

NYISO Business Issues Committee Meeting Minutes

Dec. 6, 2006

The New York State Nurses Association

11 Cornell Road

Latham, NY 12110

1. Welcome and Chairman's Report:

Bill Palazzo (NYPA), Chairman of the Business Issues Committee (BIC), called the meeting to order at 10:09 a.m. and welcomed the members of BIC. Meeting participants introduced themselves and their affiliations.

2. Approval of minutes for Oct. 18 and Nov. 8, 2006:

This item was pulled from the meeting's agenda.

Mr. Palazzo noted that an e-mail was received from Madison Milhous (KeySpan Ravenswood, Inc.) regarding the Operating Committee (OC) discussion on the minimum oil burn requirements and Market Participants' desire to examine the economic implications. Mr. Milhous asked if a NYISO presentation was scheduled for the Dec. 14 MSWG meeting.

Frank Francis (NYISO) confirmed that the minimum oil burn issue will be discussed at the December 14th MSWG meeting.

Mr. Palazzo noted that Norman Mah (ConEd) will assume the Chair's position for the Market Structures Working Group (MSWG) and Erik Abend (Epic Merchant Energy) for the Scheduling & Pricing Working Group (SPWG). He also noted that there has been discussion about consolidating working groups. He asked for the BIC's feelings on the possibility.

Mark Younger (Slater Consulting) expressed concern that by merging the two groups would reduce the number of monthly meetings held by the new group.

Mr. Ray Stalter (NYISO) said there were many overlapping agenda items between the MSWG and the S&P. Meetings would be scheduled based on the new group's schedule.

Mr. Palazzo said creating a combined MSWG/S&P group with two meetings a month may require a redundancy for chairman for that group. He suggested setting up a chairman/vice-chairman arrangement for the new group. Mr. Mah would be chairman because he inquired first; Mr. Abend would be vice-chairman.

Mr. Palazzo said the other BIC working group chairmen will continue in their posts.

3. Market Operations Report

Rana Mukerji (NYISO) provided an overview of the Market Operations Report. Mr. Mukerji reported that the data in the Market Operations report was preliminary as of Nov. 27.

4. Regional Market Enhancements

Mr. Mukerji presented the Northeast Seams Report. He updated the following initiatives:

- ISO-NE Locational Capacity Market
- Cross-Boarder Controllable Line Scheduling
- NY MS-7040 Transfer Study
- Congestion Rent Shortfalls resulting from External Transmission Outages
- NY-PJM Proxy Bus Clearing Price Calculations

Doreen Saia (Mirant) asked if the NYISO still had a June/July time frame for the changes to be made to the system.

Mr. Mukerji responded that the Neptune was scheduled for the third quarter; Cedars-Dennison was for first quarter of 2007 and 1385 for June, 2007.

Ms. Saia said she thought the 1385 line was set for June and Neptune in July and asked that the NYISO confirms the schedules.

Mr. Mukerji said those schedules will be firmed up and communicated to MPs. All 2007 projects will be identified and firm commitment dates will be set.

Kevin Jones (LIPA) said he was concerned because Neptune is planned to go live in July and the NYISO hasn't suggested that the date can't be met. Any communication that is less than a firm commitment from the NYISO at this time is a big issue for LIPA.

Howard Fromer (PSEG) suggested that the NYISO needs to track PJM activities regarding cost allocation issues; who will pay for certain transmission improvements for reliability upgrades. FERC has stated there will be hearings over cost allocation issues, considering whether beneficiaries outside of PJM should be assessed a portion of the upgrades cost.

Mr. Mukerji said the issue is big and will be dealt with in 2007. PJM has initiated a major transmission expansion, moving power west to east. PJM claims it can't justify such expansion to accommodate New York City load and would like the NYISO to share in transmission build-out cost.

Mr. Fromer said the NYISO has not weighed in this debate at FERC and predicted the NYISO will suffer the consequences of FERC driving this economic component.

Mr. Mukerji said the NYISO has outlined the differences in planning philosophies and will support **NIETSE**.

