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NYISO Business Issues Committee Meeting Minutes
February 12, 2014
10:00 a.m. – 12:45 p.m.

1. Introductions, Meeting Objectives, and Chairman's Report
The chair of the Business Issues Committee (BIC), Mr. Brad Kranz (NRG) called the meeting to order at 10:05 a.m. by welcoming the members of the BIC. The members of the BIC identified themselves and attendance was recorded. A quorum was determined.

2. Approval of Meeting Minutes – December 11, 2013 and January 15, 2014
<u>Motion #1:</u>
The Business Issues Committee (BIC) hereby approves the December and January meeting minutes.
The motion passed unanimously by show of hands.

3. Market Operations Report
Mr. Mike DeSocio (NYISO) reviewed the market operations report included with the meeting material.

Mr. Norman Mah (Con Ed Solutions) asked if the NYISO could provide additional information regarding the negative uplift trend. Ms. Emilie Nelson (NYISO) encouraged the BIC to review the Operating Committee (OC) monthly performance metrics report that lists the uplift contributing factors. Mr. Mark Younger (Hudson Energy Economics for Indeck) added that he would like the NYISO to evaluate the factors that drive the negative statewide uplift and provide an example on how they are causing the negative uplifts and what is changing between the Day Ahead Market and Real Time Market. He said a fuller understanding will help Market Participants (MPs) determine if there are underlying issues in the NY market that bear a closer look. One such issue could be the potential need for Disaggregated Virtual Trading in certain areas where the ability to appropriately arbitrage the Day Ahead Market and the Real Time Market is being stymied by the fact that virtual bids can only be done at the zonal level and the uplift problems are sub-zonal. Mr. DeSocio said the NYISO would take it back.

Mr. Howard Fromer (PSEG) asked if the uplift values can be adjusted to reflect reference price consultations related to January. He said there are instances where generators are still working with the NYISO for demonstration of actual fuel costs incurred vs. under represented reference prices and those have yet to be captured in the uplift. Mr. DeSocio said the value can be adjusted.

Mr. Tom Rudebusch (NYAPP) asked if the NYISO received Bid Production Cost Guarantees (BPCG) for costs in excess of $1000/MWH in January and have there been requests for such BPCG calculation payments since the FERC waiver. Mr. Alex Schnell (NYISO) said the NYISO has sent a notice asking MPs who thought they incurred costs over $1,000 to substantiate and provide documentation that they in fact incurred those costs. Mr. Bob Boyle (NYPA) asked if the NYISO expected to get more requests after the February 28 waiver expiration. Mr. Schnell said the compensation is available until February 28. The fact a company does not have to provide data until February 28 does not mean an entity would not receive compensation above the $1,000 threshold.

4. Seams Report
Mr. DeSocio reviewed the seams report included with the meeting material.

The next sandbox testing session for the Joint Energy Scheduling System is scheduled for February 18-20. Mr. Frank Francis (Brookfield) asked if more JESS sandbox testing sessions were planned. Mr. DeSocio said the NYISO could look into scheduling more sessions.

Implementation of CTS with PJM is expected in Q4 2014. In response to questions, Mr. DeSocio said CTS with ISO-NE would be implemented by the end of 2015 and that the NYISO would focus on HQ-Chateauguay after CTS with ISO-NE was completed.

FERC is holding a technical conference on February 26, 2014 to explore the possibility of modeling Zone K as an export constrained zone.

In March of 2014, the NYISO is obligated to submit an informational report to FERC addressing the effects of various market improvements on loop flow, and assessing the need to implement a Buy-Through of Congestion solution to loop flow at this time. The NYISO will collaborate with neighboring ISOs/RTOs and stakeholders in developing the report at the March 4 MIWG. Mr. Fromer said MPs should have been more involved in the development of the report. Mr. Younger agreed and said three weeks for MPs to provide feedback before submitting the report was concerning. In response to a question, Mr. DeSocio said the report will explain the effectiveness of mechanisms that were put in place to address loop flow and whether Buy-Through of Congestion was needed. He noted that the report could also explain that the NYISO may need more time to determine the effectiveness of those mechanisms. Mr. Rich Miller (Con Edison) asked if the NYISO would state its intention on Buy-Through of Congestion. Mr. DeSocio said that, at the moment, the NYISO does not have enough information on whether it should or should not pursue Buy-Through of Congestion.

5. Planning Update

Mr. John Buechler (NYISO) provided the planning update.

The NYISO is waiting for FERC responses to the NYISO's Order 1000 interregional and regional compliance filings. In the interim, since FERC directed the NYISO to implement Order 1000 requirements at the start of the current planning cycle, the NYISO has begun several initiatives include updating its planning manuals and processes, preparation of rate schedules and other tariff revisions, and drafting of agreements as stated in NYISO's compliance filings.

