

NYISO Management Committee Meeting Minutes

February 6, 2008

NYISO – Krey Corporate Center

10:05 a.m. to 12:00 p.m.

DRAFT Minutes of the Meeting

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

The Chair of the MC, Mr. Ray Kinney (NYSEG/RG&E) called the meeting to order at 10:05 AM and welcomed the members of the MC. The members of the MC then identified themselves.

Mr. Kinney initiated business by recognizing Mr. Mark Lynch's leadership as NYISO President and CEO over the past three years and wishing him well in his future endeavors.

Mr. Kinney reported on the BSSC Board selection progress. Bob Shields from Spencer Stewart will be serving the subcommittee's candidate recruiting needs. An initial list of candidates with detailed profiles has been received and is undergoing a ranking process. The BSSC will be meeting today (02/06/08) to identify a short list of candidates to proceed forward with to the interview stage, scheduled to begin the second half of February. A slate of three or more candidates will be selected, and voted on by MC, to move forward to the Board.

2. Approval of Minutes

Mr. Jim Alcombright, of the NYISO, presented for approval MC minutes from the December 19 2007, and January 19 meetings. He reported that no comments were received to date and asked if members had any comments. No comments or questions were raised. The minutes were approved.

Motion #1:

Motion to approve the Minutes of the December 7, 2007 and January 19, 2008 Management Committee meetings.

Motion passed unanimously.

2. President's Report

Mr. Mark Lynch reported that price corrections continue to trend at a low level; noting that in January there were seven corrections and twelve reservations with five releases. Overall, over the last couple of years, the NYISO has made dramatic improvements in this area and expects to continue efforts this year. He added that the improvements were a result of the good efforts from Market participants and NYISO staff combined.

On the ICAP demand curve filing, Mr. Lynch noted that FERC had issued an order approving the November 30 ICAP filing in its entirety. Mr. Lynch thanked Market Participants for their collaborative efforts, and added that FERC has recognized that the NYISO shared governance is working well.

Mr. Lynch reported on the NPCC Audit; the NERC audit of the NYISO's reliability standards. New York was one of the first ISOs that was selected for audit, and the audit results highlighted

that the NYISO is in compliance with all the standards they reviewed. He added that a press release with a link to the NPCC website and audit would be going out later in the day.

The next item, which was presented to BPWG on January 29, was the results of the 2007 budget. Mr. Lynch reported that the NYISO ended the year with approximately 8.4 million dollars in combination of under-runs and over-collections that will be used to pay down debt. The spending under-runs primarily consisted of efficiency gains on insurance and telecommunications. Also, there was higher than anticipated interest income and a slight reduction in NPCC fees. These are going to be audited the first quarter this year and will be in the Annual Report coming out this year. Mark noted that the budget came in very close to projection.

The last item that was discussed was the TCC surcharge. The total remaining to recover, as of February 29th, will be approximately \$600,000. Next month's bill will encapsulate all of this it is expected that this will be fully recovered by the end of first quarter. The NYISO recovered \$800,000 in Feb, and March should clear up the issue.

Mr. Bruce Bleiweis, DC Energy, asked what the NYISO's plans were to ensure that the FTR issue in PJM did not happen in NY.

Mr. Charles Garber, NYISO, responded by saying that changes in the bidding requirements for TCCs are currently waiting approval from FERC, and it is contemplated that they would be in place in time for Spring Capability period auctions. In addition, additional changes to enhance the credit holding requirements are expected to be in place for the Fall auctions. The NYISO and Market Participants have participated in an extensive process to address the same underlying issues that created the PJM situation, and this was prior to the occurrence in PJM.

Mr. Stuart Nachmias, Con Edison, asked for a status on the implementation of the TCC holding requirements – Part 2 of the TCC motion approved in October. Mr. Garber replied that this is on schedule and is expected to be in place by the Fall auction. He added that the holding requirement, due to its complexity, cannot be implemented in a manual environment and must be automated. Mr. Lynch added that the NYISO is very well aware of the issue in PJM and has done a very thorough analysis of what transpired there and how affiliated market participants have participated in NYISO marketplace.

Mr. Erik Abend, EPIC Energy stated that the TCC automation project should be a high priority and asked if there was a way to accelerate the implementation. Mr. Lynch said this is on a fast track but that he will look further into this.

