

# **NYISO Management Committee Meeting Minutes**

December 19, 2007

NYISO, 10 Krey Boulevard, Rensselaer, NY

10:00 a.m. to 10:50 a.m.

Minutes of the Meeting

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

### **• Board Selection Subcommittee (BSSC) Update**

Mr. Ray Kinney (NYSEG/RG&E) called the meeting to order at 10:00 AM and welcomed the members of the MC. The members of the MC then identified themselves. Mr. Kinney noted that after the MC concluded the BSSC would be meeting to find a successor to Mr. Peter Berle.

Mr. Kinney also said he wished to extend his thanks to Mr. Ray Stalter of the NYISO, who is leaving the NYISO at the end of the year, for his help and expertise in helping keep the committee and working group process running smoothly.

## **2. Approval of Minutes**

Mr. Stalter presented for approval the MC minutes from the November 14, 2007 meeting. He reported that no comments were received when they were distributed for MC review prior to the meeting, and asked if members now had any comments. No comments or questions were raised. The minutes were then approved.

### **Motion #1:**

Motion to approve the Minutes of the November 14, 2007 MC meeting.

*Motion passed unanimously.*

## **3. President's Report.**

Mr. Mark Lynch (NYISO), before presenting his Report, started with the election of James V. Mahoney to the NYISO's Board of Directors, as noted in the NYISO's December 14 press release. Mr. Lynch said he thought that Mr. Mahoney will be a wonderful addition to the Board.

Mr. Lynch's second item was the recent confirmation of Garry Brown, former NYISO Vice President for External Affairs, as chair of the New York State Public Service Commission. Mr. Lynch said he wished Mr. Brown well.

Moving into the report, Mr. Lynch provided an update of the 2008 RNA; he noted that the MC voted to recommend approval of the RNA to the Board in November, which the Board subsequently approved on December 10. Mr. Lynch said that the important item to realize here was that the regulated backstop and market-based solutions are due March 1, 2008. Mr. Lynch said he appreciated all the responses from the Transmission Owners (TOs) and other Market Participants (MPs) in evaluating and responding to the request for solutions to meet future needs. The intent is to provide the initial draft of the 2008 CRP for MP review in May, 2008, with Board approval in July or so.

Regarding Order 890, the NYISO had a compliance filing due December 7, 2007, but the NYISO filed for an extension on November 30 for a specific item, namely, to address New York State issues associated with cost recovery and cost allocation for regulated non-transmission reliability projects. The FERC did grant a six-month extension to June 4, 2008 to allow the state and the TOs to develop a mechanism for this issue. Aside from that, a substantially complete compliance filing was filed on December 7<sup>th</sup> addressing all other planning requirements of Order 890.

Mr. Stuart Nachmias (Con Ed) added a comment by saying that FERC noticed the filing and asked for comments by December 28<sup>th</sup>. However, the New York TOs yesterday filed a request for an extension to

January 18<sup>th</sup>. Mr. Nachmias added that it would be helpful if those who would like to be involved and support that extension submitted comments quickly. Mr. Lynch thanked Mr. Nachmias for his clarification.

Mr. Lynch next discussed the Price Correction Statistics in his report. Mr. Lynch said he considered that the number of corrections shown is at a greatly reduced level, though December may have a couple of more than what was posted through 12/11/2007. Mr. Lynch said he felt the NYISO has done a very good job of reducing this statistic, as well as the price reservations and released numbers, and he expects that to continue in 2008.

On the "Repayment of Working Capital for TCC Settlement Issue"-- by December 31, 2007 \$1.6m will remain to be collected for repayment to the Working Capital Fund. The approximate timeframe for full recovery of Working Capital borrowing is the first Quarter of 2008.

Finally, on the Market Performance Highlights for November 2007, Mr. Lynch noted that November LBMPs were down somewhat from October, as was uplift, while fuel prices were up.