The EIPC Non-Grant roll up report has been updated and posted on the EIPC website. In addition, the NYISO hosted joint meetings of IPTF and ESPWG to receive stakeholder input on scenarios for analysis during 2014. . The next joint meeting is on February 20. He noted that the EIPC non-grant webinar is now scheduled for March 25. In response to a question from Ms. Erin Hogan (NYSERDA), Mr. Buechler said the delay allows more time for stakeholders to provide feedback.

Mr. Buechler discussed the schedule for the EIPC Gas Electric Interface Study. He noted that the Target 1 Draft Report (Baseline Infrastructure) is scheduled to be posted for comment on February 21st and discussed at an SSC Webinar on February 28th. Stakeholders are urged to participate in the SSC Webinars and in the joint EGCWG/IPTF meetings at NYISO to ensure that their input is provided on the sensitivity cases for the Target 2 analysis (Adequacy Assessment.) Mr. David Clarke (LIPA) said he would like the study to look at how the gas system operates as it would be relevant and help MPs understand why certain system conditions occur during cold weather. Mr. Buechler said that the recent cold snap conditions would be included as part of the study. .

6. ICAP Manual Changes

Ms. Mariann Wilczek (NYISO) reviewed the presentation included with the meeting material.

Mr. Greg Drake (NYISO) discussed the deliverability study that was performed in parallel with the import rights study.

1. It is a 365 day study; there is no summer vs. winter numbers.
2. The calculation process seeks to maximize MW imports into NY based on the following considerations:
   a. System maintains a criterion of .01 days/year LOLE
   b. Historic import levels are used to optimize the likelihood of actual usage of the maximum MW import right for all three external areas
      i. A preference is given to the external control area based on what capacity was sold in the past
      ii. An external control area that consistently sells less than the allowed amount is adjusted down because it is less likely to use the import rights
   c. Existing contracts
      i. 0 MW were assumed for NE because there were no contracts over the summer, which is the period that the NYISO used for reference
      ii. Due to the questions at the ICAPWG, the NYISO examined the historic values from NE and found up to 100 MW of capacity being purchased from NE in the winter months, which recently increased to 180 MW
      iii. These contracts are still less than the 300 MW import limit
      iv. Inclusion of a 180 MW contract would not change the result
   d. Not limited by deliverability
3. The Import Rights computation has been performed consistently over the years:
   a. Process has consistently provided a greater maximum import value than what has been offered to NY
   b. Therefore, the process should not be changed at this point because it would unduly interfere with the 2014 auction

Mr. Francis suggested that the import process for the summer should be evaluated.

Mr. Fromer (PSEG) asked when MPs will be able to view the results from the second part of the study. Ms. Gloria Kavanah (NYISO) said the NYISO is taking under consideration the request that the results of the deliverability analysis be posted and to also post the date for the import right first come first serve process on the ICAP Events calendar. Mr. Bob Boyle (NYPA) asked that the ICAPWG review the final deliverability values each month and request that monthly updates be included in the ICAP manual. Ms. Kavanah cautioned that timing of getting ICAP Manual revisions approved and other factors would also need to be considered for that discussion. Mr. Francis agreed with PSEG and NYPA.

<u>Motion #2:</u>
The Business Issues Committee (BIC) hereby approves revisions to the Installed Capacity Manual as presented at the February 12, 2014 BIC Meeting.
Motion passed by majority with abstentions.

7. Defining Outage States to Include a Mothball Outage

Ms. Nelson (NYISO) reviewed the presentation included with the meeting material.

In response to a question, Ms. Karen Gach (NYISO) said stakeholders could assume that, subject to stakeholder approval, the proposal could be effective 60 days after the FERC filing.

Mr. Fromer expressed a concern with the revised posting of tariff documents and said he was uncomfortable with the BIC holding a vote with a proposal that was changing daily. He said there has not been due process to allow for a thorough review of the final proposal and it is inconsistent with the minimum period that meeting materials be posted prior to a vote. He said he would oppose the proposal on procedural grounds even if he agreed with it substantively. In response to a question, Ms. Gach said the tariff language that the motion refers to is the language that was posted at 9:30 A.M.

Ms. Saia noted that Mothball and Forced Outage are new definitions and asked why the proposal sought to clarify those two terms. Ms. Nelson said the NYISO had pre-existing concepts for Mothball and Forced Outage and the NYISO was formalizing those definitions.

