

NYISO Management Committee Meeting

August 3, 2004

Teleconference Meeting
10:00 a.m. – 12:30 p.m.

Draft MINUTES OF THE MEETING

1. Introductions, Meeting Objectives & Chairman's Report

Joe Oates of Consolidated Edison, Chairman, called the meeting to order at 10:12 AM and welcomed the members of the Management Committee ("MC"). The meeting objectives are to approve minutes from July MC meeting, and vote on three items before the MC today.

2. Approval of the Minutes

Several corrections to the July Minutes were supplied by market participants and incorporated prior to the vote on the motion to approve them.

Motion #1:

Motion to approve the Minutes from the July 7, 2004 MC, with indicated changes.

Motion Passed

3. President's Report

Garry Brown of the NYISO discussed some NYISO internal organizational changes. Belinda Thornton has been named Assistant VP of Market Services, reporting to Chuck King. Elaine Robinson has been named the acting Director of Regulatory Affairs. Brad Kranz will be the acting Manager of Committee Support and Liaison to the MC. A new position was created under Vinny Budd to manage database integrity. An email will be sent out to the members describing these changes.

Market Performance Highlights for May 2004

Mr. Brown stated that average costs for the month declined slightly, despite higher system loading. Monthly average reserve prices reached historic lows for July. This is attributed to low summer loads and high generator availability. The DAM committed unit-

hours mitigated in NYC percentage continues to be low, and remains essentially unchanged from July. The percentage of SCD intervals corrected declined in July.

Standard Market Design ("SMD") Update

The SMD2 project team conducted two Market Trial exercises during the month of July including the first real-time market simulation which was significantly more complex than the previous exercises. The tests were largely successful and problems that were identified during the tests are being addressed.

Jim Scheidrich of Select Energy asked a specific question having to do with the NYISO running stress tests on the system during the market trials. Jim was informed that stress testing will not occur due to earlier problems encountered with the simulator. Rob Pike of the NYISO commented that real time events will be simulated during the next market trials. Mr. Scheidrich noted it would be helpful to announce these real time events when they are planned to occur, or when they actually occur, in order to facilitate adequate market response.

Mayer Sasson stated he was informed that his desire (noted in the July minutes) about testing, taking bids from the current legacy systems and placing them into the SMD system was not possible.

Ray Kinney of the New York State Electric and Gas ("NYSEG") noted that skepticism exists with the market trials results. NYPA and LIPA also expressed their concerns. Mr. Kinney stated that if the need for more market trials exists, all effort should be made to make sure further trials are indeed executed.

Mr. Scheidrich asked about the possibility of rolling back to the Legacy system if SMD2 systems are not functioning properly. During further discussion on this issue, the NYISO indicated it was working on such a plan and that it agreed one was necessary. Ms. Robinson stated she would work with Mr. Scheidrich and Mr. Oates to provide the market with information on the fallback plan.

TCC Update

The proposed settlement received FERC approval on July 22. The initial implementation activities were completed on July 30. The NYISO held an August Reconfiguration Auction on July 26 and results were posted July 30. Third-party database reviews were completed. The NYISO solicited comments on proposed autumn 2004 auction schedule and comments are due August 6. Calculations for Historic Remedy are underway, and are scheduled to be completed by September 1. The September Reconfiguration Auction is to be held on August 9. Information on the initial implementation revenue and

payments is included in the President's Report. Tariff language will go out for review today, and comments are due Thursday of this week.

Mr. Brown stated that on July 30, wire transfers were made to the Transmission Owners and those who offered up TCC's for sale for the summer of 2004 shortfalls through July 12.

4. Update on Seams and Market Improvement Projects

Charles King of the NYISO presented the update.

Current Quarter Deliverables

Nothing to report

Recent Initiatives

- **Elimination of Rate Pancaking** - The NYISO is continuing to monitor progress toward the elimination of Rate Pancaking in ISO-NE.

- **Virtual Regional Dispatch ("VRD")** - Phase 1 is a pilot program that NYISO and ISO-NE staff is currently developing. A proposal for stakeholder review to test VRD in 2004 will require Tariff changes and will come before the BIC, MC, and then the Board by September of 2004. Phase 2 will include a review of the pilot program with a potential initial implementation of VRD. These efforts may focus on further testing of the VRD processes during shortage conditions, or other alternatives to improve the use of the interface. A Whitepaper explaining the Pilot program is scheduled to be released Friday, August 6.

