

DRAFT**NYISO Management Committee Meeting Minutes****February 28, 2018****10:00 a.m. – 1:00 p.m.**

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

The chair of the Management Committee (MC), Ms. Erin Hogan (NYS Utility Intervention Unit), called the meeting to order at 10:00 a.m. by welcoming the members of the MC. Members identified themselves and attendance was recorded. A quorum was determined.

2. President/COO Report

Mr. Brad Jones (NYISO) announced that Mr. Mark Lynch, former President and CEO of the NYISO, has been selected to serve on the NYISO Board of Directors, beginning in April 2018. Mr. Jones noted that Mr. Lynch also served as the President & CEO of NYSEG and RG&E, both subsidiaries of AVANGRID, Inc. and was also President of Mirant, New York, an independent power generation company. He encouraged everyone to welcome Mr. Lynch.

Mr. Jones reminded members that the annual Sector meetings were being held in March. He noted that stakeholder topics are being requested and should be provided to Ms. Debbie Eckels (NYISO) by March 7th. The agendas will be distributed in advance of the Sector meetings.

Mr. Jones also mentioned that the Customer Satisfaction surveys have been sent out to Stakeholder and he encouraged all to respond by mid-March.

Ms. Rick Gonzales (NYISO) reviewed the Market Performance Highlights and Operations Performance Report (presentation included with meeting material).

3. Day-Ahead Market Congestion Settlements

Mr. Tolu Dina (NYISO) described the proposal (presentation included with meeting material).

Motion 1:

The Management Committee ("MC") hereby: (i) approves revisions to Attachment N of the NYISO's Open Access Transmission Tariff (OATT), as more fully described in the "Revision to OATT Att N – DCR Allocation Threshold Test" presentation made to the MC on February 28, 2018; and (ii) recommends that the NYISO Board of Directors authorize NYISO staff to file such revisions under section 205 of the Federal Power Act.

The motion passed unanimously by show of hands with abstentions.

4. Alternative Methods for Determining LCRs: Final Market Design

Mr. Zachary Stines (NYISO) described the proposal (presentation included with meeting material).

Mr. Jim D'Andrea (Helix Ravenswood) commented on the updated Consumer Impact Analysis. He said the capacity markets change frequently, and the changes result in modifying long run expectations. Mr. D'Andrea asked if the NYISO has looked into phasing the proposal in because of potential rate shock.

Mr. Kevin Lang (Multiple Intervenors) stated that the NYISO has been responsive to concerns raised over the years, and noted his appreciation for providing further analysis in the Consumer Impact Analysis. Mr. Lang stated that overall, this is a better approach than the current method that derives LCRs based upon the TAN 45 method. He stated that making changes should not be avoided because there are some impacts. Mr. Lang noted that the NYISO's proposal has balance and mitigates the impacts to the extent possible.

Mr. John Borchert (Central Hudson) noted that Central Hudson appreciates the work NYISO has done to correct a flaw in the current market design for LCR calculations. He said the proposal creates a more stable, transparent, and predictable LCR calculation and it will result in avoiding shifts in zonal LCRs with the addition or retirement of generation. It will also provide a decent market signal for transmission solutions. Central Hudson bore the brunt of the shifting cost for the last two years. The shift under the proposal is in line with past shifts; for example, the magnitude when the zones were first created, when the NCZ was first created, and when units have entered and retired. Central Hudson is trying to avoid the next huge shift under the current methodology, which could be caused as new units come online in Zone G and the Indian Point units retire. A stabilized capacity market is important to Central Hudson and it applauds the NYISO for the work they have done in this process.

Ms. Doreen Saia (Entergy) stated that the current market structure is not flawed; it is applied consistent with its tariff, which FERC has found just and reasonable. She added that the current approach was working fine. She noted her thanks to Mr. Zachary Stines (NYISO) and Ms. Gloria Kavanah (NYISO) for revising the tariff language consistent with the concerns raised, and added that it is important that the basis NYISO is going to use to do the test is set forth in the tariff.

Motion #2:

The Management Committee (MC) hereby approves, and recommends to the NYISO Board of Directors for filing under Section 205 of the Federal Power Act, revisions to Market Administration and Control Area Services Tariff to revise the existing rules and establish the alternative method for Locational Minimum Installed Capacity Requirements, as described in the presentation at, and in the materials for, the February 28, 2018 MC

The motion passed with 77.55% affirmative votes.

5. On Ramps and Off Ramps – Complete Market Design

Mr. Zachary T. Smith described the proposal (presentation included with meeting material).

In response to a question from Mr. Kevin Lang, Mr. Smith stated that the transmission security analysis will only exclude resource MW that are subject to a buyer-side mitigation Offer Floor.

