

NYISO Business Issues Committee Meeting Minutes

August 7, 2007

New York Independent System Operator

10 Krey Boulevard

Rensselaer, NY

1. Welcome and Chairman's Report

Frank Francis (NYISO) called the meeting to order at 10:22 a.m. and welcomed the members of BIC. He said that board Chairman Bill Palazzo (NYPA) was running late due to weather issues. Meeting participants introduced themselves and their affiliations.

2. Market Operations Report

Rana Mukerji (NYISO) reviewed the market performance highlights for July 2007. The highlights were part of the Market Operations Report, included in the BIC meeting materials folder.

Mark Younger (Slater Consulting) congratulated the NYISO on its success with price corrections in June and July. He also requested that the NYISO come to the MIWG to discuss what appears to be driving the relatively few remaining reservations/corrections.

3. Regional Market Enhancements

Mr. Mukerji reviewed the Northeast Seams Report for the BIC and indicated that a number of items have completed and removed from the Seams Report, including the MS 7040 transfer study. The Modeling of Netted Transactions item will be removed next month.

Doreen Saia (Mirant) said the issue regarding establishing a 2nd PJM proxy bus has not been resolved and asked that it be included on the Seams Report.

Mr. Mukerji indicated that the NYISO will investigate whether the topic of PJM proxy bus will need to be continued as an open item in the seams report.

4. Working Group Updates

A. Billing and Accounting (BAWG)

Dave Hall (NYSEG/RGE) submitted a summary of the BAWG's activities and highlighted it for the BIC. A launch date was set for Aug. 9 for the NYISO's new billing engine. The BAWG will next meet on Aug. 16.

B. Electric System Planning (Joint OC/BIC WG)

Tariq Niazi (NYS Consumer Protection Board) reported on the ESPWG's July 23 and Aug. 2 meetings, the draft CRP, cost allocation and FERC Order 890. The ESPWG will next meet Aug. 15.

C. ICAP Working Group (ICAPWG)

Glenn Haake (IPPNY) reported; he reviewed ICAPWG meetings on July 16 and Aug. 7.

Stuart Nachmias (ConEd) expressed concern that the NYISO will not have sufficient time to review comments provided by all MPs addressing the draft demand curve update.

David Lawrence (NYISO) said that the NYISO has been listening to MPs and has a sense – through written comments by MPs – of where MPs stand on the issue. The NYISO wants to see MPs' comments on the final report and they will be taken into consideration. The NYISO also has a schedule and tariff requirement that its final recommendations be filed with FERC on or before Nov. 30.

Mr. Lawrence said there will be input from MPs; an ICAPWG meeting is set for Aug. 24 where the NYISO will accept additional input.

D. Interconnection Issues Task Force (IITF)

Mr. Haake provided an update of IITF activity.

Kim Harriman (Couch White) expressed concern that customers are paying for facility upgrades necessitated by the location of a generator. She is concerned that generators are not covering the complete cost of facility upgrades.

Ray Kinney (NYSEG/RG&E) said that FERC's pro-forma tariff provides generators only upfront the money and get that money back in whole after five years. This is a departure and a compromise away from what FERC is looking for.

Mr. Haake said he thought generators would be willing to go back to the first FERC pro-forma if it is a better approach.

Mr. Mukerji outlined next steps on the issue. On Aug. 13, the IITF consensus draft will be presented to the Board of Directors. He said he expects the Board to approve, but noted there are 3 issues where there is not full agreement. After the board meeting, the NYISO will work jointly with the TOs toward achieving agreement on the compliance filing; FERC will get a status update after the board meeting. The NYISO will work on an outline compliance filing based on the consensus deliverability proposal developed in the IITF forum.

Mr. Haake outlined the three issues at stake:

- The make-whole provision on interface transfer limit degradation
- The effective date – grandfathering
- The treatment of UDRs at the 60 percent threshold cost sharing issue

Mr. Fromer said he opposes going to and telling FERC there is an outstanding issue on the effective date. That could prompt FERC to defer making any decision and giving any guidance for months, almost assuring that the Class Year 2007 will escape being affected by this – a key element of the consensus proposal.

