clarification that NYPA or a TO is required to submit data to the NYISO by the 15th of the month. Mr. Edmundson said that data must be submitted by the 14th of the month.

Mr. Younger said the fourth proposal of the presentation was not just a minor clarification. He said the tariff language from 2000 made sure the NYISO was not cutting transactions at a time when it had lower LBMPs than its neighbors. If one is cutting transactions it should be an indication that you are in a worse situation than your neighbor and therefore your prices should be higher. He said he was fine with removing language regarding the double payment, but not the "higher of" language. Mr. Fromer suggested moving the proposal forward, but take item 5 back to BIC for further discussion.

Motion #3:

The Management Committee (MC) approves the Tariff Revisions pertaining to the Billing Issues Project items 1-4 and 6, as described to this MC meeting on September 28, 2012 and recommends the NYISO Board also approve them for purposes of a Section 205 filing by the NYISO. Item #5 as described in the presentation is referred back to BIC for further discussion.

Motion passed with an abstention.

7. HTP Tariff Changes

Ms. Mary Helen Donnelly (NYISO) reviewed the presentation included with the meeting material. HTP is proposing a controllable tie line with a 660MW normal operating capability that will connect PSE&G Bergen Substation located in Ridgefield, New Jersey with Con Ed's West 49th Street Substation in NYC.

Mr. Younger asked if 15 minute scheduling will be ready when this line becomes operational and so the NYISO is preparing the tariff language to represent that as well. Ms. Donnelly said that was correct and other scheduled lines may become operational before HTP. Mr. Younger asked for an update on the timing of the other scheduled lines because he believed that the NYISO said during the unscheduled interface discussions, that it would review the other lines and questioned if they would be implemented sooner. Mr. Rana Mukerji (NYISO) said the 15 minute scheduling should happen by the end of the year and the NYISO is coordinating with PJM.

Mr. Mike Kramek (Edison Mission) asked if the NYISO will include in the filing letter a notification requirement to stakeholders if the actual flow changes and if it is allowed to flow from NY to PJM. Ms. Donnelly said the NYISO would have to study it and implement software changes. Mr. Fromer added that both PJM and the NYISO would have to study that.

Motion #4:

The Management Committee (MC) approves and recommends that the NYISO Board of Directors authorize the NYISO staff to file under Section 205 of the Federal Power Act, amendments to the Open Access Transmission Tariff and Market Services Tariff as posted with the meeting materials for this meeting.

Motion passed with an abstention.

8. 2013 Budget Preview

Mr. Bob Boyle (NYP&A) reviewed the presentation included with the meeting material. The NYISO's draft 2013 budget totals \$161.1 million, an increase of 7.0% from the 2012 budget of \$150.6 million. Excluding FERC Fees, the NYISO's draft 2013 budget totals \$149.6 million. The NYISO's budget remains the lowest revenue requirement of all ISOs. The NYISO's 2013 budget includes increases for a number of mandatory initiatives and certain uncontrollable items, which are partially offset by approximately \$4 million in budgetary reductions and cost containment measures that NYISO has implemented. Mr. Fromer reminded stakeholders that the budget will be up for action at the October MC.

Mr. Mager recognized the NYISO's efforts to keep costs down, but expressed a concern that the NYISO's budget shows an increase during the current economy. He asked if the NYISO could reduce costs anymore. Ms. McGarvey said the NYISO tried to reduce as many costs as possible prior to presenting the draft budget to stakeholders, but this is the budget that the NYISO will need to support its mandated objectives for 2013. She said the NYISO remains open to stakeholder suggestions at BPWG. Mr. Whitley thanked the input that each sector provided in the budget discussions so far.

9. New Business

Mr. Whitley announced that he will not be attending the October MC.

The next meeting is on October 31, 2012. Meeting adjourned at 1:30 p.m.