NYISO Management Committee Meeting Meeting by Conference Call

December 5, 2002

MINUTES OF THE MEETING

1. Introduction and Meeting Objectives

Mr. Brown called the meeting to order at 10:05 AM and welcomed the members of the Management Committee ("MC"). He explained that the change for the meeting venue was made because the absence of agenda items requiring committee action did not justify the expense of a meeting in New York. The only action item for the meeting was approval of the minutes, and the primary purpose of the meeting was for informational purposes.

2. Approval of the Minutes

Mr. King presented the minutes of November 7, 2002, for approval. The minutes were approved with no amendments.

Motion #1:

Motion to approve the Minutes of November 7, 2002 (Motion passed unanimously, by polling members for abstentions and objections)

3. President's Report

Reliability Indicators / Market Performance Highlights

Mr. Museler noted that operating performance as measured by CPS 1& 2 had not changed significantly for the month of November. He indicated that fuel prices were holding up the average daily prices for energy and ancillary services. He added that transactions with the IMO had recently been cancelled due resource reliability problems caused by cold weather. He also pointed out that the cause of the cancelled transactions was beyond the control of the NYISO. When asked by Mr. Fromer, Mr. Museler said that the NYISO would look into assurances that the counter party to the emergency energy transaction, made necessary by the curtailed transaction, is able to pay.

2002 Billable Load Impact

Mr. Museler presented an accounting of the impact of the billable load on the budget broken down by each month up through October. The reported cumulative impact was \$2.1M. He also noted that with the \$3.0M retained from the 2001 Budget under run, the surplus for the 2002 budget was projected to be \$900K.

NERTO Decision

Mr. Museler explained that the withdrawal of the NERTO merger filing will enable the NYISO to focus short term on four priorities. Those priorities are operational excellence, reduction in the use of legacy systems, development and implementation of SMD-2, and resolution of seams issues. He also announced that sector meetings would be scheduled by the end of January to solicit market participant views for the future. Mr. Parmelee felt that having only individual sector meetings should be supplemented with plenary sessions with all Market Participants to build a strong consensus for future plans. Mr. Museler indicated that the NYISO would incorporate Mr. Parmelee's suggestion. Mr. Fromer asked what the FERC reaction was when briefed by the NYISO concerning the withdrawal of the NERTO filing. Mr. Museler pointed out that the commissioners were disappointed, but not surprised. Their top focus is the standard market design and resolution of the seams issues.

2003 Budget (5 yr. Financing/PSC Filing/Credit Insurance)

Mr. Museler reported that the NYISO had filed with the Public Service Commission to raise the debt ceiling, and did not expect that to be a problem. He said that the scope of work under the budget was difficult but do-able, and that the NERTO decision would make future budget decisions easier. Ms. Agriss asked for an explanation of the Directors' and Officers' insurance policy. Mr. Fernandez said the Board of Directors required insurance to mitigate risk. Mr. Gioia held that the ISO was adequately insured. Ms. Agriss expressed that the NYISO needed to be creative when dealing with the D&O provider. Mr. Fernandez indicated that the NYISO would undertake that action.

Enron Congestion Overpayment/Refund

Mr. Museler said the NYISO would declare a loss after a ruling from the FERC on the loss policy filed on November 13, 2002. He expected that the collection could occur with the January invoice. He also stated that Ms. McGarvey would report the accounting of interests paid and collected associated with the loss of approximately \$10.5M. Mr. Scheiderich raised the concern that Transmission Owners had collected additional revenues as a result of the Enron overpayment, and asked for assurances from the NYISO to investigate the issue. Mr. Museler said the NYISO is aware of the issue and is talking to the Transmission Owners. Ms. Agriss expressed a problem with obtaining data. Mr. Museler indicated that the Customer Settlements department would follow up on her problem. Mr. Scheiderich asked what actions the NYISO was taking to react to KPMG's audit recommendations. Mr. Museler reported that additional manpower resources would enable the NYISO to focus on them.

NTAC Refund

Mr. Museler reported that the NYISO would be refunding approximately \$27M with the next invoice.

12 month/4 month Final Bill Status

Mr. Museler mentioned that the next step beyond the 12 month/4 month billing cycle is to begin working with TOs and LSEs toward a 4 month/2 month final bill. He indicated that

resources added to the IT and Customer Settlements departments will allow the NYISO to get to that point.

