

**NYISO Business Issues Committee Meeting Minutes****October 17, 2012****10:00 a.m. – 1:30 p.m.**

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

The chair of the Business Issues Committee (BIC), Mr. Alan Ackerman (Customized Energy Solutions), 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.

**2. Approval of Meeting Minutes****Motion #1:**

The Business Issues Committee (BIC) approves the September 20, 2012 meeting minutes as revised at the meeting.

***Motion passed by show of hands with an abstention.***

**3. Market Operations Report and Seams Report**

Mr. Rana Mukerji (NYISO) reviewed the Market Operations Report and Seams Report.

A hearing before the FERC Administrative Law Judge (ALJ) regarding cost recovery for the MI/ON PARs was concluded on September 13, 2012. Initial and Reply Briefs will be filed by all parties to the proceeding in October. The ALJ is scheduled to issue his Initial Decision on December 19, 2012.

On September 20, 2012 FERC issued an order accepting NYISO and PJM's joint compliance filing for implementation of M2M coordination no later than January 15, 2013. In response to a question, Mr. Mukerji said the NYISO was on track to meet the January 15 date.

The NYISO intends to activate 15-minute scheduling at the Neptune proxy bus by early November 2012. Market Participants will be given a minimum of two weeks advance notice prior to activation.

At the September 11, 2012 ICAPWG meeting FTI Consulting presented the draft capacity market study results and solicited stakeholder feedback and comments. A draft version of the report will be distributed for stakeholder comment in October with a final version issued in November. Due to the length of the report, stakeholders requested 3 weeks to review it. Mr. Mukerji announced that a joint PJM-NYISO meeting will be scheduled on November 28, 2012 to discuss Coordinated Transaction Scheduling.

**4. Planning Update**

Mr. Henry Chao (NYISO) provided the planning update and reported that after the NYISO Board approved the 2012 RNA, the NYISO issued a request for market based and regulated solutions for the reliability needs identified in the RNA. The deadline for responses is November 15 and afterwards, the NYISO will evaluate the responses in the 2012 CRP. In response to a question, Mr. Chao confirmed that the 2012 RNA letter from the independent market monitoring unit was posted on the NYISO website.

On October 11th, the NYISO made a joint compliance filing with the Transmission Owners to address the public policy planning and cost allocation requirements of Order 1000.

For EIPC, the consultant, CRA, is finalizing the production cost analysis for the initial three Scenarios. The Modeling WG is developing recommendations to the SSC for the sensitivity analysis. SSC approval of the sensitivity analysis is expected before the end of October. EIPC has posted the second draft of the Phase 2 Report for stakeholders comments.

## **5. Blind Trust Investment Mechanism**

Mr. Kevin Jones (Hunton & Williams) reviewed the presentation included with the meeting material. The proposed blind trust mechanism is a tool the NYISO is proposing to introduce that would provide an alternative to divestiture for disposing of certain otherwise prohibited investments that would avoid unnecessary harm to the individual NYISO employee/director while preserving the NYISO's independence. The addition of a blind trust mechanism would provide an employee holding prohibited securities with two options: the employee could either divest the securities outright within 6 months or move the securities into a blind trust in which a trustee would have sole discretion over the management of the trust assets and the employee would not be permitted to know the identity of the investment holdings of the trust.

A NYISO Employee who holds the securities of a market participant or its affiliate due to a change in circumstances may request that the NYISO evaluate whether the securities qualify for inclusion in a blind trust because the relevant company is not primarily engaged in the electric power sector and cannot be materially impacted by NYISO actions. The NYISO will find that a company's securities qualify for inclusion in a blind trust under the following, limited circumstances:

(i) the company is not classified as an electric power company under the North American Industry Classification System (NAICS), and (ii) the company's or its affiliates' total participation in the NYISO's markets constitute a *de minimis* portion of the company's gross revenues over the most recently completed year. The NYISO will annually re-perform the two-part test for any company that has qualified for inclusion in a blind trust. If, as part of this annual review, the NYISO determines that a company no longer satisfies its two-part test, a NYISO Employee that holds the company's securities in a blind trust will be required to divest these securities.

The NYISO's proposed blind trust mechanism meets FERC's independence requirements and includes more stringent requirements than the Midwest ISO's as it does not permit NYISO Employees to include in a blind trust the securities of companies that are primarily engaged in the electric power sector or can be materially impacted by NYISO actions.