Mike Mager (Multiple Interveners) and Tim Bush (Navigant) stated that Stakeholders would be very concerned about the possibility of paying for improvements outside the NYISO area.

Carl Patka (NYISO) commented that the NYISO is intervening in the proceedings and will MP's comments into consideration in deciding what position to take at the FERC.

5. Working Group Updates

A. Billing and Accounting (BAWG)

Mr. Dave Hall (NYSEG/RGE) submitted a summary of the BAWG's activities.

B. Electric System Planning (Joint OC/BIC WG)

Mr. Tariq Niazi (NYS Consumer Protection Board) reported that several ESPWG meetings have been cancelled. The Dec. 15 meeting is still on. The snag in the RNA study has been transfer limits. The NYISO will have a new schedule at the Dec. 15 meeting. There has been some recent progress; the group may soon have a new schedule and MP's input on the base case.

Glenn Haake (IPPNY) asked how the base case for IRM can be completed with outstanding issues on transfer limits. These two things should be consistent in the studies.

Mr. Patka said the IRM base case is for next year's IRM study. The methodology used to determine the voltage-based transfer limits is a topic of discussion between the NYISO and ConEd.

Mr. Haake asked if someone at the NYISO could provide an explanation because it would be helpful to understand if there is a difference between the IRM database and the RNA in 2007.

Ms. Saia asked if there is a difference between the IRM in 2007 and the base case used for the RNA. She said it would be helpful if the NYISO would explain this to MP's at the Operating Committee meeting.

Mr. Patka said the NYISO is talking to Transmission Owners about resolving this issue and will try to get someone to address it at the upcoming OC meeting.

Mr. Niazi said there was a fundamental communications breakdown at the ESPWG on the RNA issue. Some progress has been made over the last few days. He was hopeful the situation would be resolved.

Mr. Younger reiterated the importance of the NYISO preparing a document that explains any modeling differences. If there are differences in assumptions that result in the RNA identifying needs that the IRM and LCRs and market signals do not see as needs, that is a significant problem. The NYISO should come forth with a document that identifies any differences, explains them and addresses their potential impact.

Mr. Patka said that the NYISO will take an action item to provide Mr. Younger with something in writing on the differences between the methodologies used in the IRM and RNA studies.

Mr. Niazi said a more formal structure is needed to communicate and get needed information for the RNA base case. A time frame and more formal structure are necessary.

Mr. Mager said he believed the ESPWG has gotten way off course. Some quick corrections need to be made. The ESPWG needs a greater amount of support from the NYISO staff.

Mr. Haake said he recognized the hard work being done by the ESPWG but there are too few people doing too much work there.

Mr. Mukerji said the NYISO recognizes the problem and is currently working to fill the opened engineering and director positions.

C. ICAP Working Group (ICAPWG)

Mr. Glenn Haake (IPPNY) reported. He said a number of issues were discussed on Nov. 17, including a return of 600-plus megawatts (MW) of import capability reserve from New England to New York. An MP asked if the NYISO Market Monitoring Unit was going to evaluate that conduct.

Mr. Francis said the request was given to the Market Monitoring Unit and they considered the issue. No rules were broken.

Mr. Younger requested that the issue be on the Dec. meeting agenda to consider if additional information should be provided.

Mr. Mukerji said an analysis of in-city ICAP mitigation will be presented. The NYISO is trying to schedule that after the Board of Directors makes a decision on Dec. 18. Dr. David Patton has been contacted to appear. The meeting may be changed to Dec. 21 to accommodate his schedule.

Mr. Haake mentioned the forward capacity market concept and that Dave Lawrence (NYISO) suggested that more stakeholder meetings be held to discuss the issue. The next ICAP meeting is Dec. 21.

D. Interconnection Issues Task Force (IITF)

Mr. Haake said the TOs have put together a term sheet for the approach of a localized deliverability test in the interconnection process. It was reviewed by Mr. Haake and a small group of generators.