Mr. Bleiweis brought up the need for forward looking tools for the market and referenced a document he sent to the NYISO that listed potential enhancements to the TCC market. He brought up improvements made at the MISO, and asked that the NYISO take a look at other commodity markets for solutions. There are other things the NYISO could be doing right now, according to Mr. Bleiweis.

Mr. Garber stated that suggestions on enhancements will be open for discussion at an upcoming MIWG meeting. He added that all Market Participant comments/suggestions/concerns are welcome and the NYISO would collectively take appropriate actions to make sure the market is protected.

Regarding the increase in uplift issue, this is under investigation by the Market Monitoring unit and the final analysis report will be on the agenda for an upcoming meeting.

In closing Mr. Lynch thanked members of the Management Committee for their efforts during his tenure at the NYISO. He added that he has felt privileged and honored to have worked with the MC over the past three years, and added that any success that the NYISO has had was a direct reflection of the Market Participants collaborative efforts and the shared governance process. He thanked the MC for all their help and guidance.

3. Proposed Enhancement to the Startup Shutdown Penalty Exception

Mr. Robb Pike provided an overview and background information on the proposal.

The Committees previously approved tariff revisions to eliminate under-generation penalties and to pay LBMP for all energy produced during approved startup and shutdown periods in recognition that the penalties are not an effective means to improve unit performance during the physically constrained unit operation that exists during these time periods.

During further investigation of generation penalties, it was uncovered that this process did not provide adequate relief of penalties to “group units” during the startup/shutdown time periods. Aggregate metering for these complexes gave the appearance that units in the group, already on-line concurrent with the startup of another unit, were significantly dragging. In practice, the first unit was not dragging. However, measurement practice would evenly distribute the output of the facility to all generators, thus causing the first unit to appear off schedule.

Mr. Pike stated that the new proposal would expand the Start-up/Shutdown penalty exemption provisions to generators that are measured as a group of generators, such that if one unit in the group is exempt from penalties then the entire complex will be exempt from penalties for the Start-up/Shutdown time period.

This proposal will be brought to the Board with an expected FERC filing date of May.

Mr. Younger asked about retroactive treatment/forgiveness of penalties due to this being incorrectly captured by NYISO. Mr. Pike stated that although this could not be done under this specific protocol, as it is an extension of the original tariff filing, this could be considered under DAC proceeding. He added that there will be ongoing discussions on penalties in MIWG.

Mr. Glenn Haake, Dynegy, asked if this could be quickly implemented once approved by FERC. Mr. Howard Fromer, PSEG, agreed and asked if the NYISO could ask for an immediate effective date once the filing was approved by FERC. Ms. Mollie Lampi, NYISO, stated that this would be looked at, and if/when approved; the NYISO would request immediate implementation.

Motion #2:

The Management Committee (MC) hereby recommends that the NYISO Board of Directors approve revisions to the NYISO's Market Administration and Control Area Services Tariff and Open Access Transmission Tariff, as necessary, amending market rules for NYISO Startup and Shutdown under-generation penalties, as well as a proposed treatment of over-generation payments, as described in greater detail in the slides presented to the MC at its February 6, 2008 meeting. The NYISO shall prepare tariff revisions accordingly and have such revisions distributed to the MC Members and reviewed and approved by the Chairs and Vice Chairs of the Operating, Business Issues and Management Committees prior to filing with the Commission.

Motion passed unanimously.

4. Proposed Wind Generation Rules and Forecasting

Mr. Pike reported on the wind rules and forecasting proposal. There have been several discussions within the MIWG on how to incorporate wind forecasting capabilities into our scheduling system and resulting rules that should apply to those types of resources. The proposal that was brought to MC included implementation of a centralized state-wide forecast, increase of cap/exemption in market services tariff, recovery of forecast fees from wind plants, description of data communication requirements for wind plants and follow-up studies on impacts of higher levels of wind power penetration.

NYISO would be the administrator of a centralized forecast. The forecasts would be provided to NYISO for all wind plants in the NYCA by a 3rd party wind forecasting company (AWS Truewind). Forecasts would be provided for both real-time and day-ahead time horizons and would be incorporated into the corresponding market evaluations. Wind plants would have access to their individual forecast and ongoing costs of the forecasting service would be recovered from wind plants.

Mr. Pike reported that any wind plant in commercial operation as of January 1, 2002, with a name plate capacity of 12 MWs or fewer, would be exempt from the meteorological data requirements.

Mr. Younger asked that the NYISO look into whether there is another facility close enough by to serve as a profile proxy. Mr. Pike said he would look into this. Mr. Pike recapped day-ahead and real time rules that currently exist.