#### **4. Proposal Tariff Changes re: Ramapo PAR/Station 80 Capacitor Bank/Local Black Start Discussion and Vote**

Mr. Tim Duffy (NYISO) presented his agenda item on proposed tariff changes re: Ramapo Par, Station 80, and Local Black Start. Mr. Duffy provided some context for these tariff changes by noting they are part of the NYISO's efforts to automate manual invoice adjustments, something that MPs have sought for a long time.

Using the bulleted items in his posted presentation, Mr. Duffy stepped through background information, the proposed changes, the rationale behind them, the tariff impacts, and subsequent steps.

As for the history of the Ramapo PAR; Con Ed agreed to operate and maintain PARs at their Ramapo facility. As part of the agreement, the New York Power Pool (NYPP) and PJM agreed to share equally in the financial obligations of operating and maintaining the PARs. The NYISO then assumed the NYPP obligation pursuant to the ISO TO agreement.

Mr. Duffy described the current process. Con Ed sends the NYISO an email at the beginning of each month to the NYISO showing its costs related to the PARs. The NYISO pays the entire amount to Con Ed and recovers this cost by billing PJM for 50% of the cost, and calculates and bills each Load monthly based on their load ratio share for the remaining 50%. These charges are treated and reported as manual adjustments at the end of each month.

Similarly, Rochester Gas and Electric (RG &E), some years ago, agreed to operate and maintain capacitor banks at their Station 80 facility. As part of the agreement, the New York Power Pool (NYPP) agreed to assume the financial obligations of operating and maintaining the capacitor banks. The NYISO assumed the NYPP obligation pursuant to the ISO TO agreement. RG&E annually sends an email to the NYISO which shows its monthly costs related to the capacitor banks. The NYISO pays the entire amount to RG&E and recovers this cost by calculating and billing each Load monthly based on its load ratio share. These charges are treated and reported as manual adjustments at the end of each month.

Regarding Local Black Start and System Restoration Services, they are provided by key generation facilities that are capable of starting without an outside electrical supply and/or that are otherwise integral to the restoration of the system after an outage. Currently, only Con Ed has an active Local Black Start program, in which compensation is effected through a NYISO settlement paid in twelve equal monthly payments.

All of the monthly payments, as discussed above, will be converted to hourly amounts and charged to load based on hourly load ratio shares. Even though these payments and charges will be calculated at a more finite level of granularity, the change to the calculation will not materially impact the calculation results.

The rationale for these changes includes leveraging the SSR Rules Engine for the purpose of calculating the values and ensuring uniformity of the calculations. Also, each charge will have its own billing code, and finally, the manual adjustment process will be eliminated.

The tariff will have new language added to OATT Rate Schedule 1 defining the new process for the recovery of the charges discussed above. This set of charges will be identified as the "Non-ISO Facilities Payments Component." MST Rate Schedule 5 and OATT Rate Schedule 6 will also be modified to reflect the hourly credits and cost allocations described herein.

Mr. Duffy concluded by laying out the past history and future schedule for implementing the proposed tariff language, culminating in an expected FERC ruling in March 2008. The NYISO will develop an implementation plan prior to the FERC ruling to produce transparent and available data.

In response to a question from Mr. Nachmias, Mr. Duffy said that, by design, there could not be over- or under-collections with respect to the calculations described.

**Motion #2:**

The Management Committee ("MC") hereby recommends that the NYISO Board of Directors authorize the NYISO to file with the Federal Energy Regulatory Commission ("FERC"), pursuant to Section 205 of the Federal Power Act, revisions to Rate Schedule 5 of the Market Services Tariff ("MST") and Rate Schedule 1 and 6 of the NYISO Open Access Transmission Tariff ("OATT") to convert the collection of monthly charges relating to the operation of the Ramapo PAR, Station 80 Capacitor Bank and Local Black Start to an hourly amount to be applied to the hourly load ratio shares for each load, as approved by the Business Issues Committee ("BIC") on November 7, 2007, and as presented to the MC on December 19, 2007.

