

DRAFT**NYISO Business Issues Committee Meeting Minutes****October 15, 2014****10:00 a.m. – 1:15 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 – September 10, 2014Motion #1:

Motion to approve the Minutes of the September 10, 2014 BIC meeting.

Motion passed unanimously by show of hands

3. Market Operations Report/Seams Report

Mr. Robb Pike (NYISO) reviewed the Market Operations report included with the meeting material. Mr. Pike also reviewed the Seams Report included with the meeting material.

Mr. Pike reported that the planned activation date for Coordinated Transaction Scheduling (CTS) bidding with PJM is scheduled for November 4th. The NYISO will provide notification to FERC and Market Participants (MPs) two weeks prior to the activation. A software deployment to support CTS with PJM and related enhancements is planned for October 22nd. He added that immediately following the software deployment, MPs must use the revised Joint Energy Scheduling System (JESS) upload/download templates and 15-minute transaction schedules will be established by the 1st timestep of Real Time Commitment. He noted that the NYISO reviewed details associated with the (planned) October 22 software deployment and (planned) November 4 CTS activation at the September 29th Market Issues Working Group (MIWG).

Mr. Bruce Bleiweiss (DC Energy) inquired if the Mixed Integer Program (MIPs) implementation would still happen after CTS and asked when the NYISO would implement MIPs. Mr. Pike said the NYISO was planning implementation of the MIPs software engine for early December. The NYISO will determine the implementation date and provide a 30 day notice to MPs. Mr. Bleiweiss asked if the NYISO would share its testing results with stakeholders. Mr. Pike said the NYISO was planning to provide a high level summary at the MIWG.

4. Planning Update

Mr. Henry Chao (NYISO) reported that on September 15th, the NYISO and the NYTOs jointly made on compliance filing in regards to FERC Order 1000's Regional Requirements. He added that to date, the NYISO received Public Policy Transmission Needs proposals from eight (8) separate entities on September 30th, which have been forwarded to the PSC for review in accordance with the NYISO Tariff. Mr. Howard Fromer (PSEG) asked if the NYISO did any analysis for the solicited proposals. Mr. Chao said the NYISO did not analyze any proposals.

Mr. John Buechler (NYISO) gave an update on the Eastern Interconnection Planning Collaborate. He said the target 2 report was postponed and the overall schedule was being reviewed. He said target 3 was delayed because of the delay in receiving pipeline information requested six months ago per

FERC's CEII procedures. That will cause a substantial delay with target 3. For target 2, the planning authorities are reviewing the draft results to ensure sensitive information is not posted. The report should be posted soon and a webinar will be re-scheduled to review the results. Target 4 (dual fuel analysis) is on schedule and the draft report should be posted in mid-November. The overall schedule will be updated and posted for the remainder of the project as soon as possible.

5. ICAP Manual Changes

Mr. Zachary Smith (NYISO) reviewed the presentation included with the meeting material.

Mr. Fromer said his primary concern was that the ICAP Manual has not incorporated the changes from the outage states proposal. But he also raised a concern that there are questions about the procedure of notifications for when external generators enter their actual planned outage and there is confusion in the market place. He added that it would be very helpful to specify the procedure in the ICAP manual and he would like to know when it would be addressed. Mr. Josh Boles (NYISO) said that the plan is to address the outage states changes in the ICAP manual first and then the NYISO would look at addressing his other concern.

Motion #2

The Business Issues Committee (BIC) hereby approves revisions to the Installed Capacity Manual as presented at the October 15, 2014 BIC Meeting.

Motion passed unanimously by show of hands

6. Projected True-up Exposure – Credit Policy Clarification

Ms. Sheri Prevratil (NYISO) reviewed the presentation included with the meeting material. She noted that the MC approved changes to the NYISO's credit policy to develop a projected true up exposure credit requirement and it was on the 2015 project list for February 2015 implementation. After analyzing the data, the NYISO determined that in a few, limited cases the system could request an unreasonable credit amount that far exceeded the exposure. Accordingly, the NYISO is proposing a clarification to the tariff language to reasonably limit the true-up exposure percentages calculated prior to Board approval and a FERC filing.

