
DRAFT**NYISO Business Issues Committee Meeting Minutes****June 10, 2009****10:05 a.m. – 2:20 p.m.**

1. Introductions, Meeting Objectives, and Chairman's Report

Stuart Nachmias (Con Edison), the Chair of the Business Issues Committee (BIC) called the meeting to order 10:05 a.m. and welcomed the members of the BIC. Meeting participants introduced themselves and their affiliations. A quorum was confirmed.

2. Approval of the Business Issues Committee Meeting Minutes

Motion #1:

Motion to approve the minutes of the March 11, April 18, April 28 and May 15 BIC meetings.

Motion passed unanimously by show of hands.

3. Market Operations Report

Rana Mukerji (NYISO) reported on the Market Operation highlights for May 2009 . See presentation for details.

4. Seams Report

Mr. Mukerji (NYISO) reported that intra-hour scheduling transaction and dynamic scheduling concepts will be discussed at the June 26 Market Issues Working Group. Mr. Mukerji described dynamic scheduling as a 5 or 15 minute market design improvement that will enhance the scheduling at the interface and improve the incorporation of wind. Mr Mukerji added that Coordination of Interregional Planning had scheduled a meeting for June 30 to cover the IPSAC topic and other initiatives. He also reported Item # 7, Long Term Solution for Unscheduled Lake Erie Loop Flows would be discussed at an upcoming MIWG meeting. Currently, the NYISO has been calling TLRs when unscheduled loop flow occurs. (See presentation for more details.)

5. Forward Capacity Market - Advisory Vote

Dave Lawrence (NYISO) provided an overview of the analysis performed by The Brattle Group and outlined the history of the Forward Capacity Market (FCM) concept. Mr. Lawrence reported that the NYISO is requesting an advisory vote to determine if the NYISO should move forward on further development of the details of the design and to determine the level of stakeholder commitment. Mr. Nachmias stated that on behalf of Con Edison and Orange and Rockland, the Brattle report also noted that it was important not to wait too long so that an initial design could be implemented before the stakes are too high. It's better to design a forward capacity market in advance of an imminent need.

It was agreed that NYISO would continue to monitor the Forward Capacity Markets of New England and PJM to determine the design, if necessary, for a Forward Capacity Market. An annual update was agreed to be appropriate.

Frank Francis (Brookfield Power) asked that NYISO continue to monitor the FCM market in ISO-NE and PJM and reengage the Brattle Group or another consultant after a two-year period if

need be. Mr. Mukerji stated that the NYISO would continue to monitor the performance of ISO-NE and PJM markets and continue to look at conceptual levels of appropriate designs.

Motion: #2

The Business Issues Committee (BIC) recommends that the NYISO suspend developing details and functional requirements of a forward capacity market.

Motion passed by majority show of hands.

6. Credit Policy Enhancements

Mary McGarvey (NYISO) provided a detailed overview on the series of credit policy enhancements that have been discussed through the Credit policy Task Force, Market Issues Working Group, and the Billing and Accounting Working Group over the past year (see presentation for full details).

Ms. McGarvey reported that over the last several years, as credit requirements have been automated, the NYISO has spent much time discussing product-based credit requirements (TCC market, Virtual Markets, Energy and Ancillary services market), however, the entity-based credit requirements that were established over five years ago warranted re-evaluation given the recent economic climate. During the last year, near misses could have resulted in significant bad debt losses to all market participants. The NYISO has been lucky to avoid these losses as some of the other ISOs and RTOs have not been as fortunate. NYISO has attempted to develop a series of pro-active recommendations used to improve the credit risk policy and procedures rather than on a retroactive basis after incurring a bad debt loss.

Ms. McGarvey further stated that the plan for the credit proposal is to bring to the June Management Committee, the Board in July and FERC filing in August. A walk-through of each of the enhancements was provided to Market Participants.

With respect to the proposal for Credit Scoring changes, Ting Chan, (Central Hudson) stated that Central Hudson did not support this issue as it does not recognize outlier scenarios, such as Central Hudson's 100% cost recovery mechanism, and expressed that they would like to have a carve out on this to address their concern.

Howard Fromer (PSEG) reiterated that his company thinks it is a mistake to eliminate the peer comparison aspect of the credit scoring evaluation. The NYISO maintains that evaluating each individual market participant on its own merit is the recommended course of action.