***Motion passed unanimously with abstentions.***

## **5. NYISO Strategic Plan Update**

Mr. Rana Mukerji (NYISO) presented the NYISO Strategic Plan (the Plan) for the 5-year period 2008-2012. He noted that the Plan was approved by the NYISO Board at its December meeting, which was the culmination of many months' development work at Sector Meetings, Joint Board/MC meetings, etc.

The Vision/Core Values and Mission provide the foundation for the Plan and have been and are expected to remain stable. The Plan's Strategic Objectives, Mr. Mukerji noted, were largely revamped in 2006 reflecting changes at FERC, the state government, and also rising fuel prices, among other things. For this year's Plan, the 2006 Strategic Objectives were revisited and certain items were enhanced and revised.

Starting with the NYISO Vision, Mr. Mukerji listed a few of the bullet points in his presentation with the heading: "The New York Independent System Operator will be recognized as a leader in;"

- Maintaining bulk power reliability through state of the art processes and technology
- Developing and managing an efficient and competitive electricity wholesale market
- Providing authoritative, credible, objective, and accurate information on electricity markets and system operations
- Quality of services in every aspect of our business.

Next slide:

"The NYISO Mission, in collaboration with its stakeholders, is to serve the public interest by:

- Maintaining and enhancing regional reliability
- Promoting and operating fair and competitive electric wholesale markets
- Achieving these objectives in a cost-effective manner
- Providing quality customer service"

Mr. Mukerji continued with the NYISO Core Values, which have remained unchanged, such as accountability, quality, integrity, team work, customer focus, innovation, and enthusiasm.

Moving on to his slide on “Guiding Principles in Developing a Strategic Direction”, Mr. Mukerji discussed some of his bullet points, such as continually striving to make reliability and market environments complement each other, provide a market environment which attracts investment in physical infrastructure, institutionalizing Excellence in Execution within the NYISO, maintain independence of the NYISO organization with respect to market issues, strictly adhere to existing laws, regulation, and tariff requirements, and finally to foster regulatory certainty and market transparency.

Slide 7 is titled “New Areas for Policy Guidance in 2007”. Starting with the five Strategic Objectives from the 2006 Plan, i.e. 1) Leader in Reliability, 2) Leader in Market Design & Performance, 3) Authoritative Source of Information, 4) Excellence in Execution, and 5) Robust Planning Processes, Mr. Mukerji said that for 2008-2012, four emerging topics have been identified and will be examined with the purpose of deciding whether any of these Objectives will need to be changed, modified, or enhanced.

These four topics are: 1) Economic Planning; 2) Interface with State Sponsored Integrated Resource Planning; 3) Long Term Contracting; and 4) Response to Clean Energy/Environmental Initiatives. After extensive discussions in 2007 on the impact of these four issues, it was determined that the five objectives as listed above will remain, but there will be enhancements for each of them, which are shown in red in Mr. Mukerji’s posted presentation. For example, under the Strategic Objective “Authoritative Source...”, Mr. Mukerji noted there is a new bullet item on research and scenario planning white papers to inform policy makers of the impact of a broad range of energy-related federal and state level policy goals in particular areas.

Under the Strategic Objective “Leader in Reliability”, a new strategic initiative is to monitor the fuel mix in the generation fleet and assess the adequacy of fuel diversity to maintain reliability.

Responding to a question from Mr. Liam Baker (U.S. PowerGen), Mr. Mukerji said that the issue of appropriate market signals to incentivize generators to bring a more diverse fuel mix to the market would be an appropriate subject for a NYISO white paper.

Mr. Lynch added that the NYISO hasn’t completely defined the entire scope of future white papers at this time, although some areas have been identified, and that the scope is one area where MP input would be appropriate and would be sought. Mr. Lynch said that this process is somewhat new for the NYISO, and some iterations would be necessary to arrive at the best way to pursue these initiatives.

