

November 14, 2002

NYISO Business Issues Committee Meeting Minutes

The Desmond, 660 Albany Shaker Road, Albany, NY 12110

I. Welcome and Meeting Objectives

Mr. Stephen Wemple, Chair of the Business Issues Committee, called the meeting to order at 10:00 A.M. and welcomed the members of the BIC. The attendees introduced themselves and named the companies that they represent. Mr. Wemple reviewed the list of agenda items and meeting objectives.

II. Approval of Minutes

The Committee unanimously voted to approve meeting minutes from: October 10, 2002 and October 23, 2002. The October 23rd minutes include revisions to Section XI from BIC member, Stuart Nachmias of Consolidated Edison. Both sets of minutes will be posted to the NYISO Web site.

Motion #1:

Motion to approve the Business Issues Committee Meeting Minutes from October 10 and 23, 2002.

(Motion passed unanimously by a show of hands)

III. Chair's Report

Mr. Wemple offered no Chair Report for this month's session.

IV. Market Operations Report and Regional Market Enhancements

Mr. Charles King, of the NYISO, provided the Committee with the Market Operations Report. He noted that Chart 4-A (Average Daily NYISO-Administered Total Price) reflects the impact of rising fuel prices; Chart 4-D (NYISO Monthly Average Internal LBMPs) shows a tighter convergence of BME Prices – which Mr. King contributes to software enhancements made in late August; and Chart 4-R (Percentage of Real-Time Corrections) shows that some modeling errors were driving the prices up but that the data for October shows the benefits of the fixes that the NYISO made in September. Mr. James Scheiderich, of Select Energy, asked that Mr. King circulate a list of the modeling changes that were made. Mr. King clarified that the changes were actually software changes. He agreed to provide BIC with a more detailed list of the corrections that were made to SCD.

Mr. Scheiderich asked Dr. Savitt why the NYISO's Market Monitoring team reserved three days in October. Dr. Savitt replied that since LECG didn't receive all of the data for these three days, it triggered the NYISO to reserve all of the hours. He assured Mr. Scheiderich that the

prices weren't changed. Mr. Scheiderich requested that, in the future, if prices are reserved for data problems, then the Market Participants should be informed of this when the reserve notice is sent out. Dr. Savitt agreed to do so if these circumstances occur again.

Mr. Mark Younger, of Slater Consulting, asked Mr. King why the \$50 floor bid, that the MC approved, was never implemented. Mr. King agreed to provide BIC with a status on its implementation. Mr. Younger noted that a tracking mechanism is needed to update the committees on the implementation of items that the committee approves. Mr. King agreed to take responsibility for tracking and reporting on past decisions made by the committees.

Mr. King did not report on any Regional Market Enhancements. He mentioned that a meeting is scheduled for Thursday, November 21, 2002 with the other ISOs and the stakeholders' Chairs/Vice-Chairs to look at any emerging issues. Mr. King asked that if anyone had any issues that they would like to have included in the discussions, they should e-mail any examples to him.

Mr. Ray Kinney, of NYSEG, and Ms. Doreen Saia, of Couch White, asked Mr. King about the HQ Proxy Bus issue. Mr. Kinney noted that it is a designated market flaw that needs to be fixed immediately. Ms. Saia pointed out that it seems to involve two separate issues: Tariff filing and software issues. She noted that since it will take some time to implement the software after FERC approves the Tariff changes, perhaps the NYISO could manually make corrections? Mr. King said the NYISO is looking at implementing the technical aspects and is developing the Tariff language, but that the NYISO needs to check with the general counsel to see what can be done in the interim.

