

NYISO Business Issues Committee Meeting Minutes
Wednesday, January 19th, 2005

*NYS Nurses Association
11 Cornell Road
Latham, NY 12110*

1. Welcome & Meeting Objectives

Jim Scheiderich, Chair of the Business Issues Committee (BIC), called the meeting to order at 10:21 AM and welcomed the members of BIC. Attendees introduced themselves, naming the organizations they represent.

2. Approval of minutes for 12/15/2004

NYISO staff distributed the final draft minutes from the December 15th meeting, which included Market Participant comments, to BIC members before the meeting.

Motion 1:

Motion to approve the minutes from the December 15th BIC meeting.

(Motion passed unanimously by a show of hands.)

3. Chair's Report

Mr. Scheiderich reported that the BIC working group issues matrix was distributed for review. Mr. Scheiderich indicated that both the Credit Issues Task Force and the Generator Issues Task Force were presently without chairpersons. Mr. Scheiderich indicated that these positions would be filled when necessary.

Mr. Ray Stalter, of the NYISO, commented on the January 18th marketplace notification regarding AMP and solicited the BIC for feedback. In response to a question from Mr. Mark Younger of Slater Consulting, regarding the deadlines for pursuing a rehearing of the D.C. Circuit decision, Ms. Liz Grisaru of the NYISO replied that filings were due 45 days from the Appellate Court ruling. Ms. Grisaru also stated that the NYISO was considering asking for such a rehearing. At the same time the NYISO was considering contingency plans in the event that the court decision became effective without any modification.

4. Market Operations Report

Mr. Charles King of the NYISO presented the Market Operations Report and noted the new all-time winter peak load on December 20th, 2004 of 25,540 MWs. Average costs rose in comparison to November; the increase was attributable to higher loads and higher gas prices.

With regard to SMD2, Mr. King noted that Mr. Rich Dewey of the NYISO had presented an SMD Readiness Report at the January 12th MSWG, and that additional information was disseminated during the January 14th SMD2 Technical Conference. In response to a question from Ms. Doreen Saia of Mirant, Mr. King noted that the NYISO would be monitoring system reliability, including any unduly cold or inclement weather, prior to the February 1st implementation.

5. Regional Market Enhancements

Mr. King noted that, with regard to the elimination of rate pancaking, on Nov. 18, 2004, FERC ordered the elimination of the regional through and out rate for transactions sinking in PJM and MISO and conditionally accepted the rate design proposal filed by the Unified Plan proponents effective December 1, 2004. Although FERC accepted the NYISO's proposal to implement the Phase 1 ITS/VRD Pilot Program, the pilot would not be conducted during January 2005. Mr. King indicated the ICAP Working Group would be used as the forum to discuss inter-ISO RAM issues and that NYISO had submitted a hybrid proposal to its stakeholders for consideration which incorporates a forward capacity market for procurement of a portion of future resource requirements. In a response to a question from Mr. Kevin Jones of Navigant Consulting for LIPA, Mr. King indicated that the NYISO would respond to questions regarding ISO-NE RAM issues. Additionally, Mr. King noted that the NYISO Board of Directors had approved changes to the Tariff relevant to the controllable tie lines project.

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The NYISO's proposed revisions to the methodology would retroactively correct invoices since January 2004 and add a provision to address issues raised when shortfall allocation formulas fail to work properly and produce an invalid result. The NYISO is developing a white paper to address cases where the methodology does not work. Also, in order to avoid lengthy billing delays, in such cases, the NYISO will allocate charges and shortfalls to TOs. The revised Attachment N will include the principles that form basis for the Make Whole approach to calculating auction revenue charges and payments, outage charges and return to service payments. Details of the principles will be described in a new TCC manual.

Mr. Desell reviewed the timeline for these proposals. These proposals will be brought for a BIC vote in February, to the MC and Board of Directors in March. The white paper describing the methodology and proposed tariff changes will be distributed by February 7th. The new Manual will be brought for a BIC vote in April 2005, the NYISO will implement revisions in early 2006, and the NYISO will file language with FERC indicating its intended revisions to Attachment N and its intent to put formulas related to shortfall allocations in the new TCC manuals.

8. TCC Auction Schedule Update

Mr. Desell described the Spring 2005 TCC auction schedule. Mr. Desell detailed the available transmission system capability, elaborating that 15% of existing commitments were sold as 5-year TCCs in Autumn 2000 and 10% of existing commitments were sold as 1-year TCCs in Autumn 2004.