Mr. Mukerji continued with the next (Key Strategic Initiative) slide on the NYISO being a leader in market design and performance; a new enhancement (in red letters on the slide) is looking at the development and implementation of longer-term mechanisms, such as capacity forward markets or the appropriate use of long-term contractual arrangements to provide longer-term price certainty.

For the Initiative of the NYISO being an “Authoritative Source of Information on Key Issues”, an addition was made to NYISO Planning in that more sophisticated system modeling techniques will be developed. Another new initiative is producing research and scenario planning white papers to inform policy makers of impact of environmental, energy efficiency, and renewable policy initiatives. Finally, in light of the NYISO’s recognized market leadership role, NYISO will actively participate in leadership forums, national and international conferences, as well as professional and standard setting groups.

Mr. Mukerji’s next slide was on Excellence in Execution, which remains a foundation upon which to build further enhancements of our multi-billion dollar markets.

For the Strategic Initiative of Robust Planning Processes, Mr. Mukerji noted that the new and important items are to support the economic planning function for FERC’s Order 890, coordinate with possible state-sponsored integrated planning initiatives, and to acquire the ability to do studies to analyze impact of environmental, energy efficiency, and renewable policy goals. Another new activity is to monitor the progress of market-based projects identified in the CRPP to assure timely progress and quickly identify any alternative requirements if progress falters.

Mr. Matt Picardi (Shell) asked Mr. Mukerji if he could describe what work has been and might be done in the area of capacity market designs, including long-term forward market designs. Mr. Mukerji responded that the forward market proposal has been at the ICAP Working Group, and discussed by the NYISO at least twice, and also that proposals have been put forth by Con Ed and IPPNY. The NYISO's own proposals for developing a forward market have been and will continue to be discussed with the MPs.

## **6. New Business**

In response to a question from Mr. Picardi on a recently filed complaint at FERC on whether ISO/RTO markets are producing just and reasonable rates, Mr. Lynch said the NYISO was aware of this and is developing a response strategy.

## **7. Adjournment**

Respectfully Submitted,  
Bill Porter  
Recording MC Secretary

## NYISO Management Committee Meeting

*December 19, 2007*

*NYISO*

### **MOTIONS FROM THE MEETING**

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***Motion passed unanimously.***

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***Motion passed unanimously with abstentions.***



## New York Independent System Operator - Committee Membership

### Management Committee - Attendance December 19, 2007 - Albany, NY - Parties Checked in Attendance

Organization	Sector	Representative	Alternate1	Alternate2	Alternate3	Alternate4	Alternate5	Proxy	Guest
Tom Halleran	Non-voting	Tom Halleran							
US Direct Energy Inc.	Non-voting	Marie Pieniasek	Stephen Lynch	Glen Smith					
William P. Short	Non-voting	William Short	Marc Schaefer	Joe DeVito	John Brodbeck	Ron Matlock	Paul Savage	Roberto Denis	
zNew Member	Non-voting								
zNew Member	Non-voting	None Assigned							

**NYISO and Hunton & Williams Members in Attendance:**

✓ Ira Freilicher	Hunton & Williams
Kevin Jones	Hunton & Williams
✓ Rob Fernandez	NYISO
✓ Mark Lynch	NYISO
John Buechler	NYISO
✓ Mollie Lampi	NYISO
✓ Tom Lynch	NYISO
✓ Rana Mukerji	NYISO
✓ Elaine Robinson	NYISO
✓ Rick Gonzales	NYISO
✓ Leigh Bullock	NYISO
✓ Ray Staltar	NYISO
✓ Debbie Eckels	NYISO
✓ Tim Duffy	NYISO
✓ Diane Egan	NYISO
✓ Rich Dewey	NYISO
✓ Henry Chao	NYISO
✓ Linda Zafonte	NYISO
✓ Bill Porter	NYISO
John Charlton	NYISO
Kathy Whitaker	NYISO
Andy Antinori	NYISO

**Key:**

✓ = In attendance