Matt Milhous (National Grid) stated that the economic times are such that it is very important to deal with credit issues such as this and balance the impact on ratepayers.

With respect to weekly invoicing, Bruce Bleiweis (DC Energy) stated that DC Energy supports the NYISO in this issue and feels NYISO has reached a balanced approach to improving the markets and protecting the membership of the New York market. Mike Mager (Multiple Intervenors) stated that Multiple Intervenors will oppose the motion due to the inclusion of the weekly invoicing piece. He added that it was unfortunate that controversial measures had to be combined with non-controversial items even when there were numerous requests to handle these separately. Doreen Saia (Greenburg and Taurig) added this has been a comprehensive effort to enhance and modify the proposals and thanked the NYISO for their efforts. She added that there are a number of suppliers that will see no benefit from the weekly invoicing motion

as they rely on capacity payments not energy payments, which are not included in the weekly invoicing proposal. The supplier community in general is concerned with the current economic environment. Given that there is a structure in NY where bad debt is shared on a 50-50 basis, suppliers are concerned in that in the event of a bad debt loss, suppliers would be responsible for half of such losses.

Kevin Jones (LIPA) thanked the NYISO for the work it has put into this issue and stated that LIPA in general does not have a problem with this package. LIPA cannot vote for the entire package with the existing concerns the other Transmission Owners and the PSC have that need to be worked out. Chris LaRoe (IPPNY) encouraged the membership to advance these policies as they are presented today.

A roll call vote was taken. Upon failure of the motion, Stu Nachmis (Con Edison) asked if there was a motion to reconsider. A recess was called to determine if a motion to reconsider was appropriate according to Robert's Rules and the NYISO Committee By-Laws. After a fair amount of discussion on how to proceed, the BIC committee members determined that there would not be a motion to reconsider and the issue and motion should be properly noticed prior to the next Management Committee meeting.

Motion #3

The Business Issues Committee (BIC) hereby recommends that the Management Committee (MC) approve revisions to the NYISO's tariffs to implement the enhancements to NYISO's creditworthiness policies, as more fully described in the presentation made to the BIC at the June 10, 2009 meeting.

Motion failed with 41.57% affirmative votes.

7. Ancillary Services Manual Revisions-Leading VAR Test Exemptions

Kathy Whitaker (NYISO) presented the ancillary service manual revisions regarding exemptions to the requirements for Leading VAR tests. Ms. Whitaker noted that the tariff change to support these provisions has been approved at the Business Issues, Operations and Management Committees, but changes need to be added to the Ancillary Services Manual. Additional ministerial changes were made. See presentation for more information.

Motion #4:

The Business Issues Committee (BIC) hereby approves revisions to the NYISO Ancillary Services Manual pertaining to leading VAR test exemptions and other changes as more fully described in the presentation made to the BIC at the June 10, 2009 meeting. The Ancillary Services Manual revisions will become effective when the Voltage Support tariff revisions that were approved at the April 23, 2009 Management Committee and approved by the NYISO Board of Directors on May 19, 2009 are approved by FERC and become effective

Motion passed unanimously by show of hands.

8. Real Time Modeling of Combined Cycle Units

Mike DeSocio (NYISO) reported on the real time modeling of combined cycle units which will allow qualified units to be optimized over a 2 hour 15 minute period to incorporate the combined cycle units. After some discussion, it was agreed that NYISO staff will present on the commitment analysis to ensure the intent of the optimization is consistent with the results planned for summer 2010. See presentation for more details.

Motion #5

The Business Issues Committee (“BIC”) hereby recommends that the Management Committee approve changes to the NYISO’s Tariff’s with regard to Real-Time Modeling of Combined Cycle Units as more fully described in the presentation made to the BIC on June 10, 2009.

Additionally, the BIC requests that the NYISO determine, and report to the MC prior to its consideration of this motion, whether the intent of the hundred and thirty five minute bid lock could instead be addressed by allowing bids under the normal lead time with the provision that the qualifying unit could not raise its bid in the two hour period. If the NYISO determines that this alternative approach is feasible it shall modify the presentation and proposed tariff revisions accordingly for consideration by the MC.

Motion passed unanimously by show of hands.

