
DRAFT**NYISO Management Committee Meeting Minutes****June 11, 2013****10:00 a.m. – 12:00 p.m.**

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

Mr. Bart Franey, (National Grid), the Chair of the Management Committee (MC), called the meeting to order at 10:00 a.m. and welcomed the members of the MC. Participants introduced themselves and their affiliations. There was a quorum.

2. Cyber Security Update

Mr. Rich Dewey (NYISO) provided an overview of the latest NYISO cyber security initiatives. Three areas discussed included NERC Critical Infrastructure Protection (CIP) standards, a Presidential Policy Directive, and a NERC event called GridEx.

Mr. Dewey reviewed both the NERC CIP standards that are in effect and those that are proposed. Mr. Rich Miller (Con Edison) noted that many entities are supportive of a new way of complying with NERC standards that would be more cost effective. He added that it would be helpful if the NYISO could make a brief presentation to stakeholders after it files its comments about the positions it and the ISO/RTO Council (IRC) take on the newest proposed version. Mr. Dewey said he would take that back.

Mr. Dewey discussed the February 15 Executive Order and Presidential Policy Directive signed by President Obama. The policies set forth in these directives are targeted to strengthen the security and resilience of critical infrastructure against evolving threats and hazards. The first activity was to charge the National Institute of Standards and Technology (NIST) with issuing a RFI to get comments from industry on what a future framework for compliance in cyber security and critical infrastructure might look like. The two main objectives dealt with the common standardized framework for cyber security programs and establishment of improved and effective information sharing among entities. The NYISO participated in those discussions and the IRC responded with comments. The IRC commented that the electric industry regulations are already robust and another layer of compliance on top of the current process doesn't necessarily make it stronger. The adoption of new standards should take into account existing compliance standards. The NYISO is staying as involved as it can to ensure there is a framework suitable for our industry and for our stakeholders. Mr. Carl Patka (NYISO) noted that one of the concerns includes liability for compliance with voluntary standards that may or may not be voluntary. The insurance requirements for taking on additional responsibilities are also another growing legal concern. Even though these activities are considered voluntary, the expectation is that it would become mandatory and enforceable.

Mr. Dewey reported that NERC will run a GridEx simulation that it holds every few years. It will take place on November 13 and 14. He encouraged interested stakeholders to visit the NERC website to get more involved.

3. Buyer Side Mitigation Throughout NY

Mr. James D'Andrea (TC Ravenswood) reviewed the presentation included with the meeting material.

To address a concern raised at previous meetings, Mr. D’Andrea stated that TC Ravenswood’s position on public policy goals is not to keep them out of the market, but to make renewables competitive in the market and limit the extent these resources can impact the competitive marketplace.

Ms. Erin Hogan (NYSERDA) noted that most of the renewables that enter the market are wind and their capacity factor is quite limited. Mr. D’Andrea disagreed and noted that it does impact the overall competitive market. Mr. David Clarke (LIPA) said the premium for procuring renewables furthers public policy and contributes to reliability. He asked why not exempt them and allow them to get the clearing price for capacity. Mr. D’Andrea said that it is better to mitigate and then allow exemptions after developing those standards. Ms. Doreen Saia (Entergy) added that it triggers a different question on subsidizing these resources. Do we continue to allow full exemptions and suppliers pay for that full subsidization or allow them to be subsidized through Renewable Portfolio Standard (RPS) payments? Mr. Miller asked for clarification if TC Ravenswood believes that wind needs to be mitigated in order to protect the energy markets. He wondered if FERC ever thought it needed buyer side mitigation to protect the markets. Mr. D’Andrea said he didn’t say that wind needs to be mitigated and that the proposal is not to mitigate energy, but to mitigate uneconomic entry.

In response to concerns on imports, Mr. D’Andrea said that the proposal seeks to take the existing rules in Zone J and in the New Capacity Zone (NCZ), and carry those rules into the Rest of State (ROS) market. There are no rules in Zone J or the NCZ that mitigate an import on an AC transmission line and therefore TC Ravenswood’s proposal would not mitigate imports on AC transmission lines in the ROS market. Economic resources should displace existing uneconomic resources. Otherwise we will have a policy-based system. TC Ravenswood believes that the competitive market is being overly influenced by uneconomic entry.

