
DRAFT

NYISO Management Committee Meeting Minutes

January 27, 2009

NYISO

KCC Building

10:00 a.m. to 2:30 p.m.

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

The Chair of the MC, Mr Palazzo (NYPA), called the meeting to order at 10:05 a.m. and welcomed the members of the MC. The members of the MC then identified themselves and attendance was recorded. Mr Palazzo initiated business by recognizing MC members and NYISO staff.

2. President's Report (See President's Report)

Presidents Report. Mr Whitley, commenting on the President's Report which was distributed, indicated that the LBMP's and the fuel prices for gas were slightly higher this month as compared to November 2008 but that uplift costs per MWh was lower than in December 2007. Mr Whitley also gave an overview of the Lake Erie Action plan which is a new process in the NYISO. Daily, the system operations team reviews the outcome of system operations to identify changing conditions, internal to New York as well as with our neighboring systems. System Operations, Market Monitoring and the Credit Department work jointly to identify abnormalities and produce a daily review of the uplift charges to determine, as necessary, root causes and or other issues quickly. The charts reporting on this effort can be found in the report.

Mr Whitley also discussed the Joint Coordinated System Plan (JCSP) which is an eastern interconnection planning study that began several years ago. The JCSP is led by the Department of Energy (DOE), which is performing a national planning study to look at renewable energy. Currently, there are six major power systems and operators involved in the study, including NY, ISO-NE, PJM, and TVA. Although the study is to look at a number of scenarios, the scenarios reported were to connect the Midwest ISO and SPP wind and to build transmission to the rest of the country. Mr Whitley reported that the report published by the DOE did not reflect alternative scenarios like analyzing renewables that are in the pipeline in NY, NE, PJM, and TVA. The CEOs from the three Eastern ISO's and TVA worked together to address some of their concerns and add balance to the report. He added that subsequent phases of the analysis will look at issues the CEOs identified. This study is being touted as the country's answers to our energy problems. Utilities in the Midwest are pushing for this and are trying to promote national legislation to get transmission built from the west to the east. Mr Whitley also said that such an effort was not necessarily bad, but that all of the alternatives needed also to be reviewed. He concluded by reporting that DOE did provide an improved rewrite of the Executive Summary after the CEOs became involved and that he wanted the MPs to note this is a big issue.

Mr Younger asked if the eastern RTOs and TVA could produce an alternative scenario and present the analysis as an appendix or stand alone report? Steve Whitley indicated that the DOE has agreed to include our concerns and next steps in the document/report and feels this approach is effective since the DOE is trying to look at national energy issues. Naturally, if that fails, we will entertain the actions as to what was suggested. Ultimately, any transmission project that comes out of studies that are to be funded by our tariff has to flow through NYISO processes, which include the new Order 890 economic planning process. Therefore, any project that goes through will be evaluated based on wide spread stakeholder input and sound economic analysis on the view point of the NYCA.

Mr Younger added he had two concerns regarding this study. One was that the estimates from the cost of transmission was drastically low, and the other concern was that the 30% wind penetration case only reduced carbon emissions by 15%. Mr. Younger then posed the question: Is the wind partially displacing other green initiatives or because we are building so much transmission we have more capability to move more coal power with higher emissions from the west into the east?

Mr Whitley agreed that the transmission costs seemed low and felt that their cost may have been off by a factor of 5, which could be the result of excluding integration costs. Mr Whitley also agreed with the coal assumptions and indicated that TVA has commented on this concern. DOE is addressing these concerns with a revised report. He said that the NYISO will keep the MPs posted on that report.

Responding to a question about where on the NYISO website these reports can be found, Mr Whitley indicated that a notice will be sent out to the committee stating where the reports can be found.

Mr Whitley announced to the Management Committee, as the Business Issues Committee had been previously informed, that the NYISO is going to reduce its spending for the rest of the year by 8 million dollars. The NYISO is working to hold our spending to last year's level because of the economic conditions that are facing the state, as well as the uncertainty in the MWh forecasted for the rest of the year. Mr Whitley indicated that the NYISO intends to meet all projects and planning commitments. Mary McGarvey will report quarterly to the BIC on the budget.