Mr. Fromer asked for the NYISO to explain how the proposal would impact plant de-rate vs. forced outage in terms of ability to produce energy as part of the definition. Ms. Nelson said the proposal was designed to address unscheduled complete outages of generators. Mr. Fromer added that this would be very important for the NYISO to explain that in its FERC transmittal filing. In response to a question from Mr. Younger, Ms. Nelson said <u>inability to operate due to </u>a loss of fuel would be a forced outage. A loss of manpower would potentially be categorized as an Inactive Reserve. Mr. Younger said, to be clear, if someone reduced staff levels, they should be considered ICAP Ineligible Forced Outage (IIFO) or Inactive Reserve, but they cannot be an ICAP provider. Ms. Nelson said that was correct. Ms. Saia said that discussion was helpful as it was not clear in the tariff language. She added that the IIFO definition needed to be clearer in terms of "returning a Generator to the Energy market." She said they never technically left the Energy market and it is returning to operations. Mr. Garrett Bissell (Multiple Intervenors) said the NYISO should have the authority to address generators that game the outage states, but understood Ms. Saia's concern. Ms. Gach said the NYISO could incorporate "return to operations" in the definition.

Mr. Younger said he raised numerous times the concern that a unit in an ICAP Ineligible Forced Outage was not being tracked in the EFORD process as a forced out unit. He said that the proposal did not address how such a Forced Outage should be treated for resource adequacy and it was a concern for resource procurement. Ms. Hogan said the ICAP market would transparently be informed of knowing which units were in which category. Ms. Nelson agreed with Ms. Hogan and said the NYISO would track the EFORD in both ways for planning studies¸ in case that information is needed. Ms. Hogan added that the New York State Reliability Council would be able to determine resource adequacy through its study and sensitivity analyses.

Ms. Saia asked what would happen to units after six months in Inactive Reserve. Ms. Nelson said the NYISO did not see as an option for a unit to transition to a mothball, which requires a Public Service Commission (PSC)Notice. Mr. Boyle asked what would require the generator to announce that it was in Inactive Reserve. Ms. Nelson said more detail would need to be added to the Outage Scheduling Manual, but the tariff (5.17) would require a generator to report any outage state to the NYISO in accordance with ISO procedures. Mr. Miller thanked the NYISO for adopting the use of the word "any" in the tariff language. Mr. Fromer asked what happens after six months of being an Inactive Reserve. Ms. Nelson said if a unit does not return to service in six months, they would either return to service or be placed into IIFO. Mr. Fromer asked what happens if the generator made an attempt to return to service, but had an equipment failure. Ms. Nelson said the NYISO would have to scrutinize the generator under that scenario.

Mr. Kranz asked if the NYISO coordinated with the PSC on whether the six month Inactive Reserve period did not trigger the PSC provisions for noticing a shutdown. Ms. Gach said it was correct that there had been consultation on the term of an Inactive Reserve. [Secretary Note: The NYISO has stated previously that only the PSC can respond to questions on the need to submit a Notice prior to taking an outage.]

Mr. Jim D'Andrea (TC Ravenswood) asked if the proposal addressed a concern about a generator that chose to shutdown (unrelated to equipment and the unit is capable of operating, but to save on labor costs). Mr. Nelson said the proposal moves language that currently resides in the ICAP manual to the tariff to make it clear that a unit that cannot produce energy is not eligible to participate in the capacity market. The second thing is that the proposal allows a unit to shut down for a limited period of time. Mr. D'Andrea applauded the NYISO for incorporating the language into the tariff, but asked if the generator is not able to produce energy, does it take an EFORD hit. Ms. Nelson said the proposal would make a generator out of service, for reasons other than equipment, ineligible to participate in the capacity market. Mr. D'Andrea said this is analogous to a Special Case Resource for when it wants to be in the capacity market when it wants and when it doesn't. Ms. Nelson said that was correct for generators that choose not to be available for certain seasons.

Ms. Saia said at the working group, it was asked how the Inactive Reserve concept applied to pivotal suppliers in NYC. She said she thought the answer stakeholders received was that the supplier has the opportunity to ask the Market Monitoring Unit (MMU) for an ex ante determination either for Inactive Reserve purposes or for Going Forward Costs to be calculated. Mr. Dan Jerke (NYISO) said that was correct. Ms. Saia said she was surprised this explanation was not incorporated into Attachment H. Mr. Jerke said it was already incorporated in the tariff.

Mr. Shaun Johnson (NRG) said he wanted to highlight the importance of transparently notifying the market on the categorization of generators as he did not believe it was in the proposal. Mr. Miller said he agreed, but suggested that the communication process could be incorporated into a manual following stakeholder consideration of the proposal.