V. Service Quality Index

Mr. James Considine, of the NYISO, informed the Committee that the NYISO is compiling a Service Quality Index, which involves examining benchmark measurements on issues that cause grief for Market Participants and then reporting the information to NYISO's senior management team. Mr. Stuart Nachmias, of Con Ed, asked about their criteria for selecting particular areas to examine. Mr. Considine replied that they selected items that readily provided material to benchmark. Mr. Thomas Rudebusch, of Duncan Weinberg Genzer & Pembroke, suggested that Mr. Considine coordinate with the Budget, Standards and Performance Subcommittee (BSP) for their guidance on constructing a Service Quality Index; Mr. Considine agreed to contact the BSP. Mr. Howard Fromer, of PSEG, questioned whether the other ISOs were conducting similar studies so that the data from the NYISO's Service Quality Index could be compared to their data. Mr. Considine didn't believe they were conducting similar studies.

VI. Market Design Task Force Role and Status Report

Mr. Wemple presented a motion to act on formalizing or consolidating the Market Design Task Force (MDTF) role. He questioned whether or not another task force should be created, and if so, he noted that BIC should have control over which task forces are created, not NYISO staff. He encouraged the Committee Members to only vote in favor of formalizing the MDTF if they

felt it was necessary. Many Committee Members expressed concern as to which group should oversee the Market Design Task Force's decisions – the Scheduling and Pricing Working Group or BIC (in this case the Market Design Task Force would become a Working Group). Mr. Scheiderich felt that since most of the Market Design work is near completion, it's futile to even create the task force. Mr. Matthew Picardi, of Dynegy Power Marketing, stated that it's necessary for BIC to be responsive as to what happens regarding Market Design plans. After BIC members discussed the issue, Mr. Wemple withdrew the motion. Instead, BIC agreed to coordinate the efforts associated with Market Design through some of the existing BIC Working Groups. BIC Committee Liaison, Ray Stalter, is charged with the task of aligning market design discussions with the associated working groups/subcommittees.

VII. Discussion of Effective Date of New Losses Methodology

Several BIC Members discussed when the 2/20/02 BIC-approved Losses Methodology motion should be effective. Mr. Yeomans noted that BAWG would like the effective date to be May 2002. Mr. Wemple conducted a straw-poll to see how many BIC members believed it's appropriate to have the effective date set at May 2002 (7 indicated this date) or Jan/Feb 2002 (2 indicated this date). Mr. Wemple ended the discussion by noting that it can be raised again at next month's BIC meeting.

VIII. Motion on Allocation of Rate Schedule 1 Charges

Mr. Tom Rudebusch made a presentation on the Allocation of Rate Schedule 1 Charges motion. After the motion was moved by Mr. Rudebusch and seconded by Mr. Dan Duthie, of Strategic Power, Mr. Stuart Nachmias suggested a friendly amendment. He suggested revising the motion so that it does not require the services of an outside consultant, but that it indicates a specific timeframe for completion. Ms. Mollie Lampi, of the NYISO, said that she doesn't believe the NYISO can take this project on right now without pushing another project out of the way. She also pointed out that the NYISO doesn't have any funds from the budget allocated to this project and that the budget would need to be increased to accommodate this. Mr. Howard Fromer, of PSEG, expressed concern that this project ignores the approved 85/15 allocation. Mr. Tariq Niazi, of the NYS Consumer Protection Board, asked if it's policy to ask that the budget be increased every time any new projects are proposed. Ms. Lampi replied that if Market Participants want this project to be completed in the proposed timeframe, then it conflicts with NYISO resources and it presents a budgetary constraint.

Committee members continued to discuss the resources that may be involved and then voted on the motion by roll call.

Motion #2:

The Motion to study an alternative to the 85/15 Allocation of Rate Schedule 1 Charges.

(Motion failed with 57.16 % affirmative votes)

IX. UCAP Demand Curve Proposal Status Report

The BIC heard an update from Mr. Matt Picardi, of Dynegy Power Marketing, on the progress made in developing an ICAP/UCAP Demand Curve proposal. He noted that in July, Market Participants identified a problem with the UCAP Market and since then, the ICAP WG received about seven proposals, two of which focus on the demand curve. He noted that the ICAP WG is trying to narrow down the proposals and gauge Market Participants' opinions on each one. He pointed out that while the ICAP WG reviews the proposals, the JCAG is looking at how resource adequacy should be on a regional basis. Mr. Picardi also noted that the Demand Curve needs to be in place for the Summer of 2003.