Mr. Jones said an existing NYISO employee is not permitted to acquire securities of a market participant or an affiliate of a market participant under the current rules or under the proposed mechanism. Mr. Paul Gioia (representing TOs) asked that this be reflected in the minutes.

Ms. Marji Philips (Hess Corporation) expressed a concern that a large company could have a large impact in the NYISO's market even if its participation in the NYISO's markets is a *de minimis* component of its overall business. Mr. Rich Bolbrock (MEUA) said he was satisfied the proposal maintains and achieves the independence of the NYISO. Mr. Rich Miller (Con Edison) said Con Edison was satisfied that the NYISO answered its questions from previous meetings. In response to a question from Mr. Miller, Mr. Jones confirmed that this proposal would only affect publicly traded companies and not private companies. Mr. Younger requested that the motion be edited to reflect a change to the proposal with regards to the *de minimis* threshold. Mr. Jones agreed.

### Motion #2:

The Business Issues Committee recommends that the Management Committee approve the proposed changes to the NYISO's tariffs and agreements regarding an investment blind trust mechanism, as is

more fully described in the presentation made to this Business Issues Committee on October 17, 2012, and revised to include a 0.5% *de minimis* threshold.

***The motion passed by show of hands with abstentions.***

## **6. CARIS 2 Assumptions**

Mr. Dana Walters (NYISO) reviewed the presentation included with the meeting material. Previously, the BIC asked the NYISO to review the CARIS 2 carbon cost forecast and the treatment of mothballed generation notices. The NYISO researched alternative forecasts and ultimately lowered its forecast. Mr. Chris Hall (LIPA) noted that the NYISO is proceeding without consensus on the carbon forecast. Ms. Deidre Altobell (Con Edison) agreed with LIPA. Mr. Younger added that he believed most attendees at the ESPWG thought the carbon forecast was too high and that this forecast will drive the CARIS model.

Ms. Altobell stated that it was her understanding that the NYISO previously agreed that it would make the carbon forecast transparent in any Phase 2 study report. She noted that with the carbon forecast, the CARIS Phase 2 model projects that NYCA will become a major exporter to PJM and is wheeling a large amount of energy through the NYCA transmission system causing high congestion on Central-East. Mr. Walters acknowledged the wheel, but disagreed that the wheel is causing high congestion on Central–East. He noted that he reported at the ESPWG that the generic wind and generic combined cycle unit additions west of the Central-East interface were the primary cause of the increased congestion. He agreed to make the carbon forecast transparent in the CARIS Phase 2 report.

Mr. Rich Miller (Con Edison) said that Con Edison disagrees with the assumptions and treatment of the mothballed units and it demonstrates the need for the NYISO to develop a comprehensive proposal for dealing with mothballed and retired units. He requested that NYISO keep the mothballed assumptions transparent, which Mr. Walters agreed to do. In response to a question from Ms. Saia about when the NYISO would begin discussions on a comprehensive proposal, Mr. Walters confirmed those discussions would begin prior to CARIS 1.

Mr. Younger said if this was a formal vote, he would abstain. Mr. Hall agreed with Mr. Younger. Mr. Scott Leuthauser (HQ US) said he supported the assumptions and said that the NYISO chose a prudent carbon forecast out of numerous carbon forecasts that are available. Mr. Miller said Con Edison has some concerns, and is looking forward to resolving those concerns correctly.

## **7. Draft Manual Revisions: Accounting and Billing**

Ms. Erin Gustafson (NYISO) reviewed the presentation included with the meeting material. Mr. Miller noted that Con Edison submitted minor clarification language and would like the language incorporated in the next update. In response to a question, Ms. Gustafson said the NYISO could post Con Edison’s suggested language.

### **Motion #3:**

The Business Issues Committee (BIC) approves the Accounting and Billing Manual revisions as described to this BIC meeting on October 17, 2012.

***The motion passed by show of hands with abstentions***

## **8. Draft Manual Revisions: Transmission and Dispatching Operations**

Mr. Chris Brown (NYISO) reviewed the presentation included with the meeting material. The presentation summarizes the significant content changes to the Transmission and Dispatching Operations Manual that are proposed under NYISO’s as-filed market design for FERC Order 755 Frequency Regulation Compensation, which is pending FERC approval. No questions were asked.