Mr. Fromer asked if a material modification, that was unrelated to the major components of the plant, which was the source of a forced outage, would require the unit to qualify as a new interconnecting generator. Ms. Nelson said that was correct. Mr. Boyle asked why the NERC class average was not used as the derating factor for such a facility. Ms. Nelson said certain generators do not receive a NERC class average, such as wind generators. Mr. Younger said he wanted to understand how it would apply. If the world changed and oil prices were better than gas, and a unit returned using a different fuel, how is the EFORD calculated. Ms. Nelson said it would receive the NERC class average de-rating factor for a unit on the new fuel. Mr. Younger said in the case of a coal unit that used oil to get it going and switched to oil, it wouldn't qualify for use of the NERC Class average. But if they switched to gas to become a dual fuel unit, they would qualify for such treatment. Ms. Nelson said that was correct. Mr. Kranz said he thought units that were dual fuel capable shouldn't be able to reset their derating factor in this fashion, but if you are looking at start up fuel to get ignition, they should qualify for this treatment. There should be ways so that it doesn't get gamed. In response to a question from Mr. Younger, Ms. Nelson agreed that Mr. Kranz's suggestion was not in the proposed tariff language. Mr. Younger said that was an indication that the proposal was rushed.

Mr. Younger asked if a unit already mothballed today would be impacted by the proposal and not be considered retired by the NYISO. Ms. Gach said there is an existing clock for CRIS rights and an existing clock that apply to mothballed units requiring them to submit a new Interconnection Request. Mr. Gach explained that the language is in the Transmission Expansion and Interconnection Manual. Mr. Younger asked if it was consistent with the tariff and how an existing unit becomes a new unit. Ms. Gach said the tariff language is in Attachment X. Mr. Fromer said as a consequence of retirement, the

NYISO wants to claw back certain rights. He asked, in the case of a unit that was awarded an ability to sell capacity into NY but never implemented it, why doesn't that unit get retired and allowed to come in with a new Interconnection Request. Mr. Kranz suggested that this topic be raised at the ICAP working group. Mr. Fromer said he raised it before and it was not reflected in the proposal. Ms. Gach said the proposal is about outage states and Mr. Fromer was describing an issue of a unit's ability to hold onto their CRIS rights under certain circumstances and it was not part of the scope of the proposal. Mr. D'Andrea said it would be helpful for the NYISO to clarify its position in a Technical Bulletin.

Mr. Fromer asked if a retired unit returned to commercial operations would have to go through the state permitting process and asked what the consequences for putting language in the tariff were. Ms. Gach said a retired unit must submit a new Interconnection Request. Mr. Johnson said there was language that was removed before the meeting began indicating the NYISO would file with FERC a notice of termination of the Large Generator Interconnection Agreement and asked if stakeholders should infer that the NYISO will no longer take that action or it will not be memorialized in the tariff. Ms. Gach said all interconnection agreements have termination provisions. Those existing provisions would apply and the NYISO is not looking to add a process or timing around that termination and leaves it to those agreements to govern.

Mr. Younger asked if the NYISO would issue a retirement notice to FERC. Ms. Gach said termination provisions exist in all of the pro-forma agreements. The language caused concern about timing and the NYISO agreed to remove the language from the tariff. The NYISO, aware with respect to termination of those provisions, added language to Attachment X including the term Retired and defining when units must submit a new Interconnection Request. Mr. Younger said there were agreements that exist pre-LGIA and they have their own provisions and appreciated that the NYISO will not be issuing termination notices and existing provisions would continue. He asked if the new language would allow the NYISO to determine that a generator was retired for NYISO planning purposes and so if they had to file for a new Interconnection Request, and they already have interconnections rights, how would that be treated in the NYISO processes. Ms. Gach said that was an existing issue and the NYISO was not altering that issue. If a unit has an agreement that applies to a certain Point of Interconnection (POI), and a unit proposes to connect to that location, that issue could come up today under the existing rules and under the new rules and the NYISO would have look at the circumstances for each case. Mr. Younger asked that the NYISO filing letter make it clear that existing contractual rights would have to be addressed subject to their own termination provisions.

Mr. Fromer asked if there was a difference between a new Interconnection Request and an amendment to an existing Interconnection Request. He said entities do up-rates all the time and amend their interconnection agreement. Ms. Gach said the proposal would apply to Interconnection Requests and not Interconnection Agreements. Ms. Gach explained that a unit seeking to up-rate must submit a new Interconnection Requests and enter the interconnection queue the same way a new unit submits an Interconnection Request.

Mr. Fromer asked if in selecting a generator to fill a gap solution, would it mean that the generator is the preferred solution or is it a potential solution. Ms. Nelson said the gap solution could be proposed as a potential solution and then be considered per the NYISO tariff processes. Mr. Fromer asked if there was an obligation for a generator to perform studies because it was identified by a Transmission Owner (TO) or the NYISO to address reliability issues. Ms. Nelson explained that costs that a generator would be subject to were if it failed to return to service. Mr. Fromer asked what were the obligations of the TO to pursue the most efficient solution. Ms. Nelson said there are existing requirements for TOs to exercise prudency in selecting the solutions to resolve reliability needs in a cost effective manner, but the NYISO did not include TO and generation negotiations in the NYISO's tariff. Mr. Fromer asked if it addressed the concern raised by the MMU or if the NYISO would add the clarification to the proposal. Ms. Nelson said the intention of the proposal was not meant to just address the MMU's recommendation, but also address the uncertainty created by generators that were on long term mothball outages when seeking reliability solutions. Mr. Fromer understood, but said this was an add-on issue that the NYISO decided to pursue.

