

August 13, 2003

NYISO Business Issues Committee Meeting Minutes

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

I. Welcome and Meeting Objectives

Larry DeWitt, Chair of the Business Issues Committee (BIC), called the meeting to order at 9:35 A.M. and welcomed the members of the BIC. The attendees introduced themselves and named the companies that they represent.

II. Approval of Minutes

A draft of the July 9, 2003 BIC meeting minutes was distributed prior to the meeting. Wes Yeomans, of National Grid, moved the motion to approve the minutes. John Dowling, of Luthin Associates, seconded the motion. By a show of hands, the Committee members approved the July 9, 2003 BIC meeting minutes.

Motion #1:

Motion to approve the minutes from the July 9, 2003 Business Issues Committee Meeting.

(Motion passed unanimously by a show of hands)

III. Chair's Report

Mr. DeWitt reported that some material for Agenda Item #9, a proposal to revise the BIC By-Laws, wasn't released to the Market Participants on time. The material in question was drafted to clarify the Management Committee approval of By-Laws changes regarding the budget process. However, he noted that since the Management Committee already approved this item, it isn't necessarily a controversial one and should still be considered for action. Mr. DeWitt also noted some changes in the agenda. These include hearing a summary of Web-based reconciliation and hearing a presentation on the FERC Interconnection Order.

IV. Market Operations Report

Charles King, of the NYISO, reported on Market Performance highlights and a look at reliability indicators.

Mike Mager, of Couch White, asked why EDRP was not activated during recent \$1000 Real-time prices events. Mr. King noted that t Jim Castle, of the NYISO, would offer further explanations in his Summer Operations Report. Mr. King pointed out that the NYISO added some new exhibits to the report in response to a request by Jim Scheiderich. This includes a set of "T" exhibits that show the

bidding for the last few months based on zone. It also shows how Virtual Trading is working.

V. New Business – Locational Pricing Methodology for Operating Reserve Payments

Charles King, of the NYISO, presented new business for the Committee's consideration – alternative methods of assigning cost responsibility for locational operating reserves. As the result of an order that FERC issued on 7/1/03, which modified the market mitigation measures for the 10-minute non-synchronized reserves market and directed the NYISO to submit a timetable for implementing its self-supply option within 60 days, the NYISO filed a request for clarification and a waiver of a request for a rehearing. Mr. King noted that an open issue exists regarding self-supply and that a discussion on this issue would be beneficial. Ray Kinney, of NYSEG, noted that Market Participants had begun discussions on locational pricing at the Scheduling and Pricing Working Group. Further discussion on this issue will take place at the next S&P WG meeting, tentatively scheduled for September 4th.

VI. Regional Market Enhancements

Charles King, of the NYISO, updated the Business Issues committee on the Northeast Seams Issues.

Michael Mager, of Couch White, asked if any upcoming meetings between the NYISO and the ISO-NE are planned for discussing seams issues. Mr. King responded that John Buechler, of the NYISO, would best be able to comment on the upcoming schedule.

James Parmalee, of LIPA, noted that the activity description for the Controllable Line Scheduling (CLS) issue may not be current and that it should be re-categorized as a recent initiative. Mr. King noted that the NYISO is trying to cover CLS under the recent initiatives category as well as the open issues category. He added that no solid timetable exists for the completion of this issue, but that it will be addressed post-SMD.

Howard Fromer, of PSEG, asked if any distinction exists between open issues and recent initiatives in the report. Mr. King explained that recent initiatives are activities currently happening whereas open issues are seams issues that aren't added to the timeline of projects with a milestone date. Mr. Fromer said that he's concerned that the reader might think Open Issues are those that haven't been decided on. Mr. King offered to take it on as an Action Item to change the titles of these charts to more accurately reflect the intentions.

Mr. Parmalee asked why the Controllable Line Scheduling issue isn't under the recent initiatives category since a date actually has been assigned to it. Mr. King replied that he'd look into this.

Mr. DeWitt suggested expanding the "Meetings and Events" portion of the NYISO website to incorporate regional meetings as well. Elaine Robinson, of the NYISO, replied that this will be looked in to as an additional part of the Web Portal deployment.

Mr. King addressed the latest issues surrounding the PJM E-tag system. Mr. King reported that PJM is moving towards using an E-tag system to facilitate companies entering their system. The NYISO will comply and use the PJM E-tag system as well. Mr. King noted that, next year, the NYISO will release a program that incorporates tools to validate e-tags. In the interim, the NYISO plans to leverage OSS technology to assist Market Participants. Mr. DeWitt asked if anyone had looked at having e-tags address environmental attribute trading as well. Mr. King noted that it's something the NYISO will have to look into. Kevin Jones, of LIPA, asked if there are any budget implications. Mr. King responded that the NYISO would have to look into this.