4. Update on Seams and Market Improvement Projects

Mr. King reported that the Scheduling and Pricing Working Group had selected several options to explore for addressing scarcity pricing. The options selected are EDRP/SCR price setting, developing an operator tool to address resources that are dragging, and pricing during capacity shortages. He mentioned that the NYISO is looking at a bundled implementation for EDRP/SCR price setting and pricing during capacity shortages, and that a proposal will be presented to the Business Issues Committee. Mr. King also reported that the ICAP Working Group was making progress on a demand curve and there was no agreement yet on what the final curve would look like. When asked about how committed the NYISO was to an ICAP demand curve, Mr. Museler replied that he couldn't speak for the BOD, and that the goal was to create a consensus.

With regard to seams issues, Mr. King said the list of new and emerging issues had been revised at the November 21 Steering Committee and presented a list of action items for BIC/MC consideration. In addition to that list, Mr. King also proposed adding another project to address the non-competitive proxy rule. Mr. Scheiderich asked that the modeling of the 1385 line and the Cross Sound Cable be tied to a global solution. Mr. King replied that the NYISO will look at applying rules to both cables at the same time. Ms. Saia asked if the RTS software would be capable of dealing with multiple proxy busses for a single interface. Mr. King replied that the NYISO would try to be flexible enough to include that capability. In response to Mr. Fromer's question, Mr. King said that neither PJM nor the NYISO are opposed to multiple proxy busses, and that a very tight scheduling process would be needed to prevent gaming. He also added that implementation would be necessary after the RTS project is completed in early 2004.

Mr. King explained the reason for changing TTC levels in the NYISO-PJM interface, during the month of November, was to control voltage levels at the Oakdale substation, and that messages posted by NYISO dispatchers were posted at the wrong location on the Web. Mr. King also explained that price differentials between the markets might not be a seams issue. He cited an example where power flowed from the NYISO to the IMO when the prices in the NYISO market were considerably higher in New York, even though New York was long on reserves and Ontario was short. He suggested that the issue should be reviewed by each of the ISO's market committees. Mr. King also added that interconnection procedures needed to be worked into the priority process.

Mr. Scheiderich requested a status update on the task to create a report for TSC revenues at NYISO interfaces. Mr. Stalter reported that the project was in the discovery phase and that he would update Mr. Scheiderich with the status of that task at a later date.

5. Update on the Project Prioritization Process

Mr. Schmehl presented an update on the NYISO priority projects. He first covered the 2002-2003 project plan which indicates the amount of resource hours projected to complete each project. He explained the estimates are categorized into three classes depending the confidence in the estimate, and also explained additional features of the plan such as deployment milestones and estimated FRS completion dates. He said the Business Issues Committee would allocate a significant amount of time to discuss priorities and resources during the December 13th meeting. Mr. Butterklee inquired if the projected 133 remaining hours would be adequate to complete the 85/15 Rate Schedule 1 Split project. Mr. Schmehl replied that the estimate was very preliminary, and that it would be updated with a higher confidence level. Mr. Butterklee also asked about the status of the Final Bill Challenge project. Mr. Schmehl noted that it had not yet been incorporated into the project plan. Mr. Brown announced that the final bill challenge process would be discussed at the December 13th BIC meeting, and would be on the agenda of a special MC meeting planned for December 16, 2002.

6. New Business

Mr. Brown reminded members that a stakeholder meeting was scheduled for December 18th to discuss the FERC SMD Design and Structure NOPR. Ms. Robinson said NYISO draft comments would be available on December 13th.

Mr. Brown also announced that the next MC meeting was moved forward to January 9th. This schedule change was made to avoid having a long time period between early December and late January without an MC meeting.

Mr Museler announced a temporary NYISO reorganization to accommodate the departure of Mr. Soeldner for the NYISO organization.

7. Adourn

The meeting adjourned at approximately 12:00 noon.