Mr. Garrett Bissell (Multiple Intervenors and the City of NY) said he has yet to see justification of a large looming threat of uneconomic entry that forces us to rush through the NYISO stakeholder process. It would be more appropriate to develop a comprehensive rule through the stakeholder process. He disagreed that it made sense to mitigate everything and then develop the rules for exemptions afterwards. Mr. D’Andrea said there are a number of public policies coming forward as well as contracts with resources. Also, there are contracts for future resources in case something happens. Ms. Saia noted that NYSERDA has been encouraged to expedite renewable power. Another example is the Energy Highway initiatives and it is unclear which direction that will go. A number of the submitted proposals could impact the ROS market. Mr. Bissell said that was his point. The Energy Highway has unknown proposals and TC Ravenswood’s proposal truly amounts to speculation. The major thrust of the Energy Highway is to build new transmission. There were requests to repower certain facilities as a comparative to a different transmission alternative. Ms. Saia disagreed and noted that the repowering units were large in capacity and assumed capacity price suppression in the proposals. She said that we can acknowledge that there are specific and defined threats that exist and by not addressing those threats, it will only foster additional litigation and send the wrong market signals to investors.

Ms. Hogan said it was incorrect to imply that NYSERDA was accelerating renewable power. The NYSERDA February solicitation indicates only that the state is on schedule to meet the 2015 goal. Currently, the RPS program is being reviewed by Department of Public Service staff. The acceleration of renewables is behind the meter and not grid interconnection. Regarding the Energy Highway RFPs, it was a comparative assessment on whether transmission or repowering would be more cost effective and the finding of the respective TOs was that transmission was the most efficient choice. Ms. Saia said she agreed, but the TOs don’t determine selections.

Mr. D'Andrea said that as an investor, uneconomic entry is an issue. The potential for uneconomic entry doesn't mean it is speculative. He said that the NYISO passes many rules because of the potential for things to happen. As an investor, TransCanada looks at the whole construct and the opposition to put a rule in place is a signal that impacts TransCanada's decision on whether to invest in NY. NY is not at the top of TransCanada's list to invest. If Mr. Bissell is correct that there are no uneconomic entry threats to the market, what is this rule going to do if nothing happens. People are saying nothing will happen, but if there is no rule, then it is too late. TransCanada won't invest if there are no defined rules for the market and there are only rules against suppliers.

Mr. Jackson Morris (Pace Energy and Climate Center) asked if this was related strictly to the capacity market, Mr. D'Andrea said the minimum price rule would take into account all of your costs and revenues and determine if you were economic investment. Therefore, if a wind project had rational reason to go forward due to net energy revenues and it brought its capacity revenue requirement down far enough, it would not get mitigated. TransCanada made an investment in Maine that energy revenues for wind would offset its costs. It is no different than traditional generation. Mr. Morris said he disagreed. The RPS is well established. The eight main tier solicitations will be announced in the next month. There is a proceeding at the PSC to look at the RPS post-2015. It is a waste of time to not recognize it. The program has been in place for almost ten years and will be in place going forward. Having capacity get built, but not have it recognized in the capacity market because there is no exemption in your proposal only forces consumers to pay twice as much for capacity. Also, it is important to look at PJM's precedent in 2011 when it instituted an exemption for wind and solar. To quote the docket, it was beyond the point of diminishing returns to develop a suitable benchmark price for renewables and they quote that wind and solar were poor choices to suppress capacity prices. To go back to what Ms. Hogan stated earlier, it seems that if you look at all of the precedent, it just seems a flawed approach to not include an up front exemption for renewables in your proposal. Mr. D'Andrea said it's understandable that there is a difference of opinion of when the exemptions should be warranted.

Mr. Miller noted that the MMU contradicts TC Ravenswood's assertion on slide 6 of the presentation. The issue is if you are a competitive entrant and you have a different view of when generators will retire than the NYISO, then you will not pass the economic test. The MMU has identified that as an unjust harm to the market if you have buyer side mitigation without a competitive entry exemption. Mr. D'Andrea said he understood the MMU's position, but it is up to FERC to determine if the MMU is correct. TC Ravenswood does not support a blanket exemption.

In response to a question, Mr. D'Andrea confirmed that Zone K would not be included in the definition of ROS under TC Ravenswood's proposal. Mr. Andrew Antinori (NYPA) noted that FERC ordered that the NYISO can't lift mitigation rules out of Zone J and transplant them to the NCZ. FERC ordered the NYISO to go back because one size doesn't fit all. FERC's order suggests that this wouldn't apply the same way for ROS and would conflict with TC Ravenswood's proposal. Mr. D'Andrea said that may be true, but he is still reviewing FERC's Order. Mr. Bissell reiterated that it is clear from FERC order that it's inappropriate to pass a measure and then figure everything out after the fact. Ms. Saia noted that FERC conditionally accepted Zone J rules to apply to the NCZ. FERC asked the NYISO to evaluate what changes need to be made and report to FERC in 120 days. It's misleading to suggest that the Zone J rules cannot be used for ROS. Mr. Bissell said the differences between ROS and Zone J need to be evaluated and those differences matter to FERC.