- **Cross-Border Controllable Line Scheduling** – Mr. King commented that the project is currently being worked on for a June 2005 deliverable date. Initial focus will be geared toward the Cross Sound Cable. The software was designed to be generic in order to accommodate future controllable lines and normal, "garden variety," Phase Angle Regulators (PARs).

Mark Younger of Slater Consulting asked about the status of David Patton's review of persistent dragging. Brad Kranz of the NYISO commented that we will post the information as soon as it is available.

Doreen Saia of Mirant asked if anyone was working with IOS-NE staff on their proposal on their ICAP demand curves. Mr. King stated John Charlton is advising ISO-NE.

5. Presentation on new NYISO facility

Andy Ragogna of the NYISO presented this issue. Comments from the BS&P were incorporated in the presentation. Feedback and comments regarding the presentation are encouraged and should be sent to the committee liaisons. The need for a prompt decision is driven from a Department of Energy recommendation concerning separation of the PCC and ACC.

6. Proposed Tariff Modifications addressing the Status of PURPA units in SMD

Brad Kranz of the NYISO presented this issue. SMD changes reserve commitment scheduling process. Current Tariff provisions need to be revised to reflect this change. Kevin Jones of LIPA stated that he did not know why the exemption should apply to Capacity Limited Resources or Energy Limited Resources. NYISO counsel agreed and the motion was amended.

Motion #2:

The Management Committee (MC) approves the Proposal related to the treatment of PURPA Units and other units, as mentioned in the presentation, but not to ELR's and CLR's, in RTS, as presented to the Business Issues Committee (BIC) on July 21, 2004 and the MC on August 3, 2004, and recommends to the Board of Directors that the NYISO should be authorized to submit said Tariff Modifications to the FERC. Motion passed unanimously by show of hands.

(Motion passed unanimously by show of hands)

7. Proposed Tariff Modifications related to BPCGs for Reserve and Maximum Generation Pickups in SMD

Mr. Kranz of the NYISO presented this issue. This proposal is designed to amend the necessary tariff sections to include the 3 intervals immediately following the termination of a reserve pickup or maximum generation pickup, as part of the separate BPCG calculation under SMD2 for these time periods.

Motion #3:

The Management Committee (MC) approves the Proposal, including a draft tariff amendment, related to Bid Production Cost Guarantees for Reserve and Maximum Generation Pickups in SMD, as presented to the Business Issues Committee (BIC) on July 21, 2004 and the MC on August 3, 2004, and recommends to the Board of Directors that the NYISO should be authorized to submit to the FERC the proposed tariff amendment.

(Motion passed unanimously by show of hands)

8. Proposed Forgiveness of GT Penalties

Bob Thompson of the NYISO presented this issue. This motion will authorize the NYISO to seek FERC approval to forgive penalties incurred from the time the NYISO began to set the UOL of a GT equal to its actual output for purposes of dispatch and reserves monitoring (June 2003) to present, and to eliminate penalties for GT under-generation once a GT had reached 70% of its UOL pending addition of the web based derate function. Total GT penalties through November 2004 should not exceed \$750,000 at the historic GT penalty rate of approximately \$50,000 per month. Interest will be forgiven as well. In response to Ray Kinney of NYSEG, a tariff modification was needed for this issue since the settlement software was not changed to automatically derate GT Upper Operating Limits.

Motion #4:

The Management Committee (MC) approves the Proposal to forgive Gas Turbine Penalties, both going forward and retroactive to June 01, 2003, as presented to the Business Issues Committee (BIC) on July 21, 2004 and the MC on August 3, 2004 and recommends to the Board of Directors that the NYISO should be authorized to submit tariff modifications to the FERC and to request permission to waive such penalties between June 1, 2003 and the effective date of said tariff amendments.

(Motion passed unanimously by show of hands)

9. New Business

Ray Kinney commented that due to the fact that imperfections with the current billing system exist, NYSEG expresses concerns moving to a new billing system with many known problems with current billing systems.

Jim Scheidrich stated that there should be serious consideration before shortening the final bill challenge period, especially where known large issues exist.