VII. FERC Interconnection Order Process for NYISO Compliance Filing

Garry Brown, of the NYISO, presented an overview of the FERC Interconnection Order Process for the NYISO Compliance Filing. He discussed key issues of the Compliance Filing, the NYISO's proposed process, and the proposed schedule.

Howard Fromer, of PSEG, asked if the NYISO is planning to seek a vote on this issue at the Management Committee. Mr. Brown responded that while the NYISO is not planning a vote, they would like to try to achieve a consensus amongst the Market Participants.

Ray Kinney, of NYSEG, noted that since FERC recently approved the NYISO's interconnection policy, the NYISO shouldn't have to revise it just now. Mr. Brown responded that this is an area with little flexibility and that the NYISO is obligated to re-examine this policy.

VIII. Project Priority Team Report

Timothy Schmehl, of the NYISO, presented the PPT Report to the Committee. He provided an overview on projects recently deployed and a status of individual projects in the market & operations enhancements area, strategic development area, and the infrastructure area.

Jim Scheiderich, of Select Energy, asked for clarification on what ICAP Pre-scheduling is. Mr. King responded that it was originally labeled "in-date pre-scheduling" but was re-labeled to meet PJM's requirements.

IX. Proposed Tariff Revisions to Address Changes to the Table of Contents of the Market Services Tariff and OATT

Jane Lathrop, of the NYISO, presented a proposal to modify the Tariffs' Table of Contents so that they are accurate. Michael Mager, of Couch White, suggested inserting a friendly amendment to the motion – to have BIC recommend that the MC authorize the NYISO to file Tariff amendments as necessary. Mollie Lampi, of the NYISO, noted that from a legal perspective, she had no problem

including this amendment. Wes Yeomans, of National Grid, moved the motion. Via hand vote, the motion passed unanimously.

Motion #2:

Whereas, the Tables of Contents (TOCs) for the ISO OATT and Services Tariffs are not up-to-date with changes to the substantive content of the Tariffs.

The Business Issues Committee hereby requests that the Management Committee approve, for filing with FERC, changes necessary to conform the TOCs for the ISO OATT and Services Tariffs to Tariff changes that have been approved by or filed with FERC.

On a going forward basis the BIC recommends that the MC authorize the NYISO to file Tariff amendments to ensure that the Table of Contents is accurate, as necessary.

(Motion passed unanimously by a show of hands)

X. Proposed Settlement Rules Addressing Third-Party Self-Supply of Station Service

John Hickey, of the NYISO, proposed a possible motion regarding third-party station service supply. Kevin Kipers, of NYPA, noted that the BAWG reviewed and favored this proposal.

Mr. Kipers moved the motion. Glen Haake, of IPPNY, seconded it.

Stuart Nachmias, of Con Ed, agreed with the proposal but questioned whether the motion should include a statement directing the NYISO to report on how well the process is working after a year. Mr. DeWitt asked that the Committee informally request the staff to report back to the BIC by September 2004 on this process.

Via hand vote, the motion passed with abstentions from Occidental Chemical Corporations, Consumer Power Advocates, and Dynegy.

Motion #3:

Upon recommendation of the Billing and Accounting Working Group the Business Issues Committee (BIC) (i) approves the financial settlement rules that would be applicable when Station Power is provided by a third party, as presented and proposed to the BIC on August 13th, 2003, and (ii) recommends to the Management Committee that the NYISO should be authorized to develop and submit to the FERC tariff amendments consistent with these proposed settlement rules provided that a tariff review process is established with MPs prior to filing.

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

XI. Proposal to Revise the BIC By-Laws to Concur with Changes to the Management Committee By-Laws as Approved by the MC on July 24, 2003

Ray Stalter, of the NYISO, presented for Neil Butterklee a proposal to revise the BIC By-Laws to concur with changes made to the MC By-Laws.

Clarification was made as to what a “natural person” means in this proposal. Mr. Butterklee explained that a natural person is a human being as opposed to a corporation.

Stuart Nachmias, of Con Ed, moved the motion and Jim Parmalee, of LIPA, seconded it.

By a show of hands, the motion passed unanimously.

Motion #4:

Motion to approve conforming changes to the Business Issues Committee By-Laws to concur with revisions to the Management Committee By-Laws approved on July 24, 2003.

(Motion passed unanimously by a show of hands)

XII. Resource Adequacy Model (RAM)/Centralized Resource Market (CRM) Report

John Charlton, of the NYISO, presented an update on the Resource Adequacy Market. Aside from reviewing the background, Mr. Charlton also presented on the RAM/CRM proposal, other issues to consider, and a schedule of upcoming meetings/reports/filings.

Jim Parmalee, of LIPA, asked if the process presented might impact the future of the ICAP/UCAP Demand Curve. Mr. Charlton replied that it would and consultants are looking further into this issue. Michael Mager, of Couch White, asked if the NYISO would consider consultants’ suggestions if they recommend something different than the Demand Curve. Mr. Charlton replied that they would.