Mr. Fromer asked why the maximum percentage was not specified in the tariff. Ms. Prevratil said the NYISO wanted the flexibility because a maximum percentage could over-collateralize different MPs. Mr. Fromer said the NYISO may want to specify whether the cap was a market-wide cap or a MP-specific cap. Mr. Garret Bissell (Multiple Intervenors and the City of NY) agreed with Mr. Fromer. Ms. Prevratil said it would not be a MP-specific cap and agreed to clarify the language. Mr. Bissell asked if there would be a procedure specified in the tariff, or otherwise, indicating when the NYISO would make the determination, how it would get announced to MPs, and how often it can be revised so that MPs could plan in terms of changes to credit security based on the true-up exposure. Ms. Prevratil said that Mr. Bissell raised valid concerns, and that NYISO would address them in its presentation to the Management Committee.

Mr. Fromer asked if the proposal does not get approved by the NYISO Board of Directors in November, 2014, would it jeopardize project's implementation in February 2015. Ms. Prevratil said it would not as long as the Management Committee (MC) approved the proposal in October and the Board approved at their November meeting.

Mr. David Clarke (Power Supply Long Island) understood the proposed clarification only impacted a limited number of MPs and said he could support the proposal as it was reasonable. In response to a question, Ms. Prevratil said the NYISO did not discuss the proposal at the Credit Policy Working Group

before presenting it to the BIC due to time constraints. Mr. Rich Miller (Con Edison) said Con Edison would also support, but he said would be helpful for the NYISO to go return to the CPWG and provide an example. Ms. Prevratil agreed to present the changes to the CPWG and said the tariff language would be updated to incorporate that it would be a market-wide cap at the CPWG meeting.

Mr. Bissell requested to modify the motion language to incorporate the clarification language agreed to at BIC and indicate that the procedures of notifying Market Participants would be discussed again with stakeholders. Mr. Fromer expressed a procedural concern with the motion language because BIC was making a modification to a proposal already approved by the MC. The stakeholders edited the motion language to address the clarification and procedural concern.

Motion #3

Whereas the Business Issues Committee (BIC) at its July 16, 2014 meeting approved revisions to Attachment K of the Market Services and Control Area Tariff (Services Tariff) to include Projected True-Up Exposure credit requirement; and

Whereas subsequent to the July 30, 2014 Management Committee meeting at which those revisions were also approved the NYISO determined a need for a clarification to the Services Tariff language.

Therefore the BIC recommends the MC approve the incremental clarifications to the Services Tariff as conceptually presented and discussed at the October 15, 2014 BIC.

Motion passed unanimously with an abstention.

7. Proposed ICAP Buyer-Side Mitigation Rule Modifications – Increased CRIS

Mr. Randy Wyatt (NYISO) reviewed the presentation included with the meeting material.

Mr. Fromer asked how additional CRIS could be granted under the proposal. Mr. Wyatt said it could be an uprate. Ms. Gloria Kavanah (NYISO) provided a hypothetical example. Ms. Doreen Saia (Entergy) asked the NYISO to confirm that if a hypothetical unit did not perform an uprate but had its CRIS limited due to Attachment S grandfathering rule, and then wanted to increase its CRIS, it would be affected by the proposal. Ms. Kavanah said that was correct.

Mr. Bob Boyle (NYPA) asked why the greater of equation 1 or 2 would be used to determine mitigation. Mr. Wyatt said it was to limit size gaming. Mr. Miller asked why the NYISO chose the greater of the ERIS or nameplate capacity with respect to the 90% rule. Mr. Wyatt said during the ClassYear process, initial requests for CRIS were generally equal to nameplate capacity. The NYISO also found that it needed to look at ERIS because nameplate could be modified from what was ultimately built and ERIS would be less likely to be adjusted or manipulated by a MP.

Mr. Clarke expressed a concern with inflation and asked how inflation would be compared using (for example) 1990 dollars and 2014 dollars. Mr. Boles said all the costs would be in the current year dollars and the NYISO would compare them against current year capacity price forecasts. Mr. Boles said a facility built in 1990 would likely have been grandfathered. Mr. Shaun Johnson (NYISO) said the NYISO would not compare 1990 and 2014 dollars.