Mr. Younger asked how much wind that is not currently online will be by this summer. Mr. Pike replied that there will be 500 more MWs by summer and another 500 MWs by the end of the year.

Mr. Pike provided a summary of the tariff provisions. The proposal would go to the Board in March, FERC approval in May timeframe, and integrate live forecast into market runs by June, 2008.

In 2008, NYISO will embark on an updated study to determine the steps needed to securely integrate wind generation beyond 3,300MW across all zones in NYS. The assessment will seek to identify the existence of statewide or locational limitation on the full integration of wind resources. If identified, these limitations may require the establishment of new wind operating protocols, load following capabilities, ancillary service market changes, and/or limitations on installations.

Motion #3:

The Management Committee (MC) hereby recommends that the NYISO Board of Directors approve revisions to the NYISO's Market Administration and Control Area Services Tariff and Open Access Transmission Tariff amending market rules for Intermittent Power Resources depending on wind as their fuel, as described in greater detail in the slides presented to the MC this date, February 6, 2008, and making clarifications with regard to the current market rules for Limited Control Run of River Hydro units. The NYISO shall prepare tariff revisions accordingly

and have such revisions distributed to the MC Members and reviewed and approved by the Chairs and Vice Chairs of the Operating, Business Issues and Management Committees prior to filing with the Commission.

Motion passed unanimously one abstention.

5. NYISO 2007 Customer Satisfaction Survey

Mr. Jim Alcombright, NYISO, reported on the NYISO 2007 annual customer satisfaction survey. Four sections were focused on –methodology, results, opportunities, and initiatives.

The key objectives of the survey was to gather feedback from Market Participants related to satisfaction with NYISO products and services, identify opportunities for improvement, and recognize and replicate areas of success. Mr. Alcombright provided information on the vendor, methodology, survey design and results. He reported the areas that the NYISO was strongest in: maintaining system reliability, leadership in market design, improvements in price accuracy/price corrections, and advanced business intelligence solutions. Improvement opportunities included: customer experience (fast and knowledgeable representation), NYISO Website (accessibility to information) and training (increased options).

Ms. Leigh Bullock, NYISO, reported on the 2008 initiatives underway to address the improvement opportunity areas.

Initiatives under “Customer Experience” include: increased speed and accuracy of incident response, web-based self-service for Market Participants to submit and view incidents, reinstatement of customer site visits to cultivate a better understanding of customer needs and issues, and subject matter availability for customer relations to provide assistance with the more technically complex inquiries. Under “Training”, additional advanced courses would be added to the 2008 roster and subject matter experts would be available at all NYMOC meetings to assist with questions.

Ms. Bullock reported on the web portal updates that were currently underway to improve search capabilities and access to documents, as well as faster load page response time. A focus group meeting for MP comments and suggestions on web portal updates would be held on February 7.

A formal action plan and tracking system for initiative status reporting will be implemented, and periodic progress reports will be provided to Senior Management and MC. In addition, NYISO will look to solicit input from Market Participants on 2008 survey to ensure focus on most relevant areas.

Mr. Kinney asked if there was a way to narrow down the list of survey recipients by organization. Ms. Bullock informed the MC that the survey lists would be part of the focus group discussion.

Mr. Kranz suggested that the next survey contain two sets of questions; one for corporate response and individual questions to get a sense of company wide response.

6. New Business

Mr. Stalter, Edison Mission, asked if the NYISO had an update of the TCC auction scheduled for the spring. Mr. Rick Gonzales said he would make sure that the schedule was sent out shortly.

Mr. Nachmias raised an issue that surrounds Order 681 - long term FTRs; the piece that requires addressing long term incremental TCCs for new projects. It is Con Edison understanding that the NYISO would be moving forward on a compliance filing. Con Edison and other TOs are concerned because a significant component on how incremental TCCs are handled is how the shortfalls or surpluses related to outages on those incremental transmission assets are handled and who would be responsible for those. The concern is that there is a separation between the award of the incremental TCC and the need to address the Attachment N component on how this shortfall or surplus would be handled. Mr. Nachmias encouraged the NYISO to work through the stakeholder process to address this issue. The two phased approach does not work, and Con Edison cannot support the first without knowing the resolution of the second. Kevin Jones, LIPA agreed that the two processes need to be presented together. This issue will be discussed at a future stakeholder meeting.

Meeting adjourned at 11:35