

NYISO Business Issues Committee Meeting Minutes

May 17, 2006

The Desmond

660 Albany Shaker Road

Albany, NY 12110

1. Welcome & Meeting Objectives

10:02 a.m.

Mr. Ray Kinney, (NYSEG) Chair of the Business Issues Committee (BIC), called the meeting to order at 10:08 a.m.

2. Approval of minutes:

Mr. Ray Stalter (NYISO) presented the minutes from the February 8 and March 8, 2006 meetings. No additional comments were provided by the Committee.

Motion #1

Motion to approve the Minutes of the February 8 and March 8, 2006 BIC meetings.

Motion passed unanimously by show of hands.

3. Chair's Report

Mr. Kinney announced that Frank Francis (NYISO) was appointed as the new BIC Liaison. He'll serve as the primary contact from the NYISO for the BIC and the BIC working groups. He thanked Ray Stalter for his time and dedication for the time he spent as BIC Liaison.

4. Market Operations Report

Mr. Jonathan Lea (NYISO) reported in place of Mr. John Buechler. He noted that:

- The average "All in" cost increased slightly relative to March 06.
- Both Day Ahead and Real Time LBMPs increased in March.
- Fuel prices increased.
- Uplift increased 54 cents due to increase in balancing market residuals but also due to lower rate.
- Regulation prices have decreased relative to March.

Mr. Kinney asked if the average cost increase could be attributed to uplift increases. In response, Mr. Lea said it could be attributed to cost distribution over a smaller load levels.

5. Regional Market Enhancements

Mr. Stalter highlighted changes in the monthly Report. Mr. Stuart Nachmias (ConEd) noted that the Scheduling and Pricing Working Group discussed the 5018 cline that interconnects the NYCA with PJM, and suggested that we track efforts to modify treatment of that line with the Seams Report. Mr. Stalter indicated that the NYISO would look in to that further.

Regarding the 7040 Transfer Study, Mr. Glenn Haake (IPPNY) asked if the June 1 effective date was still planned. Mr. Stalter responded that the NYISO would check the status of the effective date and notify Market Participants of any change to the June 1 date. Mr. William Heinrich (PSC) added that it was his understanding from the the MSWG discussions that the NYISO was still looking at sensitivity studies for contingency conditions. Mr. Stalter said that it was his belief that the studies have been completed, but he would follow-up.

Mr. Kinney inquired about the need for a waiver regarding a FERC Order dealing with OASIS posting issues. Mr. Alex Schnell (NYISO) responded that the NYISO had a waiver in place, and intends to re-apply for one. He noted that many of the TOs rely on the NYISO's waiver.

6. Working Group Updates

A. Billing and Accounting (BAWG)

Dave Hall (NYSEG) reported on discussions at the April 21 BAWG meeting, which included:

- A review of the Bad Debt notice on the NYISO web site;
- Final Bill Closeouts, and the impact of the NYISO filings on Attachment N settlements.
- The NYISO settled August 2003 and December 2003 with the invoice issued on May 4.
- On May 10th the next set of final bill closeouts, from January 2004 through June 2004, were posted. The backlogs of closeouts is on schedule for completion in August.
- The new Billing and Accounting Manual review was discussed. The next meeting May 25 will include discussions with MPAS and KPMG on the SAS 70 audit.

B. Electric System Planning (Joint OC/BIC WG)

Mr. Tariq Niazi (NYS Consumer Protection Board) reported on May 16 ESP Meeting, which included the following highlights:

- The WG is working on the cost allocation methodology, and has asked DPS staff and the NYISO to develop a cost allocation methodology that is less burdensome to implement.
 - The TOs discussed development of a more detailed cost recovery plan. A more detailed outline was expected from the TOs for the next meeting. In addition, other MPs were asked to prepare their comments for discussion at the next meeting
- Procedures for halting a regulated backstop solution were discussed, with the intent of bringing a plan to the OC.
- Confidentiality concerns were also discussed. It is hopeful that this item may be able to close by the next meeting.
- The next meeting will be May 23 by teleconference. Other meetings will be scheduled for June 8 and 22.

Mr. Dave Coup (NYSERDA) asked for clarification regarding changes to the Locational Capacity Requirements(LCRs) that were approved by the OC, and potential impacts on the Reliability Needs Assessment. Mr. Niazi said it is his understanding that, while the RNA will not be changed, the new LCRs will be taken into account when looking at the solutions.