Ms. Saia asked why the NYISO's tariff revisions don't carry the same requirements for the NYISO to select the most effective and efficient solution for reliability on the Bulk Power System per FERC Order 1000. Ms. Gach said those Order 1000 tariff revisions addressed the selection among transmission solutions. Ms. Saia said that was true, but it also included evaluations of all solutions. Ms. Saia said the NYISO has to select solutions and was confused why the proposed language did not convey the principles defined clearly by FERC's Order 1000. Ms. Gach said the NYISO's proposal by definition was about generators returning to service. Mr. Bissell said Order 1000 did not affect the gap solution process in his view, but agreed it was an issue that should be addressed. He said he did not recall if the Order 1000 tariff amendments changed the selection process for gap solutions. Ms. Saia said the premise was that FERC was seeking the NYISO to take an active role in the process. Ms. Gach said the NYISO was proposing a process by which certain facilities would be identified as potential solutions for reliability issues and the selection process won't be altered by the proposal.

Mr. Fromer asked what would happen if a generator did not return to service because it had not received compensation to return to service and was pursuing an appeal. He said he hoped the appeal would go to FERC, but did not know the appeal process. Ms. Nelson said the timing for when a generator would need to return to service would begin following acceptance of the rate schedule by the applicable regulatory agency. Mr. Fromer said that did not contemplate that this determination would be challenged as arbitrary. Mr. Fromer asked if a generator tried to appeal and return to service later, and the TO had done the work for an alternative solution, how would the matter get resolved. Ms. Gach said if the generator sought to appeal, the alternative solution process would move forward in parallel. Mr. Fromer said if a dispute got resolved after the generator was supposed to return to service, would the generator face costs for the alternative solution that the TO pursued. Ms. Gach said the NYISO would not include a tolling provision in the tariff language. Mr. Fromer said he thought it was a flaw in the proposal and that there should be language to make it clear before a TO used a generator's interconnection point, that they have met the standard of selecting the most cost effective and efficient solution.

Mr. Fromer asked if a generation unit was not a solution and a transmission measure would be more sensible, was there parallel language in the NYISO's tariff that orders the TOs to deliver a solution and if the TO does not deliver that, would the TO face financial consequences. Ms. Gach said the proposal only applies to generators and does not apply to other resources such as transmission or demand response. Mr. Fromer asked why did the NYISO think it can direct a generator to solve an issue by a certain date, but it cannot direct a TO to implement a transmission solution to solve a reliability issue by a certain date. Ms. Nelson said the proposal was structured so that a generator in an IIFO would not be directed to return by a certain date. They would have an opportunity to select a date. A mothballed unit would have 180 days and an opportunity before going into a mothball outage, to select a different return expectation which would need justification and approval by the NYISO. The NYISO proposal would establish a process that if a generator did not respond to a regulatory order, there would be a cost consequence.

Mr. Fromer said he did not see any explanation for the requirement for an uneconomic unit to participate in the NYISO's capacity market. He said it was an omission of the proposal because it affects the capacity market. Ms. Nelson understood his concern, but it would have to be addressed separately through the stakeholder process. Mr. Miller said the generators previously requested that this topic be addressed at the ICAP working group meeting and the generators never asked that the proposal address that concern, and as such, was a delaying tactic. Mr. Fromer disagreed and said it should have been part of the proposal as it was an essential component of the compensation part of the proposal.

Mr. Younger asked how the NYISO determined the level of penalty for a generator failing to return to service. He said he did not think this was ever discussed at the working group level. Mr. Bissell said he raised the question before and believed the penalty calculation was understating what the potential penalty should be from a consumer perspective. Mr. Younger asked Mr. Bissell if 100% coverage of the costs is what the penalty should be. Mr. Bissell said yes due to the several steps through the many hoops to reach 100% coverage. The number of things that would have to fall in place before generator compensated consumers for the fact a unit received a contract and decided not to return to service. The generator caused consumers to incur incremental costs to address a reliability solution. He said he thought there were enough steps to put the generator in a realm that if it decided to come back, it should be responsible for the incremental costs. Mr. Younger said if he had a contract and was paid \$10 million a year to come back and he failed to come back and because of that, the TO selected an alternative solution that required \$12 million a year, the incremental cost to rate payers was \$2 million and not \$12 million. Mr. Younger said, as the proposal is written, the cost would be \$12 million and it did not make economic sense. He noted that the generator was a cheaper solution and not a free solution and struggled how the NYISO developed the penalty framework. Mr. Miller said Mr. Younger's concern was discussed at the ICAP WG where Mr. Younger was present. The issue of the payment obligation is triggered if the transmission solution and the generator both could not be accommodated and the idea was that the generator should reimburse customers for the lost value of a transmission facility that could no longer be used. He noted that there was a prior FERC Order on the MISO interconnection where they approved a similar type of compensation method. Mr. Miller said the accommodation to the generator was that it would pay nothing if there was no interference with the solution that was installed even though the alternative solution would not have been necessary if the generator returned to service.

