

**DRAFT****NYISO Business Issues Committee Meeting Minutes****November 12, 2014****10:00 a.m. – 1:15 p.m.**

---

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

The vice chair of the Business Issues Committee (BIC), Ms. Patti Caletka (NYSEG/RG&E) called the meeting to order at 10:05 a.m. by welcoming the members of the BIC. The members of the BIC identified themselves and attendance was recorded. A quorum was determined.

Ms. Debbie Eckels (NYISO) read a statement on behalf of Mr. Brad Kranz (NRG/ Chair of the BIC) thanking the BIC for their cooperation throughout the year and wishing Ms. Caletka well as she begins her term as BIC chair.

**2. Approval of Meeting Minutes – October 15, 2014****Motion #1:**

Motion to approve the Minutes of the October 15, 2014 BIC meeting.

***Motion passed unanimously with an abstention.***

**3. Market Operations Report/Seams Report**

Mr. Rana Mukerji (NYISO) reviewed the Market Operations report included with the meeting material. There were no questions. Mr. Mukerji also reviewed the Seams Report included with the meeting material.

On November 4, 2014 NYISO activated CTS with PJM. In December 2014, the NYISO plans to begin providing CTS performance metrics to the OC and MC in the Operations Performance Metrics Monthly report. Mr. Howard Fromer (PSEG) asked if the metrics would evaluate how accurate PJM was in forecasting fuel prices. Mr. Mukerji said the NYISO could report back to stakeholders. Mr. Rich Miller (Con Edison) asked if the CTS metrics would show LBMP savings or production cost savings and if those metrics would be discussed at MIWG. Mr. DeSocio said the NYISO could review the formatting of the metrics at MIWG.

The IESO has expressed interest in pursuing quarter hour scheduling with NYISO beginning in 2016. Mr. Scott Leuthauser (HQ US) asked if five minute scheduling with Hydro Quebec (HQ) would be impacted. Mr. Mukerji said IESO was an extension of the existing quarter hour scheduling capability and the HQ initiative requires a different software design for five minute scheduling. Mr. Leuthauser strongly supported the NYISO's efforts for five minute scheduling and observed that HQ would be another reserve supplier under the Comprehensive Shortage Pricing proposal.

Mr. Miller asked if the NYISO could report on coordination activities with ISO-New England (ISO-NE). Mr. Mukerji said the NYISO was working with ISO-NE on software development as CTS with ISO-NE is scheduled for deployment in Q4 2015. In response to a question, Mr. Mukerji said ISO-NE had the project listed on its charter and was committed to the project.

The Analysis Group reviewed the framework for their forward capacity market assessment at the August 28, 2014 ICAP Working Group meeting. They will return to the ICAP Working Group in January to present their findings. Ms. Doreen Saia (Entergy) asked why there was a delay. Mr. Mukerji said

the NYISO Board of Directors wanted a further evaluation. A draft report would be issued and discussed with stakeholders in Q1 2015 and then the NYISO would issue a management response in Q2 2015. In response to a question, Mr. Mukerji said the stakeholders would be allowed to comment on the draft report.

Mr. Mark Younger (Indeck and NRG) said before the NYISO implemented CTS, the RTC vs. external CTS prices would be posted publicly. Mr. DeSocio said the postings were available on the public datamart on the OASIS. Mr. Younger said the information was not posted at a location where he could access it. Mr. DeSocio said he would follow up.

NYISO and PJM are both pursuing capacity market design changes to strengthen incentives for real time operational performance.

#### **4. Planning Update**

Mr. Henry Chao (NYISO) reported on recent planning activities. The CRP process will be discussed at the ESPWG. For EIPC, a webinar is scheduled for November 21<sup>st</sup> to discuss results for the Drought Scenario. Mr. Garrett Bissell (Multiple Intervenors and the City of NY) asked if there was a status update on the target 2 analysis and the release of the draft report for the EIPC gas study. Mr. Chao said the draft report was submitted to the DOE and the gas industry expressed concern with the CEII information in the report and what could be discussed publicly.