9. Tariff Changes for Trading Hubs

Dave Edelson (NYISO) presented on the trading hubs also referred to as netting of bilaterals by reviewing the trading hub concept as bilateral transactions may be sourced from an internal generator and delivered (sink) at a zonal trading hub. Bilateral transactions may also be sourced at the zonal trading hub to deliver energy to other delivery points. One such delivery point is an internal load bus. Another delivery point is a zonal trading hub. See presentation. Additional non-tariff rules that disable the ability for imbalanced trading hub positions and hub-to-hub transactions will be added to the appropriate manual.

Motion #6

The Business Issues Committee (“BIC”) hereby recommends that the Management Committee approve changes to the NYISO’s Tariff’s with regard to trading hubs as more fully described in the presentation made to the BIC on June 10, 2009.

Motion passed by show of hands with abstentions

10. CARIS Procedures for BIC Approval

Branka Brlosic-Nirenberg (NYISO) highlighted the CARIS procedures being brought to BIC.

See presentation for more detail.

Motion #7a:

Motion to adopt the draft procedure entitled “DETERMINATION OF POTENTIAL GENERIC SOLUTIONS” under Attachment Y, Section 11.4, for inclusion in the Initial Congestion Assessment and Resource Integration Study Manual, as presented to the Business Issues Committee at its June 10, 2009 meeting.

Motion passed by show of hands with abstentions

Motion #7b:

Motion to adopt the draft procedure entitled “METHODOLOGY TO ESTIMATE TCC REVENUES” under Attachment Y, Section 15.4.b, for inclusion in the Initial Congestion Assessment and Resource Integration Study Manual, as presented to the Business Issues Committee at its June 10, 2009 meeting. The procedure will be effective on the date FERC permits the Tariff changes filed on May 19, 2009 by the NYISO to become effective. Motion to adopt the draft procedure entitled “METHODOLOGY TO ESTIMATE TCC PAYMENTS”– revised draft Additional Metrics procedure - under Attachment Y, Section 11.3.d, for inclusion in the Initial Congestion Assessment and Resource Integration Study Manual, as presented to the Business Issues Committee at its June 10, 2009 meeting. The procedure will be effective on the date FERC permits the Tariff changes filed on May 19, 2009 by the NYISO to become effective.

Motion passed by show of hands with abstentions.

Working Group Update:

A. Billing & Accounting Working Group - Patti Caletka (NYSEG) reported RT BPCG dollars will change for two days march 3,5 2009 on the 4 month invoice. The next installment for the Billing and Accounting Manual is may be ready for the July BIC.

B. Electric System Planning Working Group (Joint BIC/OC Working Group) –Deidre Altobell(Con Ed) reported the group addressed the over run cost procedure and procedure to extend the CARIS database for 10 years. The review of preliminary CARIS results will be available and ready for discussion at the next meeting.

C. Installed Capacity Working Group– Bob Boyle (NYPA) reported TB 182 landfill gas. Con Ed provided an update regarding the participation in their DRL program and began the initial discussions on the new demand curve process. The Brattle Group presented the final analysis regarding the Forward Capacity Market with a wait and see approach until the other FCM markets mature. New zone criteria comments requested by June 19th

D. Interconnection Issues Task Force - Glenn Haake (Dynergy) reported that there has not been a meeting since the last BIC, as the group is waiting for FERC to rule on the latest Joint filing.

E. Market Issues Working Group –Ray Stalter reported that the MIWG met on June 1 and discussed ICAP Reference Price: May and June, LRR Implementation Update, Final Discussion on the RS1 Unbundling, Strategic Tariff Review: Attachment L and K, Credit Scoring Methodology, Credit Management System Project Update, Trading Hubs, Proposed Leading VAr Changes, ISO-NE Modeling Issue Update, and Restating Day-Ahead Market Outcomes. Also discussed were Non-Historic Fixed Price TCCs proposal and the TCC Enhancement Features – Phase 1 Project.

F. Price Responsive Load Working Group –Steve Lynch (ECS) reported they have not had a meeting but plan to meet on June 17th

G. Credit Policy Task Force- Sheri Prevratil(NYISO) reported the next round of energy requirement proposals will be discussed in July. Norman Mah (Con Ed) was welcomed as the Chair for the CPTF.

11. New Business

None

Adjournment 2:20