In response to a question from Mr. Scheiderich, Mr. Desell responded that an automated TCC auction would probably be implemented during Spring 2006. Mr. Desell detailed the schedules for the March, April, and May reconfiguration auctions and the nine rounds of the Spring Strip auctions. He indicated that if TOs waive the four-round rule, Round #8 (the fourth 6-month round) would be eliminated and Round #5 through Round #8 would be slipped one week. In response to a question from Mr. Bob Gow of NYPA, Mr. Desell indicated that, when the end state software is in place, Market Participants with grandfathered transmission rights will not be able to convert these to TCCs.

9. Proposed Revisions to the Energy Limited Resource (ELR) and Capacity Limited Resource (CLR) Processes

Mr. Robert Thompson of the NYISO described the issues surrounding the current CLR/ELR processes and proposed tariff changes to better manage such units. Mr. Thompson suggested that SMD2 bidding flexibility renders special balancing rules for CLR units unnecessary. He reviewed proposed revisions to existing definitions and requirements, and proposed that the supplemental payment for ELRs should be the Day-Ahead Margin Assurance Payment (DAMAP). Mr. Thompson argued that such revisions would correct instances where units price their available MWs above the normal upper operating limit (UOL_N). New bidding parameters available in SMD2, specifically the ability to enter separate values for UOL_N and UOL_E , make it no longer necessary for units to use bids to avoid operating in the emergency region. Because SCUC will normally honor UOL_N (unless the SCUC operator dispatches above UOL_N), the special balancing rules for CLRs should be eliminated. Units dispatched above UOL_N , who are then unable to meet commitment, must derate in real-time.

In response to a question from Joe Klimaszewski of Sithe regarding the treatment of units able to provide UOL_E for over 4 hours, but less than entire day, Mr. Thompson responded that a unit's capacity would be defined during CLR registration. Mr. Thompson noted that all previously registered units must re-register for CLR status. In response to a question from Kevin Jones of LIPA regarding generator notification of the re-registration process, Mr. Thompson noted that the proposed changes would have to be filed with FERC and, thus, would need MC approval by June. In the meantime, current rules would be applied. If the NYISO MMP doesn't complete the registration process by June, a provisional approval process would be implemented. Mr. Jones noted that he wanted to insure that current CLR units are not denied their status and that potential units have enough lead-time to complete the registration process. In response to a question from Mr. Bart Franey of National Grid regarding whether the movement to UOL_E by the SCUC was part of a current NYISO EOP, Mr. Thompson indicated that the NYISO has a set of guidelines that indicate to the operator instances where they have to go from UOL_N to UOL_E . The rule of thumb for

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and, reflect the anticipated revisions necessary to accommodate SMD2. The proposed replacement document is significantly more complex and detailed compared to the 1999 Manual. The complex review process for the Accounting and Billing Manual led to the suggestion to create a settlements guide. Mr. Stalter stated that the Market Settlements Guide was completed and posted. Calculations and formulas have been reviewed by LECG for tariff compliance. Future revisions would be reviewed by the BAWG, and reported to Business Issues Committee.

In response to a question from Mr. Younger, Mr. Stalter stated that calculations are a reflection of the market rules and that the market rules themselves are described in NYISO Manuals. Mr. Kipers of NYPA noted that the Accounting and Billing Manual is currently entirely pseudo-code. He stated that any processes needing committee approval will be isolated and placed into a separate manual. If any calculations are wrong within the guide, the BAWG will report to the BIC. Mr. Scheidrich noted that the materials described are settlement rules, not operation rules. Ms. Saia stated that the change to a guide sets a precedent for new rules or approaches which circumvent the current NYISO manuals process. She observed that this empowered working groups to do work they were not allowed to do in the past. Mr. Kipers noted that calculations could be verified in the DSS and that whether the process described by calculation is Tariff-compliant is another issue.

Motion #3:

Whereas, NYISO Market Participants have requested a technical reference document describing the NYISO financial settlement process; and,

Whereas, due to the complex technical nature of the calculations used in the financial settlement process, Market Participants are unable to verify the calculations described in the requested technical reference document;

Therefore, in order to provide for a technical reference document that describes the calculations used in the NYISO financial settlement process, the Business Issues Committee ("BIC") approves the establishment of the NYISO Market Settlements Guide, included in the materials distributed for this meeting, as a reference describing the NYISO financial settlement process. This action does not constitute approval of the substantive content of the Market Settlements Guide, which is not a NYISO manual.