Ms. Saia said she heard the NYISO say that the TO has to act prudently so that the right solution will be chosen. She said there are tariff provisions for System Upgrade Facilities that, but for the generator, an upgrade wasn't necessary, but the generator had to pay for it. However, the TO has the ability to choose something else to address a system need. The generator had to only pay the "but for" costs and the TO had to pay the other costs. She asked if there was a limitation here. She said she there could be a circumstance where Con Edison goes to the PSC to argue that a generator mothballed and Con Ed will access the generator's POI and to make a better solution and the PSC agrees to it. She asked if there was a limitation so that the generator's obligation was limited to the "but for" costs. Ms. Gach said the NYISO was not contemplating to address that in the proposal and was linking the obligation to the cost that would not have occurred absent the generator failing to return. Mr. Kranz said if a generator tried to connect to a different point, the generator will pay those costs. If a generator tried to connect to its original POI, and therefore make the alternative TO solution unplug, the generator will incur costs. If a TO does a reliability solution outside of a generator's interconnection point, the generator has no cost whatsoever. Ms. Nelson said that was correct.

Mr. Liam Baker (US Power Gen) noted that Con Edison's 2013 capital spending plan was estimated at \$300 million with the justification that the costs were related to Astoria 2 and 4. He said not all of those expenditures were being spent at US Power Gen's POI. He asked, under the proposal tariff language, would his company be responsible for the \$300 million Con Ed plan that was tied to the use of US Power Gen's POI. Ms. Nelson said if it did not require the use of US Power Gen's POI, there would be no cost obligation to the generator. In response to a question, Ms. Nelson said if a unit was in a mothball outage, and it is due to expire after three years, but there was a reliability need identified in year 7, that is outside the outage window of the generator and would not be pertinent. Mr. Baker thanked her for the clarification.

Mr. D'Andrea noted that a generator may not want to be classified as an IIFO, but the NYISO forces that generator into that category. After the NYISO did that and determined that since the generator was in that category, would there be a physical withholding determination. Ms. Nelson said if a generator chose not to repair its facility, it would need to be re-classified after 180 days as an IIFO. The NYISO proposed timelines for a commenced repair evaluation and a physical withholding determination at 120 days of a Forced Outage. Generators that do not seek repairs have a limitation to be a capacity provider. Mr. D'Andrea said he didn't want to get thrown into FERC jail. Ms. Saia asked if a unit commenced repair while in the IIFO, would it still undergo physical withholding. Ms. Nelson said the generator would have exposure to physical withholding. Ms. Saia said the NYISO, in essence, was saying that if the generator disagreed and the NYISO placed the unit in the IIFO category, and then the NYISO determined that since it was in the IIFO category and did not commence repair, it was physically withholding and the facility would be bankrupt and it would be the end of the facility. Ms. Nelson said it is important for the generator to have the collaboration occur with the NYISO in advance so the NYISO has information on physical withholding sooner rather than later.

Mr. David Clarke (LIPA) asked for the motivation for why the NYISO elected to remove the EFORD trade off test and instead it would conduct the physical withholding test. Ms. Nelson said there was a concern that the EFORD trade off test would incent generators to leave early and that could have had implications for the capacity market and it was deemed that the physical withholding assessment for a generator that wanted to leave early should be completed using existing rules.

Mr. Younger said he wanted to clarify one aspect of how it would work. He cited a scenario where a unit that takes eight months to repair, but it was not a catastrophic event. The generator was making progress and expected to complete it on time. After six months, the tariff is clear that they could remain in Forced Outage. If they decide at six months to go to IIFO for the next two months, would they be subject to physical withholding. Ms. Nelson said that was correct. Mr. Younger said that while the generator may have the option to switch out, they are subject to physical withholding and hopefully it preserves their EFORD.

Mr. Younger said there were extensive discussions on whether a generator had a credible repair plan and the NYISO technical review. He said he noticed that language was removed from the proposed tariff language. Ms. Gach said the NYISO placed the language in the definition where it is a cleaner way to represent the same concept. Ms. Saia said she was concerned with putting the language in the definition because the language was meant to clarify how the data would be reviewed in section 5.17.1.5 and so it would have been clearer how the technical review step fits into the Commenced Repair step so there would be no confusion.