Mr. Yannick Vennes (HQ US) asked for clarification on whether the rules would mitigate existing CRIS rights. Mr. D’Andrea said the rules would not mitigate existing CRIS rights. There are no rules that do that now. Mr. Franey rephrased that the proposal is not to mitigate rights. It is meant to mitigate assets. That includes generation assets. He asked if the proposal does not include AC transmission lines and controllable lines that carry UDRs. Mr. D’Andrea said that is correct. Mr. Franey said he viewed this proposal as overlaying mitigation rules to new assets. If people want to come forward for competitive exemption, that would have to be done on a separate track. If someone wants to add AC transmission to this list, that would have to come separately. Mr. D’Andrea agreed.

Mr. Miller said Con Edison supports a comprehensive approach to revise buyer side mitigation and not voting on one proposal that would help incumbent generators and not the whole market. PJM passed a comprehensive proposal that had tradeoffs and was able to get 90% in favor through its stakeholder process. Con Edison would support a motion to table. Mr. D’Andrea noted that TC Ravenswood is also in favor of a comprehensive proposal and have attempted such a proposal previously and a measure didn’t pass. Comprehensive proposals have different meaning for which side of mitigation that you are on. Supply side mitigation is just for suppliers. Our proposal is balanced as it addresses suppliers and uneconomic entry. It is meant to protect the market and not a single sector of participants. Mr. Ron Mackowiak

Motion #1:

The Management Committee (MC) approves a revision to the definition of Mitigated Capacity Zone in Section 2.13 of the Services Tariff from:

Mitigated Capacity Zone: New York City and any Locality added to the definition of “Locality” accepted by the Commission on or after March 31, 2013.

to:

Mitigated Capacity Zone: New York City, Rest of State and any Locality added to the definition of “Locality” accepted by the Commission on or after March 31, 2013

and a revision to the Services Tariff Attachment H Section 23.2.1 Definitions from:

For purposes of Section 23.4.5 of this Attachment H, “Pivotal Supplier” shall mean (i) for the New York City Locality, a market Party that, together with any of its Affiliated Entities, (a) Controls 500 MW or more of Unforced Capacity, and (b) Controls Unforced Capacity some portion of which is necessary to meet the New York City Locality Locational Minimum Installed Capacity Requirement in an ICAP Spot Market Auction; (ii) for the G-J Locality, a market Party that, together with any of its Affiliated Entities, (a) Controls 650 MW or more of Unforced Capacity, and (b) Controls Unforced Capacity some portion of which is necessary to meet the G-J Locality Locational Minimum Installed Capacity Requirement in an ICAP Spot Market Auction; and (iii) for each Mitigated Capacity Zone except the New York City Locality and the G-J Locality, if any, a Market Party that Controls at least the quantity of MW of Unforced Capacity specified for the Mitigated Capacity Zone and accepted by the Commission.

to:

For purposes of Section 23.4.5 of this Attachment H, “Pivotal Supplier” shall mean (i) for the New York City Locality, a market Party that, together with any of its Affiliated Entities, (a) Controls 500 MW or

more of Unforced Capacity, and (b) Controls Unforced Capacity some portion of which is necessary to meet the New York City Locality Locational Minimum Installed Capacity Requirement in an ICAP Spot Market Auction; (ii) for the G-J Locality, a market Party that, together with any of its Affiliated Entities, (a) Controls 650 MW or more of Unforced Capacity, and (b) Controls Unforced Capacity some portion of which is necessary to meet the G-J Locality Locational Minimum Installed Capacity Requirement in an ICAP Spot Market Auction; (iii) for the Rest of State, a market Party that, together with any of its Affiliated Entities, (a) Controls 2000 MW or more of Unforced Capacity, and (b) Controls Unforced Capacity some portion of which is necessary to meet the NYCA Minimum Installed Capacity Requirement in an ICAP Spot Market Auction and (iv) for each Mitigated Capacity Zone except the New York City Locality, Rest of State and the G-J Locality, if any, a Market Party that Controls at least the quantity of MW of Unforced Capacity specified for the Mitigated Capacity Zone and accepted by the Commission.

The motion failed with 46.4% affirmative votes

Motion #2:

Motion to table motion #1

The motion failed with 56.29% affirmative votes

4. New Business

No new business.

The meeting was adjourned at 12:00 pm