

NYISO Management Committee Meeting

November 12, 2003

NYS Nurses Association

MOTIONS FROM THE MEETING

Motion #1:

Motion to approve the Minutes from the October 17, 2003 MC meeting.

(Motion passed unanimously by a show of hands)

Motion #2:

Motion to recommend a 2004 NYISO budget to the Board of Directors of \$169.7 million as described in the presentation materials at the November 12, 2003 Management Committee Meeting subject to the following provisions:

- a. **Cash Expenditures** - Total amount of budgeted cash expenditures should be \$169.7 million or less.
- b. **Rate Schedule #1** - The budgeted rate schedule 1 charges should be maintained at equal to or less than 0.769 \$/MWH.
- c. **Blackout Costs** – Incremental blackout costs (excluding labor costs) are not included in the budgeted amount under items a. and b. above. Cash expenditures related to the August 14, 2003 blackout should, to the degree possible, be managed within the above budget. To the degree it is not possible to manage the expenditures within the above budget, a surcharge should be placed on Schedule 1 charges to recover the costs. As an incentive to control costs, the NYISO Board performance incentives for employees and executive annual goals should include a budget target based on a. and b. above. This budget target should be measured on cash expenditures and make superior performance contingent upon completing the funded projects and paying for all blackout related costs without the use of a surcharge.
- d. **Project Financing** – Five year project financing should be used to manage the rate schedule 1 charges in the 2004 budget. To the degree required to meet the 2004 rate schedule 1 charges, repayment of 2004 financing costs should be partially deferred for recovery over the 2005 - 2008 period when there are no longer payments for NYISO start-up costs.
- e. **Flexible Project Funding** – The \$2.4 million in Flexible Project funding should be used for projects listed in the November 12, 2003 presentation according to priorities set by the PPT. In the event that new projects come up, other than projects required by Orders or regulations issued by jurisdictional agencies, resources could be redirected using the BS&P Project Financing Process. In the event that the new project cannot be completed without eliminating a project currently listed as a Flexible Project, or otherwise increasing the 2004 budget, the ISO shall request BS&P review and recommendation and shall request the new project be prioritized by the PPT. Notwithstanding these exceptions to the BS&P Project Financing Guidelines, the thresholds, and exceptions for emergencies, as listed in the BS&P Project Financing Guidelines, would continue to apply to any such new project.
- f. **Debt Payment** - If a budget under run occurs after taking into account blackout costs, the under run should be reserved for paying down the principal of the 2004 debt. This policy should apply for the five-year duration of the 2004 financing.

- g. **Expenditures for Insurance** – The NYISO should examine whether expenditures for insurance could be reduced. Among the ways examined to reduce costs, the NYISO staff should examine whether the level of credit insurance can be reduced in light of recent changes to the credit policy. To the degree possible, insurance practices of other ISOs/RTOs should be investigated.
- h. **Obligation for Repayment** - In approving the 2004 budget, the Management Committee acknowledges and agrees that the cost of financing (i) NYISO startup, (ii) hardware for projects prior to 2003, (iii) the funds expended on 2003 projects, and (iv) the funds expended on 2004 projects must be repaid in the future NYISO budgets that cover the relevant amortization periods.

(Motion passed by a majority show of hands)

Motion #3:

**2005-2008 NYISO Budget Target Motion
Submitted on Behalf of the BS&P on November 3, 2003**

Motion to adopt, for the purpose of guidance and input, the 2005-2008 NYISO budget targets described in the presentation materials at the November 12, 2003 Management Committee Meeting subject to provisions a. through e. below.

The Management Committee recognizes that budget targets are non-binding targets adopted to provide input and guidance into the development of pro-forma budgets and financing plans and their impacts on the planning and development of NYISO operations and projects. These targets will be updated and adjusted annually as part of the budget process. Actual budgets adopted in future years may be higher or lower than the targets as circumstances warrant. Nevertheless, in order to preserve, to the greatest extent possible, the benefits contemplated in the five year budget projections, as set forth in the BS&P Report to the MC dated November 12, 2003, the MC expects that the NYISO will attempt to operate within the cash budget targets in years 2005-2008.

- a. Cash Expenditure and Rate Schedule #1 Targets - Total amount of budgeted cash expenditures and Rate Schedule #1 should be kept at or under the values listed in the November 12, 2003 presentation to the Management Committee.
- b. Projects Expenditures – After other cost management strategies have been applied to reduce projected baseline costs, the project expenditure budget should be adjusted to achieve the targeted cash expenditure targets.
- c. Changing Project Expenditure Targets – The level of future project expenditures will be adjusted consistent with the BS&P Project Financing Guidelines. If, in future years additional projects are justified, the process can be used to increase the level of project funding contained in the budget targets. Such increases would result in the increased obligation to pay for the cost of implementing or financing the projects.
- d. Project Financing - Project financing should be used to the minimum degree possible to achieve the Rate Schedule #1 targets while staying within the targeted cash expenditures.
- e. Obligation for Repayment – The budget targets should include provisions for repayment of the cost of financing (i) NYISO startup, (ii) hardware for previous year's projects, (iii) the funds expended on 2003 projects, (iv) the funds expended on 2004 projects, and (v) any future financing of projects in 2005 through 2008.

(Motion passed by a majority show of hands)

Motion #4:

ISO Designated Holidays

WHEREAS: the Management Committee approved amendments to the Management Committee By-Laws at the July 24, 2003 Management Committee meeting including an amendment to change "legal holidays" to "ISO-designated holidays";

WHEREAS: The By-Laws & Governance Subcommittee hereby proposes the attached amendments to Sections 7.11, 8.01 and 9.01 of the ISO Agreement to conform to the amendments made to the Management Committee By-Laws regarding "ISO-designated holidays";

NOW, THEREFORE, IT IS MOVED that the Management Committee approve the attached revisions to Sections 7.11, 8.01 and 9.01 of the ISO Agreement and authorize the NYISO to file the attached revisions with the Commission pursuant to Sections 205 and 206 of the Federal Power Act.

(Motion passed unanimously by show of hands)

Motion #5:

The Management Committee, having reviewed the proposed changes to allow adjustments to the number of Existing Transmission Capacity for Native Load (ETCNL) and Residual Capacity Revenue Rights (RCRR) sold by the NYISO in order to reduce the level of Day-Ahead Market TCC Shortfalls, as discussed at the Market Structures Working Group (MSWG) meeting on October 31, 2003 and at the Business Issues Committee (BIC) meeting on November 5, 2003, hereby approves the proposal and recommends that the Board authorize, for filing pursuant to Section 205 of the Federal Power Act, tariff changes consistent with the proposal. The Management Committee concurs with the BIC recommendation and requests that the accompanying filing letter state the consensus reached at the October 31, 2003 MSWG meeting:

- The initial maximum level will remain fixed at 5% for 1 year
- The 5% level will be reviewed with the intent of implementing a TO by TO percentage option for the Spring 2005 auction. Any levels above five percent following the first year will require FERC approval.
- At any time, the appropriateness of releasing some of the retained TCCs into reconfiguration auctions will be reviewed.
- A long-term targeted solution that more accurately accounts for scheduled outages will be developed.
- For market transparency purposes, the level of TCCs retained by each TO will be posted at least five days prior to each auction.
- The NYISO will report to FERC on the performance of this TCC Shortfall method after the summer 2004 capability period.
- All reviews and studies are to be conducted by the NYISO and discussed with stakeholders.

(Motion passed with 69.29 % affirmative votes)