3. Executive Session

Executive Session commenced to review the candidates for Board of Directors. Board slate was approved in the Executive session per Bill Pallazzo, Chair of MC.

4. Proposed Changes to the Billing and Payment Provisions (see presentation)

Ms McGarvey, Chief Financial Officer, NYISO, presented the Proposed Changes to the Billing and Payment Provisions in the NYISO Tariffs. This is to clarify and clean up inconsistent terms used in the OATT and Market Services Tariff.

The motion was moved, seconded and passed unanimously.

5. Rate Schedule 1 Allocation

Ms. McGarvey, Chief Financial Officer, NYISO, gave a brief overview of the Rate Schedule 1 Allocation presentation. The presentation is the same as was given at the December 2008 MC by Timothy Duffy. During the December 2008 MC Part A of the December 2008 motion was tabled for further discussion at the January 2009 MC.

In the overview, Ms. McGarvey stated that NYISO has determined no significant market changes occurred since January 1, 2005, the effective date of the current Rate Schedule 1 allocation methodology, to warrant revisiting the current 80%/20% methodology, as per the terms of NYISO's tariffs and the motions passed in 2004 to specify the current methodology.

Discussion centered on the concept of the NYISO requesting a stay on the 80%/20% methodology in parallel with analyzing an approach to include Virtual and TCC customers in the overall cost recovery. Ms. McGarvey stated that a study will be conducted to determine how much of the NYISO budget relates to those markets that are not paying any portion of Rate Schedule 1 today (as approved at the December, 2008 Management Committee meeting). The results of that study and a potential cost recovery mechanism will be presented at MIWG with potential votes taken at subsequent NYISO committee meetings to determine if Rate Schedule 1 charges should be shared by participants in markets not currently sharing in the Rate Schedule 1 allocation methodology. Ms McGarvey added that NYISO historically did not have the capability to facilitate billing such allocations of costs to all participants. The planned billing redesign will likely allow NYISO more flexibility. The NYISO feels that all Market Participants are sharing in the benefits of the markets, and therefore, all market participants should share in the costs as well.

A revised motion was drafted by the stakeholders and presented to NYISO staff. See Final Motions posted under this Management Committee meeting material on the NYISO website.

LIPA Representative, Mr. Jones, agreed with the motion.

Mr. Miller of Con Edison, abstained from voting on this motion because, he stated, Con Edison believes that the NYISO should immediately commence a study concerning the proper allocation of Rate Schedule 1 charges since the implementation of weekly billing is a significant market change.

Mr. Rudebusch representing consumer-owned utilities Freeport, Jamestown and Rockville Centre, stated that, while his clients appreciated the effort that went into the compromise motion, they were opposed to the motion. They did not agree that a study was necessary to change the Rate Schedule 1 allocation and, further, believed that customers of the NYISO should only be charged for the service they actually used. For example, transmission customers should be charged for reliability and planning services and transmission service, but not charged all the costs of administering the spot energy markets.

The following friendly amendment “any necessary tariff amendments will be provided to the MC and BIC chairs for review and approval and submitted to Market Participants prior to being submitted to FERC” was requested to be included in the minutes.

The motion passed with opposition.

Members of the Committee opposed to approving the motion were Mr. Rudebusch, Duncan Weinberg, Genzer and Pembroke Representing Village of Freeport, Village of Rockville Center, and City of Jamestown, and Mr. Bleiweis, DC Energy.

Members of the Committee who abstained from approving the motion- Mr. Kinney, NYSEG and RGE, Mr. Abend, Epic Energy, Mr. Miller, Con Edison, and Jose Rutger, representative from Cross Sound Cable

6. SCUC Load Forecast Tariff Revisions (see presentation)

Mr. Pike, Director of Market Design, discussed the tariff revisions noted in the presentation which will resolve inconsistencies between the operative tariff language and the NYISO’s actual practice.

