

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 on 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
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							
American Wind Energy Association	Public Power - Environmental	David Wooley	✓ Larry DeWitt								
Environmental Advocates	Public Power - Environmental	Anne Reynolds	✓ Larry DeWitt								
NaTl 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							
Village of Fairport	Public Power - Munis & Co-ops	Ken Moore	Tom Rudebusch	Paul Pallas							
Village of Freeport	Public Power - Munis & Co-ops	Hubert Bianco	Robert Kortright	Anthony Fiore							
Village 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 Schraysshuen						
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									
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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