NYISO Management Committee Meeting

December 5, 2002

Meeting held via conference call

MOTIONS FROM THE MEETING

Motion #1:

Motion to approve the Minutes of November 7, 2002

(Motion passed unanimously, by polling members for abstentions and objections)

New York Independent System Operator - Committee Membership

Management Committee - Attendance December 5, 2002 - Via Conference Call - Parties Checked in Attendance

Organization	Sector	Representative	Alternate1	Alternate2	Alternate3	Alternate4	Alternate5	Alternate6	Alternate7	Proxy	Guest
NYS Energy Research & Develop. Auth.	End Use - Gov. Agency/Aggr.	Paul DeCotis	✓ Jeffrey Gerber	Erin Hogan	Chris Hall	John Spath					
The City of New York	End Use - Gov. Agency/Aggr.	Michael Delaney	✓ Richard Miller	Scott Butler	Jonathan Wallach						
Alcoa/Reynolds Metals Company	End Use - Large Consumer	✓ Robert Loughney	Michael Mager								
ATCO Management Co.	End Use - Large Consumer	Peter DiCapua	Scott Petersen	George Diamantopoulos							
IBM Corporation	End Use - Large Consumer	✓ Robert Loughney	Michael Mager								
Occidental Chemical Corp.	End Use - Large Consumer	✓ Robert Loughney	Michael Mager								
Praxair Inc.	End Use - Large Consumer	Christian Lenci	✓ Robert Loughney	Michael Mager							
Xerox Corporation	End Use - Large Consumer	✓ Robert Loughney	Michael Mager								
Metropolitan Transportation Authority	End Use - Large Cons. Gov. End Use - Small Consumer	✓ Jesse Samberg David Hepinstall	Gary Caplan	Walter McCarroll							
Association for Energy Affordability, Inc. Beth Israel Health Care System	End Use - Small Consumer End Use - Small Consumer	✓ Catherine Luthin	✓ Larry DeWitt John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner					
Building and Realty Institute	End Use - Small Consumer	✓ Herb Rose	Marjorie Ochrach	Ted Lee	Judith Mondre	Tariq Niazi					
Citizens Advisory Panel	End Use - Small Consumer	Gordian Raacke	✓ Larry DeWitt	100 200	- Cuditir Mondro	rang mazi					
CNYC Inc. (Council of NY Coop & Condo)	End Use - Small Consumer	✓ Herb Rose	MaryAnn Rothman	Marjorie Ochrach	Ted Lee	Judith Mondre	Tariq Niazi				
Columbia University	End Use - Small Consumer	✓ Catherine Luthin	John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner					
Mount Sinai Medical Center	End Use - Small Consumer	✓ Catherine Luthin	John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner					
New York Energy Buyers Forum	End Use - Small Consumer	✓ Herb Rose	Ted Lee	David Bomke	✓ Tariq Niazi						
New York Presbyterian Hospital	End Use - Small Consumer	✓ Catherine Luthin	John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner					
New York University	End Use - Small Consumer	✓ Catherine Luthin	John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner					
Refined Sugars, Inc.	End Use - Small Consumer	John Gebhard	Quintin George	✓ Catherine Luthin	John Dowling	Jennifer Kearney					
NY State Consumer Protection Board AES NY	End Use - State Agency Generation Owners	✓ Tariq Niazi	Doug Elfner	Charles Sichera							
AES NY American National Power, Inc.	Generation Owners Generation Owners	✓ Christopher Wentlent Dorothy Capra	Rick Santoroski Bill Henson	Charles Sjoberg							
Astoria Energy LLC	Generation Owners	William May	✓ Leonard Singer								
Calpine	Generation Owners	Thomas Kaslow	Tracee Bersani	Richard Felak							
East Coast Power	Generation Owners	Gary Keevill	Asavari Alvarez								
Edison Mission Marketing & Trading	Generation Owners	✓ William Roberts	Robert Agnello	Jeffrey Ellis							
Entergy Nuclear Northeast	Generation Owners	✓ Marc Potkin	William Stone	Ron Mackowiak							
Indeck Energy Services	Generation Owners	Mike Ferguson	John Schrage	✓ Mark Younger							
KeySpan Ravenswood, LLC	Generation Owners	James Brennan	Rich Hohlman	✓ Dick Ackerson	James D'Andrea	Terrence Kain	Ron Lukas				
Mirant New York, Inc.	Generation Owners	None Assigned	None Assigned	✓ Doreen Saia	Couch White						
NRG Energy	Generation Owners	Joe DeVito	✓ Frank Rapley	Paul Savage	Marc Dworkin	Ruben Brown	Peter Chamberlain	Keith O'Neal	John Smith	Chris Young	