Tim Bush of Navigant stated proper level of support should be given to Randy Bowers, and noted that the current level of IT support given to Mr. Bowers is totally unacceptable.

"Mr. King informed the MC that NYISO has been and continues giving billing issues high priority within the organization. He indicated that he was not familiar with the specific comments made at BAWG, nor the context with which they were made, none the less he pointed out that billing issues are reviewed internally by both an executive level team and a managerial team on a weekly basis. Mr. King noted that he participates directly in the executive level team, chaired by Mr. Calimano, which addresses both strategic and tactical billing issues and initiatives. Since the inception of this multi-level, multi-department approach a great number of outstanding billing issues have been resolved and corrected. Mr. King added that the MC can expect to see particular attention paid to

new billing projects in the new 2005 project plan that will be presented to the PPT and all NYISO Market Participants during the upcoming 2005 business plan/budget discussions."

Randy Bowers of the NYISO stated the NYISO is looking into releasing specific sections of the Billing and Accounting manual as soon as legal and technical reviews of those sections are completed.

Mr. Kinney asked for a monthly update on billing issues be given to the MC and the NYISO agreed.

10. Adjourn

Meeting adjourned at approximately 12:58 PM.

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MOTIONS FROM THE MEETING

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(Motion passed unanimously by show of hands)

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(Motion passed unanimously by show of hands)

New York Independent System Operator - Committee Membership

Management Committee - Attendance August 3, 2004 - Conference Call Meeting - Parties Checked in Attendance