Motion #4:

The Business Issues Committee (BIC) hereby approves revisions to the Transmission and Dispatch Manual as presented at the October 17, 2012 BIC meeting, provided however, the provisions related to the redesign of Regulation Service pursuant to Order No. 755 will be in effect as of the effective date established by FERC for tariff revisions in ER12-1653-000, such effective dates to be added to the Manual when approved.

***The motion passed by show of hands with abstentions***

**9. Draft Manual Revisions: Transmission Expansion and Interconnection**

Mr. Steve Corey (NYISO) reviewed the summary of revisions to the Transmission Expansion and Interconnection (TEI) manual. This update was mainly intended to just bring the TEI Manual up-to-date and consistent with subsequent relevant tariff changes and other documents, and to provide users and other interested parties a “road map” through the NYISO’s Transmission Expansion and Interconnection processes and procedures as they currently exist. Mr. Corey also reviewed proposed manual edits to Section 2.2 that were suggested by a market participant. The stakeholders agreed to accept all of the suggested changes with the exception of the words “that are or will be.”

Motion #5:

The Business Issues Committee (BIC) approves the Transmission Expansion and Interconnection Manual revisions as described to this BIC meeting on October 17, 2012.

***The motion passed by show of hands with abstentions***

**10. Public Website: Tariffs, Filings, and Order Viewer**

Mr. John Bub (NYISO) reviewed the presentation included with the meeting material. Mr. Bub said this project was driven in response to FERC’s mandated e-Tariff initiative. The project will be deployed at the end of 2012. A new web page will be used for NYISO tariffs and FERC Orders and Filings made since the introduction of eTariff on June 30, 2010.

In response to a question, Mr. Bub said the NYISO would continue to send an email announcement of regulatory activities to stakeholders. Mr. Glenn Haake (EnergyConnect) asked how the linkage process would work. Mr. Bub said any NYISO filing will link with the associated order and and previous associated filings. He said that it will not show linkage to associated filings from other parties outside NYISO.

Mr. Boyle asked if one would be able to access previous tariff language. Mr. Bub noted that it will show current language, as it does today but a user could visit FERC’s website and utilize the “e-Tariff web viewer.”

**11. Discussion on Services Tariff Section 5.12.10 Approved by BIC on September 20, 2012**

Mr. Paul Edmundson (NYISO) reviewed the presentation included with the meeting material. When the six tariff amendments that were approved by BIC on September 20, 2012 were presented to the Management Committee on September 28, 2012, a question was raised as to whether the fifth tariff amendment, in particular, should be revised rather than deleted. The Management Committee approved the other five and asked the BIC to discuss this amendment again. Subsequent conversations with the concerned Market Participant have resulted in an agreement that it is appropriate to make the tariff change.

**12. Working Group Updates**

**BAWG** – Mr. Jim Muscatello (NYPA) provided the BAWG meeting notes.

**IITF** – Mr. Frank Francis (Brookfield) reported IITF and ICAP met on October 1 to discuss the rules governing External CRIS rights in the ICAP market. The NYISO is currently reviewing Brookfield's proposal. Exelon raised an issue of grandfathered CRIS rights, in particular, Exelon's winter CRIS rights. This issue will not be making to the IITF. Exelon is in discussion with the NYISO on the rule. The group also met on October 9 with TPAS to review the Transmission Expansion and Interconnection Manual.

**ESPWG** – Mr. Aydemir Nehrozoglu (Con Edison) reported that the ESPWG has been reviewing the CARIS 2 assumptions. The NYISO has agreed to address action items, CARIS lessons learned and CSPP manual updates in the near future. Mr. Nehrozoglu added that the IPTF/ESPWG will meet on November 29 to begin the interregional discussions for FERC Order 1000.

**CPWG** – Mr. Norman Mah (Con Ed Solutions) reported that the group reviewed the ICAP Spot Market Bidding Requirement. Mike Cadwalader reviewed two different analytical methods to improving the bidding requirements.

**LFTF** – Mr. Bryan Irrgang (LIPA) reported that the LFTF met several times in September to develop the NYCA peak forecast for the NYSRC IRM study and finalized it on September 27.

**ICAPWG** – Ms. Leigh Bullock (NYISO) reported that the new capacity zone study assumptions was discussed on October 1.

### **13. New Business**

No new business. Meeting adjourned at 1:30 p.m.