Mr. Mark Reeder, of the New York State Department of Public Service, described and explained the justification for a Resource Adequacy Assurance Mechanism (RAAM) by reading from his paper on "Government Intervention into Wholesale Electric Markets to Assure Generation Adequacy." Mr. Tom Paynter, also from the Department of Public Service, then explained the mechanics of the Resource Adequacy Assurance Mechanism through his presentation. Mr. Wemple announced that the ICAP Working Group plans to review and explain further details concerning the proposals at its next meeting and ultimately reach a consensus. Also, he announced that the JCAG group received a presentation on the proposal and plans to meet next Thursday in Windsor, CT; interested parties should plan to attend.

X. Project Priority Team (PPT) Report

The BIC listened to a report from Mr. Timothy Schmehl, of the NYISO, on the PPT efforts. The group's latest attempt at communicating their efforts includes the creation of a section on the NYISO Website that summarizes PPT discussions and meeting materials. Mr. Rick Mancini, of NYSEG mentioned that he would like to see the status of projects that use outside resources so that as resources become available, they can be re-allocated. Mr. Schmehl noted that no available resources exist as they are all fully committed to various projects. Mr. Bob Loughney mentioned that the proposed completion date for Project A-614 is too late (May 1) since it is a high priority item. Mr. Larry Dewitt, BIC Vice-Chair, noted that this issue was raised at the PPT and that the next step is to complete the FRS so that specific details regarding the timeline can then be worked out.

DSS/OSS Project Status Review

The Committee also heard a status reports from Mr. Fred Theodore, of the NYISO, on updates of the Open Scheduling System (OSS) and Decision Support System (DSS) projects. Mr. Theodore described some recent changes with the NYISO's IT department and mentioned that the DSS and OSS teams now report to him. He noted that the DSS project is currently in the developmental phase (with the database and the user interface as the primary focus) and that the next milestone is to put together an early beta version of the DSS. He mentioned that the NYISO is interested in having the Market Participants validate/review the beta version. Mr. Stuart Nachmias, of Con Ed, asked what the budget is to develop/implement the DSS project. Mr. Theodore agreed to look into it.

At a request made from Mr. Don Barker, of Select Energy, Mr. Theodore agreed to provide BIC with further details regarding bilateral schedules, pre-scheduled transactions, and OASIS with

respect to the Open Scheduling System (OSS) project. Mr. Rick Mancini, of NYSEG, questioned the value of implementing a second phase of the OSS project. Mr. Wemple wanted the Committee members to better understand what aspects have already been committed for the first phases of each project and suggested that the Market Participants (specifically through the Market Structure Working Group) take a look at what may be involved in the second phases of the DSS and OSS projects. Mr. Theodore welcomed Market Participant input as to what the NYISO plans to build into the second project phases.

XI. Working Group Updates

- A. Billing and Accounting Working Group (BAWG)** (Chair – K. Logan) – Ms. Logan noted that BAWG is reviewing the following items: disputes for November 1999, the Billing and Accounting Manual, and the approval associated with the 12-month final bill. Mr. Stalter agreed to facilitate communications on these issues between BAWG and a NYISO Billing and Accounting representative.
- B. Scheduling and Pricing Working Group (S+P WG)** (Chair – R. Kinney) – Mr. Bradley Kranz, of the NYISO, noted that efforts at the S+P WG's last meeting centered on issues for the Summer of 2003. The WG is also concentrating on Market Performance issues, shortage pricing, and export bid guarantees. He announced that the S+P WG is scheduled to meet on November 15, 2002 to focus on the Comprehensive Credit Policy and that the WG will also develop a recommendation for tracking and reporting market conditions that cause significant fluctuations in market prices, including energy, ancillary services and uplift charges.
- C. Price Responsive Load Working Group** (Chair – B. Loughney) – Mr. Loughney noted that the Price Responsive Load Working Group plans to discuss cost allocations and enhancements to programs at its next meeting.
- D. ICAP Working Group** (Chair – M. Picardi) – Mr. Dewitt noted that a special ICAP meeting is scheduled for Wednesday, November 20 and another ICAP meeting is planned for Friday, November 22.