In response to a question, Mr. Wyatt explained the analysis performed that supported the selection of the 90% threshold value. Mr. Miller agreed the proposal was extensively discussed at the ICAP Working Group, but he could not support the 90% threshold based on a fear of market gaming. Mr. Boyle said he supported Con Edison's position. Mr. Miller added that it was an apples-to-oranges comparison to analyze UCAP and CRIS because if someone was trying to game the BSM rules by claiming less than 90% CRIS for their unit, especially as it relates to nameplate, when there may be perfectly valid engineering reasons for doing so. There are some examples of that in the Gold Book.

Mr. Wyatt said there are cases that a plant is below the 90% threshold, but the majority of those cases are covered by the grandfathering rules associated with equation 1 so therefore they would not be subject to the threshold in the first place. Mr. Wyatt added that there was a misconception that units which fail the 90% threshold are mitigated and that was incorrect. If a unit fails the 90% threshold it is then subject to a more rigorous test, but that can be passed. Mr. Miller suggested that the stakeholders proceed with the vote, but discuss the 90% threshold value and the spreadsheet analysis more at an ICAP Working Group prior to the October MC, and then return to MC.

Ms. Doreen Saia said she was uncomfortable with that approach and said a proposal with lower than 90% did not have enough support to move forward and lowering the 90% to another value would just make it easy for any unit to pass the mitigation test. She added that FERC would not find the proposal to be just and reasonable and FERC has shown little tolerance for proposals that just barely receive 58% in governance. Mr. Boles clarified that the NYISO has been approached by a few Market Participants looking to increase their CRIS, and absent a rule set to evaluate those projects, the NYISO would be in a difficult position to evaluate any project that entered the next class year and wanted to increase their CRIS due to an uprate.

Mr. Former said that slide 5 is an issue for moving forward due to a number of FERC proceedings and asked why the proposal cannot wait until FERC rules on those proceedings. Ms. Kavanah said the NYISO cannot wait for FERC to issue an Order for those compliance filings, some of which have been pending for four (4) years, and implored stakeholders to not use the issue as a reason for postponing consideration of the proposal.

Mr. Andrew Antinori (NYPA) made a motion to table.

Motion #4a

Motion to table motion #4.

Motion passed with 100% affirmative votes.

Motion #4

The Business Issues Committee (“BIC”) hereby recommends that the Management Committee approve changes to the NYISO’s ICAP Market Power Mitigation Measures (Services Tariff Section 23.2 and 23.4, Attachment H) and related provisions in Services Tariff Sections 2.21 (definition of UDR) and 30 (Attachment O), and Open Access Transmission Tariff Section 12.4 (Attachment F), regarding increased CRIS as presented at the BIC on October 15, 2014.

8. Consumer Impact Analysis

Mr. Tariq Niazi (NYISO) reviewed the presentation included with the meeting material.

Mr. Bissell asked what the fuel assurance analysis components were. Mr. Niazi said that still needed to be discussed, but it would be likely focus on the capacity market. Mr. Fromer asked would the goal be to look at specific measures to require firm-gas contracts. Mr. Niazi said it was too early to answer. Mr. Mark Younger (Hudson Energy Economics for Indeck) asked if scarcity and fuel assurance were designed to impact reliability through market improvements and how was the NYISO evaluating other things that could affect reliability. Mr. Niazi said it was too early but NYISO would look at pricing, reliability, environment, and new technologies. Mr. Kranz asked if LOLE would be looked at for the reliability analysis. Mr. Niazi said it depended on the project.

Mr. Clarke asked if the Behind the Meter: Net Generation project was impacted by the D.C Circuit Court’s ruling on FERC Order 745. Mr. Bissell said it would not be impacted because these are facilities

that have generation capability that are looking to participate in the NYISO's markets under the same rules as a generator. Ms. Saia said she didn't think Demand Response (DR) resources would go away overnight and it was premature to discuss until there was FERC response to the Court's ruling. Mr. Scott Butler (Con Edison) said the NYISO should analyze the value and cost of DR in general.