C. Installed Capacity (ICAP WG)

Mr. Glenn Haake (IPPNY) reported on discussions at the ICAP WG meeting on May 8th, which included:

- Questions about the ICAP Spot auction results.
- Review of the automated system deployment.
- Reviewed an NYS DEC presentation on emissions limits.
- John Charlton reviewed a preliminary schedule for discussions of the demand curve
- Discussed tariff revision for ICAP deficiency penalties.
- Discussion on using multi-year calculations for seasonal ICAP for special case resources/Hydro because of the potential one season variability.
- Next meeting will be June 12 instead of 6/6/06.

Resource Adequacy Issues Task Force

Mr. Haake noted that the April 28th joint report from the NYISO and the Reliability Council that was filed included a report from RAITF.

D. Interconnection Issues Task Force (IITF)

Mr. Haake reported that the IITF held a technical conference on April 10, a call on April 25 and a meeting on May 1 to address the deliverability compliance filing due May 8th. On May 4th, the TOs filed a motion, which resulted in an extension of the compliance filing due date to June 7th. The TOs also asked FERC to direct the NYISO to implement the two product interconnection approach. The filing date for response to the TO motion is Friday, May 19.

Mr. Kinney spoke about the intent of the filing, indicating that it was meant to clarify the TOs proposal to have a two product system for capacity deliverability consistent with previous FERC orders. Mr. Kinney added that there was some tentative agreement on the teleconference.

E. Market Structures Working Group

Liam Baker (U.S. Powergen) reported on discussion at the May 3rd meeting. Rick Gonzales (NYISO) gave a presentation on revisions to the treatment of New York City load pockets. He noted at the WG meeting that the change should result in Day Ahead and Real Time price convergence. Mr. Gonzales also presented the interim GT derate procedure, which addresses the scarcity pricing issues discussed at recent committee meetings.. Dr. David Patton participated in the Working Group discussion.

Mr. Baker also noted that Mr. Robert Thompson (NYISO) gave a presentation of the Rules Assessment Initiative. He presented a draft scope and prioritization of projects.

F. Price Responsive Load (PRLWG)

Mr. Rick Mancini (Customized Energy Solutions) reported on the April 19th Working Group meeting, which included a review of ICAP Manual changes to Attachment J, as well as clarified formulas being used to determine RIP deficiencies. The WG also discussed project scheduling for demand response participation in the ancillary services markets. Mr. Dave Lawrence (NYISO) provided an overview of Distributed Generation Rule Making presentation from the DEC, and NYSERDA presented an overview of their demand response program for 2006.

G. Scheduling and Pricing Working Group (S&PWG)

Bart Franey (National Grid) reported on the May 5th meeting, which included discussions of the proposed revisions to the NYISO Pre-payment program, and a presentation from Con Edison regarding trades between PJM and South Eastern New York. Con Edison presented observations regarding economic opportunities for efficiencies between the two regions.

7. TCC Automation – Phase 1 Update

Mr. Brad Kranz (NYISO) gave a project status update. The current auction process is administered manually. He explained that the automation project will be completed in phases, and identified planned enhancements to the auction process. Phase 1 starts at the end of the process by automating auction awards and communications. The bid process will not be impacted by the phase 1 deployment. Phase 2 will address the automation of the TCC information management system, which will impact the administration of auction information, including grandfathered rights, credits and the reassignment of TCCs. Phase 3 will address the uploading of bids and offers through a web-based system. Market trials for phase 1 are scheduled to begin in June with the official deployment scheduled for July. Quality assurance testing is expected to be completed in May and Market Training should be available on the web site next week. Live web training is planned for the end of May or early June.

Mr. Nachmias (Con Ed) asked if the MPs had been involved in the project process. Mr. Kranz said that demonstrations have been given at Market Structures, and further explained how the market trials would be performed. He encouraged MPs to set up their accounts prior to the market trial.

Mr. Franey (National Grid) asked if the point of injection and point of withdraw that was in existence would change. Mr. Kranz said that it would not.

Mr. Kranz said that he would be glad to answer any additional questions about the automation project, or about setting up account for the trials. He also suggested that MPs call their Customer Representative with questions.

8. Proposed Revisions to the Ancillary Services Manual

Bob Waldele presented revisions to the Ancillary Services Manual relating to voltage support issues. Proposed language, which included revisions provided by Committee members during the sector caucuses, was reviewed.