XII. New Business

Wes Yeomans, of National Grid, mentioned that at the Operating Committee meeting on November 13th, the NYISO presented a Transmission Planning Report to identify critical areas of congestion. He noted that the Market Participants requested that BIC and the Transmission and Planning Advisory Subcommittee (TPAS) review and comment on the report before the OC considers approving it. Mr. Stalter agreed to distribute the report and collect BIC members' comments.

XIII. Administrative Matters

Mr. Ray Stalter, of the NYISO, pointed out the Action Items List and reminded the Committee members to contact him with any Action Item-related inquiries.

XIV. Adjournment

Mr. Wemple adjourned the meeting at approximately 4:30 P.M.

Respectfully submitted,
Valerie L. Ross
Recording Secretary, Business Issues Committee

Business Issues Committee – Action Item Listing

Number	Action Items	Assigned to
BIC 11.14.02-1	Provide a more detailed list of the corrections that the NYISO made to SCD.	C. King
BIC 11.14.02-2	Establish a procedure that when hours are reserved because of data problems, the NYISO needs to communicate this reason to Market Participants.	J. Savitt
BIC 11.14.02-3	Update BIC on the status of implementing the \$50 bid floor.	C. King
BIC 11.14.02-4	Establish a tracking and reporting system of implementing actions that BIC passes.	C. King
BIC 11.14.02-5	Discuss legal aspects of possibly correcting market flaws associated with the HQ proxy bus manually before the software can be developed.	C. King
BIC 11.14.02-6	Coordinate with the Budget, Standards and Performance Subcommittee for guidance on conducting the Service Quality Index.	J. Considine
BIC 11.14.02-7	Align market design discussions with the associated working groups/subcommittees.	R. Stalter
BIC 11.14.02-8	Inform BIC as to what the budget is to develop/implement the DSS project.	F. Theodore
BIC 11.14.02-9	At Don Barker's request, provide BIC with further details regarding bilateral schedules, pre-scheduled transactions, and OASIS with respect to the Open Scheduling System (OSS) project.	F. Theodore
BIC 11.14.02-10	Establish a process to review what's involved with implementing Phase 2 of the OSS and DSS.	MSWG

NYISO Business Issues Committee Meeting

November 14, 2002
Desmond Hotel, Albany, NY

SUMMARY OF MOTIONS

Motion #1:

Motion to approve the minutes from the October 10, 2002 and October 23, 2002 Business Issues Committee Meetings.

(Motion passed unanimously by a show of hands)

Motion #2:

Motion on Allocation of Rate Schedule 1 Charges

With reference to the FERC's order dated September 25, 2002, in Docket No. ER01-1961, addressing the allocation of the NYISO's Rate Schedule 1 costs, the Business Issues Committee requests that the NYISO to take the following steps within 3 months either by a NYISO staff analysis or by retaining an outside consulting firm:

- Review and update the NYISO's cost allocation materials produced in the spring of 2001;
- Specifically address the impact of the substantial Information Technology investments, as proposed in the 2003 budget, on the cost allocation; and,
- Identify which types of NYISO customers use or benefit from specific Rate Schedule 1 functions to assess if Rate Schedule 1 should be allocated to NYISO customers by component or grouping of components (i.e., similar to PJM methodology) according to the benefits received.

(Motion failed with 57.16 % affirmative votes)