#### **5. Comprehensive Shortage Pricing Discussion**

Mr. Mike DeSocio (NYISO) provided a verbal update on the status of the proposal being discussed in the stakeholder process. He explained that the NYISO was delaying action to provide time for market participants to fully understand the consumer impact analysis and to provide additional information, if needed. The proposal will be scheduled for action at the December BIC meeting and implementation is targeted for Q2 2015.

Ms. Doreen Saia (Entergy) asked if the delay would put the software release before summer 2015 in jeopardy. She said the NYISO indicated that the proposal would be in effect for summer 2015, but expressed a concern that it may not be ready for the June software release and that it could get delayed to October 2015. Mr. DeSocio said the NYISO was working diligently to meet the June 2015 software deployment, but had no control over what would happen through the regulatory process. She said the NYISO may want to hold a special BIC. Mr. DeSocio didn't believe a Special BIC would be necessary and said delaying the vote wouldn't change the NYISO's ability to file in January as planned. Ms. Saia said the NYISO should consider whether an appeal could be made at the MC and she would raise her concern again at the November MC meeting.

Mr. Bissell appreciated that the NYISO was willing to provide additional information to get a comprehensive view on the impacts of the proposal. Ms. Erin Hogan (NY Department of State – Utility Intervention Unit) asked if the proposal would only be in service during the summer seasons and not throughout the year. She asked for more information about the reliability concern and the timing of reliability concern. Mr. DeSocio said there are shortage events in real-time throughout the year and when those events happen, it means the market is not providing enough reserves to meet reliability criteria. The proposal would more fully incorporate current operator actions that are not considered in the market software into the market solution. The reliability benefit is that market software would more appropriately reflect the NYCA reliability criteria which would lead to more efficient Day Ahead commitments, since the reserve needs would fully be purchased by the market. Ms. Hogan expressed a concern about the consumer costs and was uncomfortable with the proposal as it stands right now because prices would increase unnecessarily on an annual basis. Mr. DeSocio said the NYISO would

bring more information on the consumer costs at the December 2nd MIWG. He said the proposal would reduce total costs to consumers over time due to increased market efficiencies and that concerns with meeting reliability criteria throughout the year. Mr. DeSocio also explained that shortages can occur in shoulder months, due to resource maintenance or unforeseen outages, just as often as summer or winter months. Mr. Liam Baker (US Power Gen) added that the need for generators are driven by the scheduling of generator outages and transmission asset outages that happen during the same shoulder months.

Mr. Miller thanked the NYISO for delaying action to allow more time to consider the consumer impacts and added that Con Ed generally supported the proposal as it more economically achieves the reliability goals of the NYISO's markets. He said Con Ed believed some kind of phase-in may be appropriate and that the proposal could receive more Load support if a phase-in was incorporated into the proposal. Mr. Adam Evans (NYS Department of Public Service) agreed with Mr. Miller and expressed concerns with the consumer impacts. The mismatch and timing of moving money from the capacity market to the energy market should be more closely aligned.

Mr. Andrew Antinori (NYPA) asked if the current shortage events put the NYISO in violation of a NYSRC or NERC rule. Mr. DeSocio said the current shortage events did not put the NYISO in violation of any reliability rule. Mr. Antinori asked the NYISO to provide information about the current inefficient operator actions that are used to meet the reliability issue at the December 2<sup>nd</sup> MIWG. Mr. David Clarke (Power Supply Long Island) asked that the NYISO provide information on the proposal's impact on energy prices vs. capacity prices at the December 2nd MIWG. Mr. DeSocio agreed.

In response to a question, Mr. DeSocio said the proposal would offer more money in the energy market for good performers and there would be more risk for units that did not fulfill their day ahead obligations. Mr. Tom Rudebusch (NYAPP) appreciated the delay as the extra time would allow more analysis of the proposal and shared the concerns raised at the BIC.

Ms. Saia expressed a concern with including a phase-in into the proposal. She said it was dangerous to hide the market signals until the phase in expires. Mr. Miller said the concern could be discussed further at the December 2<sup>nd</sup> MIWG.