Orion Power New York	Generation Owners	✓ John Reese	✓ Bruce Bleiweis								
PG&E Generating PSEG Energy Resources & Trade	Generation Owners Generation Owners	✓ Steve McDonald ✓ Howard Fromer	Dan Dubois Michael LaFalce								
Sithe Energies, Inc.	Generation Owners	None Assigned	✓ Garry Brown	✓ David Applebaum							✓ Glenn Haake
TransCanada Power Marketing	Generation Owners	William Taylor	Elaine Beaudry	David Applebadili							Gleriii i idake
Aaron Breidenbaugh	Non-voting	✓ Aaron Breidenbaugh	Liamo Boadary								
Caithness Energy, L.L.C	Non-voting	Ross Ain	Jack Feinstein								
Cianbro Corporation	Non-voting	Chuck Hewett	John Tompkins								
Hudson River Energy Group	Non-voting	Frank Radigan									
NYS Department of Public Service	Non-voting	Saul Rigberg	Tom Dvorsky								
William P. Short	Non-voting	William Short	Marc Schaefer	Joe DeVito	John Brodbeck	Ron Matlock	Paul Savage	Jim Verna	Del Disher	Roberto Denis	
1st Rochdale Cooperative NYC	Other Suppliers	Gregory Wortham									
Advantage Energy, Inc.	Other Suppliers	Kyle Storie		15 70 1500							
Amerada Hess Corporation	Other Suppliers	Hemant Jain	Kevin Laguardia	Keith Mills							
American Electric Power (AEP) Srvc. Corp. Aquila Energy Marketing Corp.	Other Suppliers Other Suppliers	Ron McNamara None Assigned	Tom Chapman ✓ Peter Brown	David Wiesner	Pamela VanHorn	Richard Mooney	Susan Chamberlin				
Cinergy Capital and Trading	Other Suppliers	Jason Barker	Walt Yeager	David Wiesilei	raillela valli lolli	Kichard Woonley	Susan Chamberlin				
Con Edison Energy	Other Suppliers	Ken Bekman	Ivan Kimball								
Con Edison Solutions	Other Suppliers	Ken Bekman	✓ Stephen Wemple								
Conectiv	Other Suppliers	Bill Fehr	John Foreman								
Constellation Power Source	Other Suppliers	Daniel Allegretti	Harvey Reed	✓ Glen McCartney	Mary Lynch	Carrie CullenHitt					
Coral Power, LLC	Other Suppliers	Marc Overdyk	Dave French								
Dominion Energy Marketing, Inc.	Other Suppliers	✓ Michael Bekker	Lou Oberski								
Duke Energy North America, LLC	Other Suppliers	Ronald Matlock	Del Disher	Tom Bankert							
Dynegy	Other Suppliers	Chris Moser	Tom May	✓ Steve Vavrik							
El Paso Merchant Energy Energetix, Inc.	Other Suppliers Other Suppliers	Gary Keevill Barney Farnsworth	Asavari Alvarez	✓ Russel Like							
Exelon Generation - Power Team	Other Suppliers Other Suppliers	✓ Linda Clarke	✓ Garry Brown	✓ David Applebaum	Regina Carrado	Eric Olson					
FPL Energy	Other Suppliers	Roberto Denis	Fernando DaSilva	Savia Appiobaum		2.10 013011					
HQ Energy Services	Other Suppliers	Benoit Goyette	Michel Prevost	Paul Norris	Joel Zipp	Gunnar Birgisson					
KeySpan Energy Services	Other Suppliers	Ron Lukas	Ruben Brown	Peter Chamberlain	John Smith						
Morgan Stanley Capital Group	Other Suppliers	Patrick Murray	Karen Kochonies	Levon Kazarian	Doron Ezickson	Nikolai Markarian					
New Energy Inc.	Other Suppliers	Peter Duprey	Carrie CullenHitt	Steve Fernands							
NU / Select Energy	Other Suppliers	Gunnar Jorgensen	✓ James Scheiderich								
Ontario Power Generation Inc.	Other Suppliers	✓ Barry Green	Tasos Karatsoreos	Ken Lacivita							
PP&L Energy Plus	Other Suppliers	John Brodbeck		Roger Dolan	Garreth Kirkner						
Reliant Energy Services, Inc.	Other Suppliers	✓ Bruce Bleiweis	✓ John Reese	A Bussel Like	Molly Berting	Bob Chilt					
Sempra Energy Trading Strategic Energy LLC	Other Suppliers Other Suppliers	✓ Tom Halleran ✓ Francis Pullaro	Dan Staines Michael Swider	✓ Russel Like	Mally Becker James McCormick	Bob Chilton Helen Caldwell					
Strategic Energy LLC Strategic Power Management, Inc.	Other Suppliers Other Suppliers	✓ Francis Pullaro ✓ Dan Duthie	✓ Mario DiValentino	Jeffrey Knox	James WCCormick	neien Galdwell					
Transalta (formerly MEGA)	Other Suppliers Other Suppliers	Bob Sadowsky	Jubran Whalan								
Transénergie U.S. Ltd.	Other Suppliers	José Rotger	Michael Jacobs								
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New York Independent System Operator - Committee Membership