Organization	Sector	Representative	Alternate1	Alternate2	Alternate3	Alternate4	Alternate5	Alternate6	Proxy	Guest
NYS Energy Research & Develop. Auth. The City of New York	End Use - Gov. Agency/Aggr. End Use - Gov. Agency/Aggr.	Paul DeCotis Michael Delaney	✓ David Coup Gil Quiniones	Erin Hogan Scott Butler	Chris Hall Jonathan Wallach	John Spath				
Alcoa/Reynolds Metals Company ATCO Management Co.	End Use - Large Consumer End Use - Large Consumer	✓ Robert Loughney Peter DiCapua	Robert Loughney Michael Mager	George Diamantopoulos						
IBM Corporation Occidental Chemical Corp. Praxair Inc.	End Use - Large Consumer End Use - Large Consumer End Use - Large Consumer	✓ Robert Loughney ✓ Robert Loughney ✓ Robert Loughney	Michael Mager Michael Mager Michael Mager							
Xerox Corporation Metropolitan Transportation Authority Association for Energy Affordability, Inc.	End Use - Large Consumer End Use - Large Cons. Gov. End Use - Small Consumer	✓ Robert Loughney Jesse Samberg David Hepinstall	Michael Mager Gary Caplan Larry DeWitt	Walter McCarroll						
Beth Israel Health Care System Building and Realty Institute CNYC Inc. (Council of NY Coop & Condo)	End Use - Small Consumer End Use - Small Consumer End Use - Small Consumer	✓ John Dowling Catherine Luthin Herb Rose	✓ John Dowling Judith Mondre MaryAnn Rothman	Jennifer Kearney Ted Lee Judith Mondre	✓ Tariq Niazi ✓ Tariq Niazi Ted Lee	Doug Elfner				
Columbia University Mount Sinai Medical Center New York Energy Buyers Forum New York Presbyterian Hospital New York University	End Use - Small Consumer End Use - Small Consumer End Use - Small Consumer End Use - Small Consumer End Use - Small Consumer	✓ Catherine Luthin Catherine Luthin Herb Rose Catherine Luthin Catherine Luthin	✓ John Dowling ✓ John Dowling David Bomke ✓ John Dowling ✓ John Dowling	Jennifer Kearney Jennifer Kearney David Bomke Jennifer Kearney Jennifer Kearney	✓ Tariq Niazi ✓ Tariq Niazi ✓ Tariq Niazi	Doug Elfner Doug Elfner				
Refined Sugars, Inc. NY State Consumer Protection Board AES NY	End Use - Small Consumer End Use - State Agency Generation Owners	John Gebhard ✓ Tariq Niazi Christopher Wentflent	Quintin George Doug Elfner Rick Santoroski	Catherine Luthin Charles Sjoberg						
American National Power, Inc. Astoria Energy LLC Calpine	Generation Owners Generation Owners Generation Owners	Dorothy Capra Greg Banhazi Thomas Kaslow	Bill Henson Leonard Singer Thomas Kaslow		✓ Richard Felak Kathy Benini					
East Coast Power Linden Holding LLC Edison Mission Marketing & Trading Entergy Nuclear Northeast Indeck Energy Services	Generation Owners Generation Owners Generation Owners Generation Owners	Thomas Hoatson ✓ William Roberts Marc Potkin	Robert Licato Robert Agnello Angelo Vai	✓ Jeffrey Ellis Ron Mackowiak ✓ Mark Younger	Peter Brown	Rich Mooney	Pam Van Horn		✓ Glenn Haake	
KeySpan Ravenswood, LLC Mirant New York, Inc. Orion Power New York Selkirk Cogen Partners, L.P. Sithe Energies, Inc. TransCanada Power Marketing	Generation Owners Generation Owners Generation Owners Generation Owners Generation Owners Generation Owners	✓ Jim Brennan Susann Felton ✓ Liam Baker Tim Blittig Linda Clarke William Taylor	John Schrage Rich Hohlman ✓ Doreen Saia Bill Berg Steve Kamppila ✓ David Applebaum Elaine Beaudry	Joe Vignola Vicki Lynch	Jim D'Andrea	Madison Milhous	Rich Rapp	Edwin Kichline		
1st Rochdale Cooperative NYC Advantage Energy, Inc. Agway Energy Services, Inc. Amerada Hess Corporation Cinergy Capital and Trading Con Edison Energy Con Edison Solutions Conectiv	Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers	Gregory Wortham Kyle Storie Russell Miller Hemant Jain Jason Barker Ken Bekman Ken Bekman Bill Fehr	✓ Jim Scheiderich Kevin Laguardia Walt Yeager Ivan Kimball ✓ Stephen Wemple John Foreman							
Constellation New Energy Inc. Constellation Power Source Coral Power, LLC DC Energy Dominion Energy Marketing, Inc. Duke Energy North America, LLC Dynergy ECONergy	Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers	✓ Daniel Allegretti ✓ Matt Picardi ✓ Bruce Bleiweis Wes Walker Stacy Dimou ✓ Alan Foster Saul Horowitz	✓ Glen McCartney Marc Overdyk Dean Wilde Lou Oberski Del Disher Jason Cox Tom Halleran	Steve Fernands Mary Lynch Dave French Andrew Stevens Michael Bekker	Susan Chamberlin Carrie CullenHitt					
EI Paso Merchant Energy Exelon Generation - Power Team Fortistar/Lockport Energy Associates, L.P. FPL Energy HQ Energy Services KeySpan Energy Services Morgan Stanley Capital Group NRG Power Marketing NU / Select Energy Ontario Power Generation Inc. PP&L Energy Plus PSEG Energy Resources & Trade Reliant Energy Services, Inc. Sempra Energy Trading SESCO Enterprises, LLC	Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers Other Suppliers	✓ Linda Clarke Roger Kelley Fernando DaSilva ✓ Christian Desilets Terrence Kain Patrick Murray Tim Foxen Gunnar Jorgensen Barry Green ✓ Tom Hyzinski ✓ Howard Fromer Liam Baker Dan Staines Mike Schubiger	✓ David Applebaum Tom Gesicki Shalesh Ganjoo Michael Prevost Jim D'Andrea Karen Kochonies Katie Sullivan ✓ Jim Scheiderich Tasos Karatsoreos John Brodbeck Michael LaFalce Bill Berg Maria Agovino Jim Thoresen	Kevin White Regina Carrado ✓ Mark Younger	Tom May	Steve Vavrik				
				Ken Lacivita Joseph Langan	Scott McArthur Sharon Weber	✓ Glenn Haake			✓ David Barr	
				Scott Englander	Robert Fagan					