Mr. Miller asked if the NYISO could provide additional information on the uplift costs at the December 2<sup>nd</sup> MIWG as it could result in positive votes for the motion. Mr. DeSocio said the NYISO would consider this request. Mr. Miller added that Con Edison expected that there would be a reduction in uplift costs and that would be an immediate benefit.

## **6. Transmission and Dispatching Manual Update**

Mr. Christopher Brown (NYISO) reviewed the presentation included with the meeting material. There were no questions.

### Motion #2:

The Business Issues Committee (BIC) hereby approves revisions to the Transmission & Dispatching Manual as presented at the November 12, 2014 BIC Meeting.

***Motion passed unanimously with abstentions.***

## **7. 2014-2015 Vice Chair Election**

Mr. Chris LaRoe (US Power Gen) was elected by secret ballot as vice chair for the 2014-2015 term.

## **8. NYISO VSS Payment Structure Changes**

Mr. Brad Garrison (NYISO) reviewed the presentation included with the meeting material.

Mr. Younger said the NYISO did not change the proposed payment rate and requiring annual leading test will increase the cost to being in the program so that the net payments to MPs would be expected to decrease. Mr. Younger said that the tests usually happen when LBMP prices are not high and the generators absorb the fuel costs to perform the test.

Mr. Glen McCartney (Exelon) said that the nuclear units are concerned that they won't get the maximum leading capability out of the units because the units are restricted by the transmission system and they are looking at hundreds of thousands of dollars of loss revenue. He asked if the Transmission Owners would be willing to accommodate the tests and switch capacitors in and out of service. He said this would require a high level of cooperation from the NYISO and the TOs to perform the tests. Mr. Garrison said the NYISO would be willing to work with the generator and the TOs to get the maximum capability out of the unit. He noted that generators could use operational data in lieu of a test. Mr. Fromer said the program ought to allow generators to show the NYISO and the TO their actual capability, especially during system need. Mr. Wes Yeomans (NYISO) understands the difficulty in performing the lagging test, but said it should not be difficult to conduct the leading test due to high voltage system conditions.

Mr. Miller asked if the NYISO expected to rely more on tests than on operational data for determining compensation for generators. Mr. Garrison said historically actual tests had been the predominant method for determining a generator's capability.

Mr. Fromer asked if the NYISO would entertain the notion of putting in the tariff the ability for a generator to go to FERC with a full demonstration of their costs as they do in PJM. Mr. Yeomans said that would require a future discussion as it was not part of the proposal. Mr. Garrison said that if generators have cost data basis for VAR compensation, the NYISO would be interested in that information. Mr. Garrison said that the NYISO compensation was among the highest in the nation. Mr. Fromer agreed that the fixed rate was high, but noted that PJM had variable compensation for each specific company. Ms. Marji Philips (Direct Energy) said that generators always had a right to file with FERC to show that costs are unjust or unreasonable.

Mr. Miller said FERC decided in California that providing leading and lagging capability was a regular service of generators and no additional compensation was required. He said the NYISO would like to see more leading VARs and was providing an economic signal to generators to provide that service. PSEG and others may be interested in a more comprehensive analysis later down the road. Mr. Fromer agreed that sending the right market signal was important, but said the principal objection of generators was that the compensation rate was a stale arbitrary number from 10 years ago and as a starting point, there should have been an adjustment. Mr. Garrison said the NYISO would perform a comprehensive review of the VSS compensation program within four years, at which time the NYISO would be open to other stakeholder proposals.

Mr. Liam Baker (US Power Gen) noted that providing VSS requires maintenance service to the AVRs and those costs increase over time. In response to a question, Mr. Garrison said, pending regulatory approval, the earliest the proposal would be in place would be during the 2016 compensation year. Mr. Younger asked the NYISO to make it clear in the filing letter when the compensation under the proposal would become effective and that the comprehensive review would be cited in the filing letter. Mr. Garrison agreed.

Mr. Miller offered an amendment to the motion to sunset the Consumer Price Index (CPI) after three years. Mr. Miller explained that Con Edison was concerned about locking the CPI in the tariff and not evaluating it after a few years and the NYISO has stated that it would consider a comprehensive review of the VSS program after four years. The mover and seconder deemed the amendment as unfriendly.