Mr. Nachmias agreed that the Class Year 2007 was a fundamental part of the consensus proposal. To go to FERC without the compromise in place seems to undermine the compromise.

Dr. Kevin Jones (LIPA) said he supported Mr. Fromer's and Mr. Nachmias' comments. If there are significant unresolved differences, it may result in Transmission Owners and NYISO submitting multiple filings to FERC. The groups should work toward a joint filing.

Ms. Saia said there is an open question as to setting the level of grandfathering. She requested that the NYISO provide an update on the status.

Mr. Mukerji said the NYISO will summarize MPs' comments from the IITF and at the IITF meeting with the Board. As for the in-service date and treatment of UDRs, a legal review has been done. He said he is not sure the NYISO can support a proposal that includes 2007.

Mr. Mukerji said the IITF documentation up to May said the class year was 2008, which was proposed by the NYISO. The last consensus proposal had 2007 as the class year. It is technically feasible to do it before Class Year 2007 closes, but it would be difficult. He suggested scheduling an IITF meeting after the Board meeting. **E. Resource Adequacy Issues Task Force (RAITF)**

Mr. Palazzo suggested removing the RAITF as a reporting committee to BIC. A consensus was reached on leaving the group dormant until the FERC discusses the Upstate-Downstate report.

F. Market Issues Working Group (MIWG)

Erik Abend reported on MIWG meeting on July 31. Mr. Mah contributed to the discussion.

5. BAS Data Retention Strategy – Update

Rich Dewey (NYISO) made the presentation, which was included in the BIC meeting materials. The issue has been discussed by Governance committees and working groups for almost a year.

Mr. Nachmias asked if this has been raised with MPASS to see if they had concerns.

Mr. Dewey said MPASS and the NYISO legal department have been consulted. The market data still fell into compliance with FERC rules and regulations and MPASS agreed that the seven years total was sufficient.

Mr. Fromer asked if there was a capability to go beyond these dates to preserve data if some form of complaint or litigation occurs.

Mr. Dewey said data and records related to under litigation, pending or threatened litigation, billing disputes and settlement charges will not be purged from the BAS database.

Mr. Fromer asked about tracking headroom and the like, and reimbursements, a 10-year window. He said the NYISO has to be sure that that's preserved.

Mr. Dewey said as the scope is expanded, there are other data types that need to be reviewed and analyzed. If data can't be purged for legitimate reasons, the NYISO may have to spend \$610,000 to expand the data marts. That's something

the NYISO will have to track. The NYISO is working with its legal department on the issue.

6. Review TCC Auction Fall Schedule

Greg Williams (NYISO) made the presentation, which was included in the BIC meeting materials. He said that 25 percent of system capability will be offered as 1-year TCCS; 50 percent will be offered as 6-month TCCs. The remaining 25 percent was sold in spring 2007 TCC auction.

Scott Englander (Sempra Energy Trading) questioned why more rounds were given to the annual than the 6-month auction.

Mr. Williams said the distribution of rounds is something the NYISO received from the Transmission Owners.

Mr. Nachmias said that TOs looked at the volume of TCCs and the value of TCCs that clear. Mr. Nachmias said one of the important projects out there is the TCC Automation project, which will allow the NYISO to do rounds in less time. Mr. Williams said planning for the fall auction has been set. However, that discussion should probably concern the 2008 auction. He said the auction timeline has been posted for more than a week.

Mr. Englander said that in the past, auction schedules were brought to the working groups, where MPs had been asked for input. He offered his own proposal for auction rounds, which was shown to MPs. He said Sempra believes the auctions come too early and that there is too much time between the monthly auctions and the effective date of the monthly TCCs.