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Strategic Energy LLC	Other Suppliers	✓ Francis Pullaro	Michael Swider	Jeffrey Knox	James McCormick	Matt Morais				
Strategic Power Management, Inc.	Other Suppliers	Dan Duthie	✓ Mario DiValentino							
TransEnergie U.S. Ltd.	Other Suppliers	José Rotger	Michael Jacobs							
Williams Energy Marketing & Trading Co.	Other Suppliers	David Singer	Dennis Keener	Robert O'Connell						
Long Island Power Authority	Public Power - Authorities	Jim Parmelee	✓ Kevin Jones	Jim Wittine						
New York Power Authority	Public Power - Authorities	Robert Hiney	✓ William Palazzo	Kim Byham						
American Wind Energy Association	Public Power - Environmental	Valerie Strauss	Larry DeWitt	Douglas Ward	Mike Jacobs					
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	✓ Tim Bush	Jim Hamilton	Matthew Benesh	Ken Moore	Jack Brown				
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	✓ Tim Bush	Paul Pallas						
Village of Fairport	Public Power - Munis & Co-ops	Ken Moore	✓ Tim Bush	Paul Pallas						
Village of Freeport	Public Power - Munis & Co-ops	Hubert Bianco	Anthony Fiore							
Village of Rockville Centre	Public Power - Munis & Co-ops	Paul Pallas	Jim Hamilton	Matthew Benesh	Jim Hamilton	Jack Brown	Ken Moore		✓ Tom Rudebush	
Village of Westfield	Public Power - Munis & Co-ops	Jim Hamilton	✓ Tim Bush	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	Rebecca Craft					
National Grid	Transmission Owners	Jerry Ancona	Wes Yeomans	Peter Flynn	Herb Schrayshuen	Bart Franey	Masheed Rosenqvist	✓ MaryEllen Paravalos		✓ Butterklee, Sasson
NY State Electric Gas (NYSEG)	Transmission Owners	✓ Ray Kinney	✓ Patti Caletka	Hank Masti	Cliff Olson	Denis Wickham				
Orange & Rockland, Inc.	Transmission Owners	None Assigned								
Rochester Gas & Electric	Transmission Owners	✓ Ray Kinney	✓ Patti Caletka	Hank Masti	Cliff Olson	Denis Wickham				
Boundless Energy, L.L.C	Non-voting	John Tompkins	Brian Chernack	Chuck Gilbert						
Caithness Energy, L.L.C	Non-voting	Ross Ain	Jack Feinstein							
Cianbro Corporation	Non-voting	Chuck Hewett	John Tompkins							
Customized Energy Solutions	Non-voting	✓ Rick Mancini	Stephen Fernands	Bill Schofield						
Ecogen, L.L.C	Non-voting	Tom Hagner								
Energetix, Inc.	Non-voting	Barney Farnsworth								
Hudson River Energy Group	Non-voting	Frank Radigan	Richard Canfield							
Hydro-Quebec TransEnergie	Non-voting	Glenn Sylvain	Mario Boucher							
NYS Department of Public Service	Non-voting	Penny Rubin	✓ Rajendra Addepalli							✓ Bill Heinrich
The Structure Group	Non-voting	Bob Furry	Alex Lago							
Tom Halleran	Non-voting	Tom Halleran								
William P. Short	Non-voting	William Short	Marc Schaefer	Joe DeVito	John Brodbeck	Ron Matlock	Paul Savage	Jim Verna	Roberto Denis	
zNew Member	Non-voting	None Assigned								

NYISO and Hunton & Williams Members in Attendance:

✓ Ira Freilicher	Hunton & Williams
Kathy Robb	Hunton & Williams
James Schmidt	Hunton & Williams
✓ Rob Fernandez	NYISO
✓ Brad Kranz	NYISO
✓ Chuck King	NYISO
✓ Mollie Lampi	NYISO
✓ Mary McGarvey	NYISO
✓ Maria Sturgess	NYISO
✓ Elaine Robinson	NYISO
✓ Kristen Kranz	NYISO
✓ Leigh Bullock	NYISO
✓ Ray Stalter	NYISO
✓ Debbie Eckels	NYISO
✓ Robb Pike	NYISO
✓ Rich Dewey	NYISO
✓ Garry Brown	NYISO
John Cutting	NYISO
✓ Jane Lathrop	NYISO
✓ Ernie Cardone	NYISO
✓ Mike Jaegar	NYISO
✓ Kathy Whitaker	NYISO
✓ David Barr	PJM

Key:

✓ = In attendance