Mr. Mager asked if the final report would be publicly available and Mr. Charlton replied that it would.

XIII. Report on Re-Evaluation of Recovery of NYISO Fixed Budget and FERC Fee Costs via Rate Schedule One

Alan Holmes, of the NYISO, presented the BIC with a re-evaluation of recovery budget and costs and an analysis of Schedule 1 allocations. His report included an overview of the methodology and the NYISO’s proposed actions.

Michael Mager, of Couch White, asked for clarification on the completion date for the various phases. Mr. Holmes responded that May 2004 is the proposed start date for Phase 2. Mr. Mager asked about the progress that will be made during January 2004 to May 2004. Mr. Holmes replied that key personnel are committed to other projects and won’t be able to make any progress with the project before that point. Mollie Lampi, of the NYISO, noted that if progress begins before the proposed date, the NYISO plans to bring the results to the Market Participants sooner. Stuart Nachmias, of Con Ed, noted that the NYISO should take another look at the proposed schedule and possibly start Phase 1 sooner in September. Mr. Holmes responded that many NYISO finance personnel are already committed to working on budget issues. Tom Rudebusch added that he’d like to see the Phase I discussion start in January instead of May. Mr. DeWitt asked if the NYISO could keep that possibility

open and get back to the Committee on it and Mr. Holmes responded that they would.

XIV. Summer Operations Report

Jim Castle, of the NYISO, provided the Committee with an update on the Summer Operations and Variable Regulation proposal. Bill Heinrich, of the NYS Dept of Environmental Conservation, asked what the Operating Committee's response was to the information that Mr. Castle provided. Mr. Castle noted that the OC accepted the concept but hadn't yet seen the accompanying table that he presented to the BIC.

Tim Bush, of Navigant Consulting, noted that the NYISO was charged with the task of researching and presenting to the BIC on May 30, 2003 uplift questions. Mr. DeWitt asked if Mr. Castle could instead provide a report on this issue at the August MC meeting. Mr. Castle agreed to do so.

XV. SMD2 Report

Brad Kranz, of the NYISO, presented an update on the SMD 2 project and the RTS market design.

Stuart Nachmias, of Con Ed, asked if the Two Settlement System for Ancillary Services had any impact on the 3rd Party Power issue that was passed at BIC earlier in the day. Mr. Kranz noted that he would look into this situation.

Tom Rudebusch asked if the NYISO plans to revise the NYMOC content as a result of SMD changes. Mr. Kranz replied that it would and Ray Stalter, of the NYISO, added that the NYISO is considering adjustments to the GOTS course content as well.

XVI. Working Group Updates

A. Billing and Accounting WG (Chair – Kevin Kipers) –BAWG has begun the review of the Billing and Accounting Manual. They've asked Market Participants to assist in providing updates to the manual. In the Metering Task Force, the members have reviewed the Control Center Requirements Manual and will present their changes to the BAWG and TPAS for approval at the OC. For the Final Bill Challenge, the NYISO will re-spin the bills. BAWG did not raise any concerns with this process.

B. Installed Capacity WG (Chair – Howard Fromer) – The WG has been discussing RAM. The WG also discussed UDRs and in-city price shaping.

C. Market Structure WG (Chair – James Scheiderich) – At the last MSWG meeting, the group reviewed Tariff revisions associated with the implementation of SMD2. Persistent dragging issues came up as well. Future meetings are tentatively scheduled for Aug 27th and Sept 5th. Also, demand curves will be a part of the discussion on future MSWG agendas.

- D. Price Responsive Load WG** (Chair – Robert Loughney) – The EDRP and SCR Programs have not been deployed this summer. Mr. Mager requested that since the market had price spikes this month and EDRP wasn't called, the NYISO should look into it. Mr. Lawrence noted that the events in question were in-day, which did not require activation of the programs. The Functional Specifications for the Real-Time DRP Concept of Operations document is being put together. Also, a revised DRP Manual will be ready to come to the BIC for review/approval.
- E. Scheduling and Pricing WG** (Chair – Ray Kinney) – The S&P WG may need to meet soon to address some operating reserves price issues.
- F. Electric System Planning WG** (Chair – William Palazzo) – No report was provided. The ESP WG's next meeting is scheduled for the 19th.

XVII. Administrative Matters

The Action Items List is included as part of the BIC meeting material. BIC members were reminded to contact Ray Stalter, of the NYISO, with any Action Item-related inquiries. Mr. Parmalee provided Mr. Stalter with comments on the Action Items.

XVIII. Adjournment

Mr. Dewitt adjourned the meeting at approximately 1:05 P.M.

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

Business Issues Committee – Action Item Listing

Number	Action Items	Assigned to
BIC 08.13.03-1	Re-title the <u>Open Issues</u> and <u>Recent Initiatives</u> charts found in the NE Seams Report.	C. King

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SUMMARY OF MOTIONS

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