Mr. Williams said Sempra's plan was discussed in the past. The NYISO's current state of automation will not be able to support those changes. Shifting the auctions later in the month will not allow the NYISO to complete all necessary tasks in time for loading the results into data bases by the first of the month.

Mr. Englander asked why the November-April auctions are set in stone at this point.

Mr. Williams said when posting the schedule, the NYISO likes to have corresponding winter or summer auction set at the same time so everyone will

7. Approval of minutes for July 11, 2007

Frank Francis (NYISO) offered the minutes for approval. No comments were received. Mr. Francis put off approval of the minutes until Mr. Palazzo arrived at the meeting. Mr. Palazzo asked for comments; none were received. He asked for a vote.

Motion #1:

Motion to approve the Minutes of the July 11, 2007 BIC meeting.

(The motion passed unanimously by show of hands)

8. Proposed Revisions to the Working Capital, Attachment V of the NYISO OATT

Kevin Jones (NYISO) gave presentation, which was included in the BIC meeting materials.

Mr. Nachmias raised a question regarding the deletion of section 5.4. The intent of the original section that was deleted was to indicate that when there was a drawdown on working capital that the ISO was responsible for replenishing it.

Mr. Fromer asked if in the unlikely incidence that the NYISO were to increase the working capital fund that this wording would govern that.

Mr. Jones said that was correct.

Mr. Fromer asked if section 2 covers the language dealing with initial contributions to the working capital fund and ongoing responsibilities for new players and if section 3 deals with the NYISO and if it increased beyond the \$50 million that it would collect those additional dollars to bring \$50 million up to whatever new amount the NYISO came up with?

Mr. Jones said Mr. Fromer was correct in respect to Section 3. Section 2 pertains to monitoring the amount of customer balances.

Mr. Fromer said he assumed the NYISO is not attempting to use Paragraph 1 as a mandatory right to backfill that \$10 million right away.

Mr. Jones said in Article 1, it explicitly establishes the obligation to repay that fund. The source of those funds to be used for repayment is taken in over time. The working capital fund is repaid when those funds come in.

Mary McGarvey (NYISO) said that the working capital fund is typically not used to pay obligations to vendors and payroll, etc.

Mr. Palazzo asked for a motion on the proposal.

Motion #2:

The Business Issues Committee (BIC) hereby recommends that the Management Committee (MC) approve revisions to Attachment V of the Open Access Transmission Tariff regarding the NYISO's working capital fund, as presented to the BIC on August 8, 2007.

(The motion passed unanimously by show of hands)

9. Proposed Changes to Attachment D of the ICAP Manual

John Charlton (NYISO) gave the presentation, which was included in the BIC meeting materials. He said the changes were administrative in nature and clarifications to Attachment D.

Mr. Nachmias offered three amendments to the proposal that were shown to MPs. The changes were:

- Removal of wording following this sentence: "Check the PMPC Box at top right of the Attachment D form."

- Insertion of this wording “the nearest approved weather station” approved by the NYISO.
- Regarding the test temperature, the term “test temperature” should be defined as the temperature measured closest to the start of the test period obtained from the location chosen above and then averaged for each hour of the test.

Mr. Charlton said Mr. Nachmias’ proposed changes capture the intent of the section. He said the intent is not for people to be picking different test temperature stations.

Motion #4:

The Business Issues Committee (“BIC”) hereby approves revisions to Attachment D of the ICAP Manual, as discussed at the ICAP Working Group on July 16, 2007, as presented and modified at the BIC on August 8, 2007. **(The motion passed unanimously by show of hands)**

10. Proposed Third Party Dispute Resolution Mechanism

Mr. Jones (NYISO) gave the presentation, which was included in the BIC meeting materials.

Mr. Palazzo asked if there was any value to posting this on the NYISO Web site.

Mr. Duffy said the information would be captured in the billing issues report. The reason there is value in including it in the report as opposed to posting something on the Web site is the time frame MPs have to respond. The billing issues report is posted on the NYISO’s web site.