Mr. Bissell said he disagreed with the claim that the NYISO was throwing facilities around and bankrupting facilities because they would be subject to penalties. In the overall context of the proposal, essentially a unit won't find itself in the category unless it was blatantly acting in a way that was inconsistent with another generator who was in your same shoes in terms of choosing to repair. The only way these scenarios affect a generator were if the unit did not repair or if the unit was dragging its feet. It was the only way you end up in these scenarios. If the unit gets to six months and in the bucket of an exceptional circumstance, it would not be subject to physical withholding until the generator cleared the exceptional circumstance assessment and if the unit decided to commence repair, it would not receive a penalty. He said he had a problem with the characterization that the NYISO was throwing generators into "FERC jail" and slapping penalties on them. He said it was a reasonable proposal in terms all a generator was being asked to do was act as any other reasonable generator would. In response to a question from Mr. D'Andrea, Mr. Bissell said he did not own any generation.

Mr. Boyle said that NYPA disagreed with the catastrophic failure repair time of 270 days. He said it was an arbitrary number and a length of 180 days was more appropriate. Mr. D'Andrea noted that there are situations where it can take 11 months to repair. He said he viewed his risk differently than other stakeholders and that the proposal would subject a pivotal supplier to physical withholding due to the formula in the tariff even though a pivotal supplier had no intent to withhold. It should be a case by case analysis and said the proposal was not meant to address the issue.

Mr. Boyle asked the NYISO to publish the list of implementation details that it would need to work with stakeholders after the proposal became effective. Ms. Nelson ~~agreed and~~ said that the topics the NYISO has noted for future discussion include, but are not limited to: planning studies, updates to the Outage Scheduling Manual, final approach for EFORD Reports and GADS, and the need for transparency in the capacity market with respect to the outage states. Mr. Fromer asked if there should be a provision in the tariff that obligates the NYISO to advise the marketplace for when entities are placed in the IIFO category. He said it may deserve to be in the tariff. Ms. Gach said the NYISO did not think it needed to be in the tariff, but it could discuss it with stakeholders in the future.

Mr. Bissell said the proposal drove a balance and MI thinks it could go farther in terms of how other capacity resources are removed from the market. The proposal was a general movement in the right direction and MI supported it. Mr. Clarke agreed, but stated that LIPA's support for the NYISO's proposal should not be construed as support for the application of seller side market power penalties to LSEs that are net buyers. LIPA reserves the right to oppose the extension of those sanctions to Long Island, where the issue of applying seller market power sanctions to LSEs that are net buyers is a highly relevant issue. Mr. D'Andrea disagreed and did not believe the proposal was a compromise.

Mr. Miller said a number of changes were made to the proposal in the discussions, where Con Edison would have preferred the original proposal. Con Edison preferred that the penalty be retirement if a unit failed to return in a timely basis. Con Edison would have preferred the termination language would have stayed once a unit is deemed retired. In addition, Con Edison was concerned with the 180 days and how units would be eligible for UCAP. Con Edison understood the NYISO's need to balance different issues and planned to support the proposal.

Ms. Saia said she appreciated that the NYISO reviewed the presentation and the tariff language, but had concerns with the words in the tariff language. She noted that the tariff language could be tweaked after the BIC so that the language would be where it needs to be before the MC meeting.

Mr. Bissell proposed an amendment to the motion to indicate that there could be possible modifications to the tariff language between the BIC and the Management Committee (MC) vote.

Mr. Bart Franey (National Grid) proposed an amendment to the Motion and explained that it combined two concepts that were missing in the proposal which are the tolling of CRIS rights and also recognizing that units that may require additional time to return to service (whether in IIFO or mothball) that combining those two concepts would toll out the CRIS rights and outage states for no longer than four months.