Mr. Boyle noted that the rules used to allow distributed resources to export their excess to the grid and get paid for their excess capacity. He asked if the net generation units can only participate in this market and no longer in the DR. He said the analysis should look at the cost to the different DR providers who now have to put in internal infrastructure. Mr. Pike said the assessment would come, but at this point the 2015 projects have brief descriptions. He said the NYISO was seeking to identify significant 2015 projects that should receive a Consumer Impact Analysis and also seeking MP input of other projects that deserve consideration. The project designs would be discussed at the working group level. Mr. Boyle said there are a number of variables that are raised at the working group level and asked if Mr. Niazi was tracking them so that they would also be analyzed. He said the analysis should be discussed as the proposals are being discussed at the Working Group. Mr. Pike said the analysis would be discussed with stakeholders at the working group level prior to BIC or OC approval and the NYISO had limited resources, and could not evaluate every possible scenario that was discussed at a working group.

Mr. Rich Bolbrock (MEUA) asked if the NYISO would look at Demand Response withdrawals as part of the analysis for SCR performance obligations. Mr. Niazi said that the NYISO would evaluate the withdrawals. Mr. Boyle asked if market prices increased as a result of the Installed Reserve Margin increasing, would the NYISO look at that as part of the consumer impact. Mr. Niazi said the NYISO would.

9. Working Group Updates

- a. *Billing and Accounting Working Group* – Ms. Debbie Eckels (NYISO) reported that the group reviewed the grid accounting report.
- b. *Credit Policy Working Group* – Mr. Norman Mah (Con Ed Solutions) reported that there was a Credit Policy meeting on September 29th. The NYISO presented some details of the coming winter season credit requirements. Loads should be prepared for significant increases this coming winter 2014-15. Due to the volatile and high prices last winter and gas prices, many Loads will have significantly higher energy credit requirements starting November 1st.
- c. *Electric Gas Coordination Working Group* – Mr. Liam Baker (US Power Gen) reported that the group would meet on October 24th.
- d. *Electric System Planning Working Group* – Mr. Aydemir Nehrozoglu (Con Edison) reported that ESPWG is currently working on the reliability planning process. The NYISO is in the process of developing the Comprehensive Reliability Plan (CRP) and is considering both TO updates and changes in generation resources for the CRP base case. The NYISO solicited solutions for needs identified in the RNA.
- e. *Installed Capacity Working Group* – Mr. Chris LaRoe (IPPNY) reported that the ICAPWG reviewed ICAP Manual changes presented and approved by the BIC today. There was also an update on uniform regulation movement multiplier. The group began discussions on Regulation Movement Shortage Pricing and Fuel Assurance Initiative.
- f. *Inter-regional Planning Task Force* – No update.
- g. *Load Forecasting Task Force* – Mr. Bryan Irrgang (Power Supply Long Island) reported that the LFTF met twice to review weather normalization of the September 2nd NYCA peak load and also reviewed preliminary peak load projections for the NYSRC IRM study. The group will meet again for the fall economic conference and will meet to prepare the 2015 ICAP forecast.

- h. *Market Issues Working Group* –Ms. Patti Caletka (NYSEG) reported that MIWG reviewed the Transmission and Distribution Manual changes related to CTS. MIWG also received an update on CTS with PJM. The group also kicked off discussions on fuel availability self reporting as well as reviewed tariff language related to Comprehensive Shortage Pricing.
- i. *Price Responsive Load Working Group* – No update.

10. New Business

Ms. Saia said the BIC and the MC approved the outage states proposal nine (9) months ago. She said the NYISO made its FERC filing in July and FERC allowed that a proposal to delay its implementation date until February 1, 2015 instead of November 1, 2014. She said the filing indicated the planning issues would get discussed with stakeholders. She said that IPPNY filed a protest on the FERC filing and asked that the NYISO be directed to address the planning issue. The NYISO responded that the planning component would be addressed well before February 1st, but she asked at a recent ESPWG and the NYISO said they don't have a schedule of when they would begin those discussions. She asked the BIC chair to ask the NYISO to come to the October 23rd ESPWG with a defined plan to addressing these planning issues. Mr. Kranz agreed.

The meeting adjourned at 1:15 p.m.