Motion 3a:

Motion to amend motion #3.

***Motion failed with 57% affirmative votes.***

Motion #3:

The Business Issues Committee (“BIC”) hereby recommends that the Management Committee approve changes to the NYISO’s Services Tariff as described in the presentation entitled “NYISO VSS Payment Structure”, made to the BIC on November 12, 2014.

***Motion passed with 59.52% affirmative votes.***

Mr. Garrison noted that the NYISO proposed a motion with the meeting materials for stakeholders to approve the Ancillary Services Manual changes associated with the tariff language pending FERC approval. Mr. Fromer expressed concern with approving manual changes without MC and Board approval. Mr. Garrison agreed to withdraw consideration of the motion.

## **9. Uniform Regulation Movement Multiplier Update**

Mr. Ethan Avallone (NYISO) reviewed the presentation included with the meeting material. There were no questions.

Mr. Bissell recommended that the NYISO explain in its filing letter to FERC why the modification is being made and why the NYISO is not recommending a higher value.

Motion #4:

The Business Issues Committee (“BIC”) hereby recommends that the Management Committee approve changes to the NYISO’s MST with regard to the Uniform Regulation Movement Multiplier update as more fully described in the presentation made to the BIC on November 12, 2014.

***Motion passed unanimously with abstentions.***

## **10. Proposed Increase to the MW Limit for DSASP Resources Using Direct Communications**

Mr. Vijaya Ganugula (NYISO) reviewed the presentation included with the meeting material. He noted that the proposal would go to the December OC for action because it never went to an OC subcommittee prior to the November OC meeting.

Mr. Younger said with FERC Order 745 overturned and the en banc review rejected, it was not clear that it is appropriate for stakeholders to move forward with the proposed change. Mr. Fromer noted the uncertainty on Order 745 until legal action is made on December 16<sup>th</sup>. Mr. Ganugula noted that the proposal was an administrative change to the manual only and that no other software changes are required. The stakeholders agreed to postpone BIC approval of the proposal until the OC subcommittee had an opportunity to discuss the proposal.

## **11. Working Group Updates**

- a. *Billing and Accounting Working Group* – Ms. Eckels reported that the group reviewed the grid accounting report.

- b. *Credit Policy Working Group* – Mr. Norman Mah (Con Ed Solutions) reported that CPWG met on October 22<sup>nd</sup> and discussed the proposal for projected true-up exposure. The next meeting is on November 21<sup>st</sup>.
- c. *Electric Gas Coordination Working Group* – No update. Mr. Miller asked if the NYISO could report at the MC on what the NYISO's plan regarding the future schedule of the OFO discussion.
- d. *Electric System Planning Working Group* – No update.
- e. *Installed Capacity Working Group* – Mr. LaRoe reported that the NYISO provided an explanation on the offer cap for external CRIS rights and how the cap was applied for resources selling into NY. The ICAPWG heard for the first time a proposal on changes in the capacity market for how resources perform during critical operating days. That was a preliminary discussion and there will be future discussions at the ICAPWG.
- f. *Inter-regional Planning Task Force* – No update.
- g. *Load Forecasting Task Force* – No update.
- h. *Market Issues Working Group* – Ms. Patti Caletka (NYSEG) reported that MIWG met on October 30<sup>th</sup> and reviewed the Transmission and Distribution Operations Manual related to CTS, Uniform Regulated Movement Multiplier proposal, a discussion on the Comprehensive Shortage Pricing proposal, a presentation on the consumer impact analysis on the shortage pricing. The NYISO also sought MP comments on the capacity zone elimination and the NYISO said it would return in 2015 for a future discussion on the topic. There was also a discussion on the Ancillary Services Manual recertification. There was a conference call on November 4<sup>th</sup> to continue the discussion on the Comprehensive Shortage Pricing proposal.
- i. *Price Responsive Load Working Group* – No update.

## **12. New Business**

None

The meeting adjourned at 1:45 p.m.