BIC directs all future modifications to the Market Settlements Guide to be subject to Working Group review, and BIC approval. The BIC directs that all future modifications to the Market Settlements Guide are to be reviewed by the Billing and Accounting Working Group (BAWG), which will provide a report to the BIC on any substantive modifications to the Market Settlements Guide prior to implementation.

Motion 3a:

Motion to table motion #3.

(Motion passed by majority show of hands.)

11. Proposed Revisions to the Transmission Services Manual

Mr. Stalter presented the motion and the list of approved changes and indicated that the manual was reviewed at the MSWG.

Motion #4:

The Business Issues Committee approves revisions to the Transmission Services Manual, as presented to the Committee at the January 19, 2005 meeting.

(Motion passed unanimously by show of hands with abstentions.)

12. New Business

None

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13. Administrative Matters
None

14. Adjournment

Meeting was adjourned at 2:22 PM.

Respectfully Submitted,
Caleb Derven
Recording BIC Secretary

NYISO Business Issues Committee

January 19, 2005

The New York State Nurses Association

MOTIONS FROM THE MEETING

Motion #1:

Motion to approve the Minutes from the December 15, 2004 BIC meeting.

(Motion passed unanimously by show of hands.)

Motion #2:

The BIC recommends that the Management Committee approve changes to the tariff to provide for the following, as is more completely described in the presentation made at the January 19, 2005 BIC:

- Eliminate special balancing rules for CLR units and require they balance at RT rather than DA prices;
- Clarify that dual UOLs are available to ELR and CLR units;
- Substitute the supplemental payment, currently available to ELR units that must revise their DA schedule, with the Day-Ahead Margin Assurance Payment otherwise payable under SMD2;
- Clarify the definition of ELR units and require that they justify their status to the ISO.

(Motion passed unanimously by show of hands with abstentions.)

Motion #3:

Whereas, NYISO Market Participants have requested a technical reference document describing the NYISO financial settlement process; and,

Whereas, due to the complex technical nature of the calculations used in the financial settlement process, Market Participants are unable to verify the calculations described in the requested technical reference document;

Therefore, in order to provide for a technical reference document that describes the calculations used in the NYISO financial settlement process, the Business Issues Committee (“BIC”) approves the establishment of the NYISO Market Settlements Guide, included in the materials distributed for this meeting, as a reference describing the NYISO financial settlement process. This action does not constitute approval of the substantive content of the Market Settlements Guide, which is not a NYISO manual.

BIC directs all future modifications to the Market Settlements Guide to be subject to Working Group review, and BIC approval. The BIC directs that all future modifications to

the Market Settlements Guide are to be reviewed by the Billing and Accounting Working Group (BAWG), which will provide a report to the BIC on any substantive modifications to the Market Settlements Guide prior to implementation.

Motion 3a:

Motion to table motion #3.

(Motion passed by majority show of hands.)

Motion #4:

The Business Issues Committee approves revisions to the Transmission Services Manual, as presented to the Committee at the January 19, 2005 meeting.

(Motion passed unanimously by show of hands with abstentions.)

New York Independent System Operator - Committee Membership

Business Issues Committee - Attendance January 19, 2005 - Albany, NY - Parties Checked in Attendance

Organization	Sector	Representative	Alternate1	Alternate2	Alternate3	Alternate4	Alternate5	Proxy	Guest
✓ Chuck King	NYISO								
Steve Balsler	NYISO								
Andy Ragogna	NYISO								
✓ Elaine Robinson	NYISO								
✓ Kristen Kranz	NYISO								
✓ Leigh Bullock	NYISO								
✓ Ray Stalter	NYISO								
✓ Debbie Eckels	NYISO								
Dave Lawrence	NYISO								
Jim Savitt	NYISO								
Valerie Ross	NYISO								
Tim Schmehl	NYISO								
Phil Gootee	NYISO								
John Cutting	NYISO								
Jane Lathrop	NYISO								
Ernie Cardone	NYISO								
John Charlton	NYISO								
Kathy Whitaker	NYISO								
Andy Hartshorn	NYISO/LECG								

Key:

✓ = In attendance