Mr. Nachmias said the measure should not create a disincentive for those parties to not participate because if they choose to participate, they would have to pay for the ADR directly. Parties should be encouraged to participate and agree with the recommendation of the neutral instead of going to FERC. He suggested that the ADR be treated as other ADRs in the NYISO tariff, that the cost of the neutral is something that goes through Rate Schedule 1 instead of being assigned to the parties.

Mr. Palazzo asked if Mr. Jones had any order of magnitude regarding the costs.

Mr. Jones said the cost of a neutral likely won’t be a large expense under most circumstances.

Tim Bush (Navigant) said the cost is small dollars but it isn’t appropriate to run it through Rate Schedule 1. If a party that brings a complaint and the neutral finds they are wrong, that party should pay for it. If the neutral finds the NYISO wrong, that would be a NYISO cost. The existing language is appropriate.

Dr. Kevin Jones (LIPA) said he supports the proposal because there is a need for a clear resolution process for billing. If anything, the process may reduce dispute costs because it is being made more focused and appropriate.

Mr. Heinrich asked if there was any concern that if there was no cost to the challenging party that this would balloon out of control.

Mr. Jones said the current process includes those costs.

Mr. Heinrich said this issue really involves mediation, so the cost allocation should be different than arbitration.

Ms. Maywalt said her confusion was that the proposed language did not specify mediation.

Mr. Jones said the proposal is optional and non-binding. Those are the two most important aspects of the proposal.

Mr. Palazzo asked for a motion on the measure. The motion was amended to include redline materials presented at the BIC meeting.

Mr. Nachmias offered an amendment with alternative language for the measure. The change reads: "NYISO costs associated with an expedited third-party dispute resolutions proceeding, including the neutrals fees and related costs, shall be recovered by the NYISO through RS 1. Other parties to a proceeding shall be responsible for their own costs." He offered it as a friendly amendment.

Mr. Bush said the change was troubling because the BAWG had discussed the issue for months and came to the BIC with the proposal. To change it at the last minute was inappropriate.

Mr. Nachmias said the BIC is a voting committee and the process allows changes to be proposed and voted on.

Mr. Kevin Jones (LIPA) said the motion should be considered unfriendly and a roll call vote should be taken because it would change a working group proposal.

Motion #3a

Motion to amend Motion #3

(Motion failed by 39.07% for)

The original motion was voted on.

Motion #3:

The Business Issues Committee (BIC) hereby recommends that the Management Committee (MC) approve revisions to the Open Access Transmission Tariff and the Market Administration and Control Area Services Tariff, as described in the redlined materials presented at the BIC meeting on August 8, 2007, to establish an expedited, third-party dispute resolution process applicable to customer settlement disputes that have not been resolved in the course of the ordinary process for review, challenge, and correction of customer settlements.

(The motion passed by majority show of hands)

11. Administrative Matters

12. New Business

Brad Kranz (NRG) spoke on the fault current mitigation operating protocol at the Astoria West station. He said the protocol will derate the units at Astoria West under peak load conditions. Assuming that goes forward, NRG's GTs at that station are affected. NRG's units are peaking-type units and could be precluded from operating under peak conditions. The units rely on a very limited set of hours to recover energy or ancillary services revenue. NRG is requesting that the BIC consider the financial impacts of this protocol assuming the OC approves it.

Mr. Nachmias said he disputed the fact of whether or not it was ConEd; that is a separate issue. He said the protocol allows the system to be operated reliably. He questioned if a payment is needed for reliability reasons. It is clear that with that protocol, that system would be operated under reliability criteria. It is unclear whether payments are required to certain generators. He suggested the issue be taken to a working group.

Mr. Kranz said discussion at a working group would be appropriate to develop a proposal.

The meeting was adjourned at 2:40 p.m.

Respectfully Submitted,
Michael A. Lisi
Recording BIC Secretary