The motion passed unanimously.

7. Wind Resource Management Tariff Revisions (see presentation)

Wind Resource Management Tariff Revisions was presented by Mr. Edelson, Project Manager, Energy Markets, NYISO. Per the presentation, wind resources will be required to receive and follow instructions to limit their output based on an economic evaluation of their offers. Mr. Edelson addressed the amendment to the BIC motion in the Roll Out Strategy. It was noted that the minutes should reflect that the settlement penalty for wind resources that over-generate, should take effect on November 1, 2009, which would replace the wording in the presentation “after October 31, 2009”. It was recommended that the tariff language be reviewed to ensure the November 1 2009 effective date is reflected. Prior to voting on the motion, National Grid representative Bart Franey stated that National Grid appreciates the ISO’s efforts and recognizes this is a critical part to wind management that was missing and glad to see that NYISO moved quickly on this with the appropriate measures in place.

Another Market Participant suggested that since there is a staggered deployment in 2009, it would be useful to have a full year of quarterly reports following the settlement implementation which should start with the November 1 implementation.

The motion passed with abstentions.

8. Limited Energy Storage Market Design Tariff Revisions (see presentation)

Mr. Hickey, NYISO, explained that Limited Energy Storage (LESR) is a generator authorized to offer regulation service only, and is characterized by having an inability to sustain continuous operation at maximum energy withdrawal or maximum energy injections for a more than one hour. Market rules in Real Time Dispatch and Settlements had to be adjusted to integrate this type of generator. See presentation for details. It was requested to mention in the minutes that the motion being presented is to approve these specific tariff provisions.

Mr. Whitley added prior to the vote that he appreciates the Market Participants working on this complex and innovative technology. It shows leadership for our region to embrace new technology by coming up with innovative ways to integrate devices into the market place. Hopefully we will learn from this and continue to move forward.

The motion passed with abstentions.

9. Market Rules Assessment –Real Time Generation Scheduling and Performance Attachment H Tariff Revisions (see presentation)

Mr. Shaun Johnson, Product Specialist, Energy Market Products, presented the need to clarify the language in Services Tariff Attachment H which had passed at the Management Committee’s November meeting to address concerns expressed by the generation sector without impacting the substance of the NYISO’s proposed implementation. The revisions to the proposed Tariff language provide consistency in terminology between provisions that relate to physical withholding and uneconomic production and explicitly authorizes the NYISO to consider the actions of, and benefits received by, a Market Party or its Affiliates in assessing physical withholding and uneconomic production. In addition the presentation noted a change of the language distributed to replace “Electric Facility’s” with “Generator’s”. A market participant stated that this set of revisions does not address the concerns about the inability of dual fuel units that go to their back up fuel to change manually their dispatch because of the inability of the software currently to recognize that the unit is running on a more expensive fuel. Steve Whitley noted the concern and assured the Market participant that it will be reviewed going forward.

Motion passed with abstentions.

10. NYISO Liabilities and NERC Penalties (see presentation)

Mr. Patka, NYISO Legal, made a presentation on the need to establish clear legal processes to manage penalty assessments, as well as indemnify the NYISO as a non-profit organization against reliability penalties and protect the Market Participants from the malfeasance of third parties/NYISO conduct. A request was made to reflect in the minutes that the tariff language is what we intent to vote on. A friendly amendment was added to the motion stating that “any necessary tariff amendments will be provided to the MC and BIC chairs and Vice Chairs for review and approval and submitted to the MC members prior to being submitted to FERC”.

Motion passed with abstentions.

11. SCR/EDRP – Attachment G and Section 5.12.11 Tariff Revisions Reassignment (see presentation)

Ms. Pratt, Demand Response Market Product Specialist, NYISO reviewed the presentation and highlighted that the Market Services Tariff to extend the Data Submission deadline from 60 days to 75 days.

Motion passed with opposition.

12. New Business

No new business.

13. Adjournment.