Management Committee - Attendance December 5, 2002 - Via Conference Call - Parties Checked in Attendance

Organization	Sector	Representative	Alternate1	Alternate2	Alternate3	Alternate4	Alternate5	Alternate6	Alternate7	Proxy	Guest
Williams Energy Marketing & Trading Co.	Other Suppliers	David Singer	Dennis Keener								
Long Island Power Authority	Public Power - Authorities	✓ Jim Parmelee	Seth Hulkower	Alan Elberfield							✓ Bill Killgoar
New York Power Authority	Public Power - Authorities	Robert Hiney	✓ William Palazzo	Kim Byham							3
American Wind Energy Association	Public Power - Environmental	David Wooley	✓ Larry DeWitt	,							
Environmental Advocates	Public Power - Environmental	Anne Reynolds	✓ Larry DeWitt								
Nat'l Resources Defense Council	Public Power - Environmental	Dale Bryk	✓ Larry DeWitt								
Pace University	Public Power - Environmental	Edward Smeloff	✓ Larry DeWitt								
Scenic Hudson	Public Power - Environmental	✓ Larry DeWitt	· ·								
Bath Electric, Gas & Water Systems	Public Power - Munis & Co-ops	Paul Pallas	Matthew Benesh	Jim Hamilton	Jack Brown	Ken Moore				Tom Rudebusch	
City of Jamestown Board of Pub. Util.	Public Power - Munis & Co-ops	✓ Michael Darroch	David Gustafson	Wally Haase	Tom Rudebusch						
Plattsburgh Municipal Lighting Dept.	Public Power - Munis & Co-ops	Jack Brown	Paul Pallas	Tom Rudebusch							
/illage of Fairport	Public Power - Munis & Co-ops	Ken Moore	Tom Rudebusch	Paul Pallas							
/illage of Freeport	Public Power - Munis & Co-ops	Hubert Bianco	Robert Kortright	Anthony Fiore							
/illage of Rockville Centre	Public Power - Munis & Co-ops	Paul Pallas	Jim Hamilton	Jack Brown	Ken Moore	Matthew Benesh				Tom Rudebusch	
Village of Westfield	Public Power - Munis & Co-ops	Jim Hamilton	Paul Pallas	Matthew Benesh	Jack Brown	Ken Moore				Tom Rudebusch	
Central Hudson Gas & Electric	Transmission Owners	✓ Charles Freni	John Watzka								
Consolidated Edison	Transmission Owners	√ Joe Oates	✓ Terry Agriss	✓ Neil Butterklee							✓ Paul Gioia
National Grid	Transmission Owners	✓ Jerry Ancona	Wes Yeomans	Peter Flynn	Herb Schrayshuen						
NY State Electric Gas (NYSEG)	Transmission Owners	Hank Masti	Denis Wickham	Clifton Olson	✓ Laurie King-Pirchner	✓ Ray Kinney					✓ Rick Mancini
Orange & Rockland, Inc.	Transmission Owners	None Assigned									
Rochester Gas & Electric	Transmission Owners	Clifton Olson	✓ Laurie King-Pirchner								
New Member	Non-voting	None Assigned	_								
New Member	Non-voting	None Assigned									
New Member	Non-voting	None Assigned									
New Member	Non-voting	None Assigned									
New Member	Non-voting	None Assigned									

NYISO and Hunton & Williams Members in Attendance:

✓ Ira Freilicher Hunton & Williams ✓ Rob Fernandez NYISO ✓ Bill Museler NYISO ✓ Chuck King NYISO ✓ Mollie Lampi NYISO ✓ Frank Ciani NYISO ✓ Elaine Robinson NYISO ✓ Kristen Kranz NYISO ✓ Leigh Bullock NYISO ✓ Ray Stalter NYISO ✓ Jane Lathrop NYISO ✓ Dave Evanoski NYISO ✓ Tim Schmehl NYISO

Key:✓ = In attendance