Mr. Fromer asked that a clarification be made to revisions proposed to section 3.4 , which addresses failures of performance by suppliers. He asked that it be noted in the minutes that the NYISO would not deem as a failure the inability to supply the requested MVAr due to operational issues on the transmission grid. Mr. Waldele responded by noting that the NYISO doesn't apply penalties when a generator fails to achieve it's full capability as a result of local system conditions.

Ms. Doreen Saia (Mirant) asked that corresponding changes be made to the tech bulletins. Mr. Waldele agreed to make the appropriate revisions.

Mr. Haake said that a concern was raised on leading var tests related to make whole payments for suppliers. He wanted to reiterate a couple of points:

- #1. Leading capability is not presently a basis for compensation.
- #2. If a party decided it didn't want to test, it could use operational data.

Mr. Younger stated that he was concerned about language not stating "should be performed whenever possible." It was agreed that language could be added in order to make it more explicit.

Motion #3

The Business Issues Committee (BIC) hereby approves Revisions to the NYISO Ancillary Services Manual, as discussed at the MSWG on March 24, 2006, and as presented to and revised by the BIC on May 17, 2006.

Motion passed unanimously by show of hands with abstentions.

9. Proposed Restoration of Tariff Provisions re: ICAP Bidding Deficiency Penalties

Mr. John Charlton (NYISO) presented the proposal by noting that a clause in Section 5.12.12 of the Services Tariff which addresses bidding deficiencies refers to another part of tariff that has been changed/removed in order to calculate the penalties that may be imposed. The NYISO proposed to correct this omission by revising the text of Section 5.12.12 of the Services Tariff to include the necessary penalty calculation methodology. Mr. Alex Schnell (NYISO) added that the penalty being discussed is a penalty that the NYISO "may" impose. The NYISO has some discretion in determining the level of the penalty.

Mr. Fromer noted that this proposal was not an effort by the NYISO to eliminate its' ability to discuss with a MP any extenuating circumstances that may arise. Mr. Charlton agreed.

Motion #2

The Business Issues Committee (BIC) hereby recommends that the Management Committee (MC) approve Revisions to Section 5.12.12(b) of the NYISO's Market Services Tariff implementing a method for calculating ICAP bidding deficiency charges, as discussed at the ICAP WG on May 8, 2006, and as presented to and modified by the BIC on May 17, 2006.

Motion passed unanimously by show of hands with abstentions.

Mr. Charlton added that Attachment B of ICAP Manual was presented two months ago. The NYISO would like to post the new language barring any objections from BIC. No questions or objections were raised.

10. Proposed Adjustment to the Cure Period for Market Participant Prepayment Agreements

Ms. Kyla Douglas (NYISO) presented a proposal to revise the prepayment agreement cure period as distributed to the BIC. In response to additional concerns raised with the cure period process noted by Mr. Nachmias, it was agreed that the proposal as presented could proceed to a vote at this meeting, but the additional concerns should be addressed by the Credit Policy Task Force and S&P Working Group prior to a Management Committee vote. Mr. Stalter proposed setting up a special call for the groups to discuss the details so that the motion could be modified prior to the next MC meeting.

Motion #4:

The Business Issues Committee (BIC) hereby approves Revisions to the NYISO Credit Policy addressing the Prepayment Agreement Cure Period, as presented to the BIC on May 17, 2006.

Motion passed unanimously by show of hands with abstentions.

11. Load Forecast Review Process Presentation

Ms. Douglas presented a report on the load forecast review process. The process is designed to address under-forecasting by market participants. The presentation was also made to the S&P Working Group. In response to a request by Mr. Dave Hall (NYSEG), this presentation will also be provided at the BAWG meeting.

12. New Business

Mr. Nachmias (ConEd) announced that there would be a discussion of minimum oil burn rules needed in NYC at the next OC meeting.

Mr. Kinney asked if there were market-related issues that such issues be brought to Mr. Stalter's attention for the discussion at the next BIC at least a week prior to that meeting. Bill Palazzo (NYPA) asked if the ConEd study would be provided to the MPs. Mr. Stalter said there is a summary posted on the OC agenda and added that he would look into whether the entire study could be made available.

Ms. Saia noted discussions at the IPPNY conference regarding the Poletti study. In response Mr. Stalter took as an action item clarifying the release of the study.

Mr. Kinney asked the NYISO to include a couple of recommendations from the Patton Report, including Dr. Patton's Local Reliability recommendations, on an upcoming BIC agenda.

13. Adjournement.

Respectfully Submitted,
Debra E. Murley
Recording BIC Secretary