Mr. Younger said that the defined term in the tariff said that a unit would lose its CRIS rights after three years of not delivering and what National Grid was proposing that CRIS rights would terminate after three years and four months. Mr. Younger said this amendment was beyond the scope of the proposal. In response to a question from Mr. Fromer on why the additional four months were needed, Mr. Franey said National Grid has observed situations where units need maintenance and they notified National Grid. They commenced repair and it would allow flexibility to the generator. It is a way to get out of the hole that the unit was put in and it was helpful to the TO. The concept of tolling the rights has been presented and the concept of commenced repair to extend participation in the market, if you commence repair, you should extend certain hardened deadlines. The amendment is not alien to the discussion and there were situations such as the Demand Curve Reset that make the amendment germane. Mr. Bissell said he thought it was related because it allowed a unit to finish its repair and return as a reliability solution. In response to a question from Ms. Saia on how the amendment affected mothballed units, Mr. Franey said there were situations where a generator had to undergo a major maintenance outage and it did not undergo the maintenance outage and mothballed the unit instead. There was no catastrophic failure or severely damaged that automatically placed the unit in a retired status. After a three year period, the generator may want to return, but it would need to undergo the maintenance repair. Ms. Saia suggested that it would be helpful for National Grid to clarify the language at the MC. Mr. Franey thanked her for the feedback. Mr. Fromer said he did not understand why a mothballed unit that would not have a Forced Outage needed such coverage. Mr. Franey said it would provide a small degree of flexibility into that otherwise bright line demarcation on the CRIS rights for legitimate reasons that were part and parcel to the proposal on the front end and it was more or less related on the back end. It is balanced to suppliers that allows flexibility and gives TOs visibility into the intentions.

Mr. Younger said the three year timeframe embedded in the tariff and has been part of the tariff for many years were not unreasonable to require. As to the reliability solution, there was nothing that keeps a unit from coming back and providing reliability benefits without being an ICAP provider. The reliability benefits were not tied to being an ICAP provider, but were tied to running as needed for reliability which was an Energy function. He said it didn't tie together with the proposal. Mr. Fromer asked for the NYISO's position of the amendment. Ms. Gach said the NYISO did not oppose the amendment.

Mr. Miller said he was troubled by the late amendment and would support it, however, he would deem it as unfriendly so that it would need stakeholder approval in order to move forward. The seconder agreed.

Mr. Fromer requested a roll call vote.

<u>Motion #3:</u>
The Business Issues Committee (BIC) recommends that the Management Committee approve the proposal "Defining Outage States to Include Mothball Outage; including the accompanying tariff revisions," as presented to, and discussed at, the Business Issues Committee this February 12, 2014; provided, however, that the tariff revisions shall remain subject to further discussion and potential modification based on discussions at the Business Issues Committee prior to the Management Committee's consideration of this proposal. And as further amended by the following:

The Business Issues Committee hereby authorizes the NYISO to further revise the NYISO tariff so that a Market Participant with a Generator in Mothball Outage or ICAP Ineligible Forced Outage that has Commenced Repair in accordance with applicable provisions of Section 5.17.1.4 of the Services Tariff and the estimated return to service date occurs after the date the outage would expire then the

outage and its CRIS rights will be tolled until either: i) the Repair Plan has been completed and the Generator returns to service; or ii) the ISO has determined that the Market Participant has ceased or unreasonably delayed the repair of its Generator; provided, however, that in no event shall such tolling exceed a period of 120 days beyond the date the Generator's CRIS rights would have otherwise expired. The ISO will determine if a Market Participant has unreasonably delayed the repair of its Generator if such delay would not have been included in a Credible Repair Plan from a supplier experiencing the situation which caused the Market Participant to delay the repair of its Generator.
Motion passed with 73.12% affirmative votes.

Motion #3A:
Motion to amend motion 3 to include:

The Business Issues Committee hereby authorizes the NYISO to further revise the NYISO tariff so that a Market Participant with a Generator in Mothball Outage or ICAP Ineligible Forced Outage that has Commenced Repair in accordance with applicable provisions of Section 5.17.1.4 of the Services Tariff and the estimated return to service date occurs after the date the outage would expire then the outage and its CRIS rights will be tolled until either: i) the Repair Plan has been completed and the Generator returns to service; or ii) the ISO has determined that the Market Participant has ceased or unreasonably delayed the repair of its Generator; provided, however, that in no event shall such tolling exceed a period of 120 days beyond the date the Generator's CRIS rights would have otherwise expired. The ISO will determine if a Market Participant has unreasonably delayed the repair of its Generator if such delay would not have been included in a Credible Repair Plan from a supplier experiencing the situation which caused the Market Participant to delay the repair of its Generator.
Motion passed with 65.60% affirmative votes.

8. Working Group Updates
None

9. New Business
Ms. Saia said FERC issued an Order on the NYISO request for extension of the scaling factor methodology for buyer side market power mitigation rules. The NYISO was directed to file tariff modifications to identify how it will deal with the scaling factor going forward because FERC found that it wasn't sufficiently transparent to MPs. She expressed a concern that that the Class Year 2012 process will end by the time FERC issues an Order and asked when the NYISO would share its proposal with stakeholders. Ms. Kavanah said the NYISO planned to briefly identify its procedural approach. FERC was clear what it expected in terms of revisions and the NYISO believes it cannot be a one-sized fits all for each interface. Ms. Saia said the Class Year 2012 vote to the OC could happen in August and would like the NYISO to proactively discuss the scaling factor determinations the NYISO would need to perform before Class Year 2012 is completed.