Mr. Scott Leuthauser stated that HQUS is opposing the proposal not for what it does, but for what it does not do. He stated that in the event a new Locality is created External CRIS sinking in that location terminates in the very location that more capacity is going to be needed, but further tariff revisions would be required in order to permit the External CRIS to become eligible to provide locational capacity. That is just contradictory.

Mr. Mark Younger stated that this is a very bad market design; it is a transmission security based test to determine a resource adequacy need. He noted his concerns with the market design process as well. In the future, issues this significance need adequate time in the stakeholder process to be discussed and worked on.

Mr. Dave Clarke (LIPA) provided the following statement for the minutes:

We oppose this approach. One big concern is that it removes the long-term incentive to add capacity in the LHV where it has a higher impact on NYC reliability. Combined with the Alternative LCR approach, our concern is that the elimination of the LHV zone will increase the capacity Long Island will need to carry to support the consequent reductions in NYC reliability. This is something that has not been studied and we would like it to be.

Mr. Mark Montalvo provided the following statement for the minutes:

The NY Utility Intervention Unit has expressed concerns regarding the specification of the thresholds for establishing and eliminating zones that the ISO has proposed in the on-ramp off-ramp design. We have completed substantial analysis and have found that, while not the approach we would have taken, the threshold for creating zones is reasonable and superior to the status quo zone creation rule. The zone elimination rule remains problematic. However, the importance of the zone elimination rule to realizing efficient capacity market outcomes is secondary to addressing issues regarding the slope and zero-crossing parameters of the demand curves and reforming the tan-45 process to rationalize the setting of zonal requirements and NYCA-wide IRM. The ISO has committed to working with stakeholders to address the latter two design issues over the coming couple of years. Given the timing of the expected application of the zone elimination rule, the UIU is more concerned at this time that the ISO redirect its resources to properly addressing the demand curve and requirements issues between now and 2020, as that would largely render moot our concerns regarding the zone elimination threshold. Mr. Montalvo stated that UIU does not oppose the design, but they would abstain on the vote. He expressed this is slightly different than what was stated at the Business Issues Committee.

Mr. John Borchert (Central Hudson) stated that Central Hudson supports the proposal. There has been an imbalance since the new capacity zone was created because there was no way to eliminate it as a capacity zone when the underlying constraint was addressed. In spite of comments that the price for capacity in the zone will fall and converge with NYCA capacity prices once new incremental generation and transmission is put in place, the only price convergence that has happened is the GHI capacity prices converging with NYC's. The public policy transmission solution will be a significant expansion of transmission capability to address things like moving upstate generation to downstate load, and addressing constrained interfaces. When a zone does not recognize those changes and there is no process to do so, you are not taking advantage of the potential for transmission projects to address these issues.

Mr. Borchert stated that Central Hudson supports the proposed methodology to create and eliminate capacity despite its concerns that the headroom levels to eliminate a zone may be too high a hurdle. But at least with the methodology and a defined test with a set headroom amount that is clear and predictable, loads in the region can work towards system enhancements that will cause the zone to be eliminated.

Central Hudson disagrees with Mark Younger and the generator interests concerns regarding resource adequacy. Central Hudson believes the proposed methodology takes into account resource adequacy as well as reliability. In fact, resource adequacy is the first step in the proposed methodology and determines whether the transmission security evaluation should even be run. Central Hudson does not support the addition of EFORDs into the transmission security test, which is definitely mixing apples and

oranges. Transmission security is a longstanding reliability construct that was never intended to take into consideration probabilities of generator availability.

Mr. Kevin Lang (MI) stated that Multiple Intervenors agrees with Central Hudson. We agree generally that if a zone is not needed it should be eliminated, nor are its buyer side mitigation and other issues by which the zone is treated differently from other parts. While MI appreciated the need to create the Lower Hudson Valley zone in the first instance, for some of MI's members the zone led to very significant financial impacts; job losses amongst other thing. This test, while not perfect at least provides us a path forward for being able to eliminate a zone.

Chair Erin Hogan informed MC members that the NYISO has received about ten letters from members of the public on the proposal. In response to a question from Mr. Lang asking if the letters would be posted as meeting materiel, Mr. Rob Fernandez (NYISO) stated that they would.

Motion #3:

The Management Committee (MC) hereby approves, and recommends to the NYISO Board of Directors for filing under Section 205 of the Federal Power Act, revisions to Market Administration and Control Area Services Tariff and the Open Access Transmission Tariff to establish a method for eliminating Localities and to revise the existing rules to create a new Locality, as provided in the materials for the February 28, 2018 MC meeting and described in on ramps/off ramps presentation.

The motion failed with 54.12% affirmative votes.

6. New Business

Mr. Younger noted that it was brought to his attention that the NYISO may be looking into archiving older meeting material. He stated that this would be a bad idea as many stakeholders need access to these documents for various reasons such a when making filings at FERC. He asked that Stakeholders be informed on any

The meeting adjourned at 1:00 pm.