Mr. Mukerji said an IITF meeting will be set in January to discuss that issue. The NYISO is working on straw proposals on the localized test and the market implementation regarding ICAP eligibility.

E. Resource Adequacy Issues Task Force (RAITF)

Mr. Haake reported. He said the RAITF is waiting on the completion of the Upstate/Downstate study to set another meeting. A meeting will be set when the study is complete.

F. Market Structures Working Group (MSWG)

Mr. Mah reported. The group met on Dec. 1 and has meetings scheduled for this afternoon and Dec. 14th. Five topics were dealt with on Dec. 1, including long-term TCC allocations.

G. Price Responsive Load Working Group (PRLWG)

Mr. Rick Mancini (Customized Energy Solutions) reported. The PRLWG will meet on Dec. 8; the BIC will receive an update at the BIC's January meeting.

H. Scheduling & Pricing Working Group (S&PWG)

Mr. Bart Franey (National Grid) reported. The S&PWG met in a joint S&PWG/MSWG meeting. The S&PWG discussed the PJM proxy bus pricing issue.

Mr. Younger asked if the NYISO has begun testing for transmission demand curves.

Mr. Mukerji said he would get back to Mr. Younger on that request.

6. Proposed Amendments to the Voltage Support Service Tariff

Mr. Carl Patka (NYISO) outlined the proposed tariff amendments, intended to remove outdated language from the NYISO's Services Tariff. The language on Voltage Support Service is left over from mandatory power purchase agreements between non-utility generators or qualifying facilities and transmission owners under federal and state law. Removing the outdated language will clean up the Services Tariff and avoid confusion.

Mr. Mager asked if there was any change to the status quo regarding operations.

Mr. Patka said there was no change.

Motion #1:

The Business Issues Committee (BIC) hereby recommends that the Management Committee (MC) approve amendments to the NYISO's OATT Rate Schedule 2, as presented to the MSWG on 12/1/06 and to the BIC on 12/6/06, to remove requirements to make payments for VSS provided by NUGs to the entity purchasing Capacity and/or Energy under such agreements. The NYISO will continue to make VSS payments to entities that are the Financially Responsible Party for the NUG.

(Motion passed unanimously by show of hands.)

7. Proposed Revisions to the Ancillary Services Manual

Mr. Patka made the presentation.

Mr. Patka said if the substance of the technical bulletins is in the manual, the NYISO recommends that the technical bulletins be retired.

Mr. Fromer said that the purpose of technical bulletins is to provide guidance or an interpretation as an interim step until the topic can be discussed and incorporated into the manuals. If the technical bulletin discussion is moved into the manual, the technical bulletin has outlived its purpose.

Mr. Patka said he would take that back to Robert DeMello (NYISO) and talk to him about retiring old existing technical bulletins.

Motion #2:

The Business Issues Committee (BIC) hereby approves revisions to the NYISO Ancillary Services Manual, as discussed at the Market Structures Working Group meeting on December 1, 2006, and as presented to the BIC on December 6, 2006.

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

8. Meter Scorecard Update

Mr. Randy Bowers (NYISO) provided the update, a semi-annual report on the metering scorecard that tracks meter changes at each true-up, as required by the BIC in early 2006. The Meter Scorecard report is part of the BIC meeting packet.

Mr. Bowers said there have been a fairly consistent number of changes at the four and 12-month true-up for tie line and generated meter readings.

On Nov. 2, the NYISO filed with FERC a motion to shorten the settlement cycle to 9 month, 25 day cycle, implemented on Jan. 1, 2007. Mr. Franey asked if the Meter Scorecard template will change due to the new shortened settlement cycle.

Mr. Bowers said the metrics are still being compiled. The Meter Task Force is set to discuss a possible format to supplement the report.

10. Administrative Matters

Mr. Francis said that the minimum oil burn compensation and transmission constraints testing items will be updated at the Dec. 14th MSWG meeting.

The meeting was adjourned at 12:57 p.m.

Respectfully Submitted,
Michael A. Lisi
Recording BIC Secretary