

NYISO Management Committee Meeting

May 28, 2003

NYS Nurses Association
Latham, NY

MINUTES OF THE MEETING

1. Introduction and Meeting Objectives

Garry Brown, Chairman, called the meeting to order at 10:05 AM and welcomed the members of the Management Committee ("MC"). Mr. Brown reported on discussion at the PPT meeting and relayed the information that there will be little room to do additional projects beyond current projects and SMD because the resources are not available. This needs to be emphasized in the working groups.

Jim Scheiderich, of Select Energy NY, stated that he wants to entertain changes to SMD within the allowable priorities now, rather than further down the road.

2. Approval of the Minutes

Motion #1:

Motion to approve the Minutes of April 14, 2003
(Motion passed unanimously by show of hands)

3. Day-Ahead margin Preservation Compliance Issue Review

Jim Savitt gave an update on gas balancing costs associated with Day-Ahead Margin Preservation ("DAMP"). This same presentation had been given to the Business Issues Committee ("BIC"). DAMP is intended to make suppliers whole when a generator is forced to operate below its DAM schedule for security reasons.

NRG has protested to FERC that the DAMP payment does not compensate them for gas balancing penalties incurred for not running and this issue has been discussed at Market Structures Working Group ("MSWG") and BIC. The NYISO agrees with FERC that an automatic recovery of gas imbalance penalty costs may not be appropriate but is willing to consider non-automatic recovery mechanisms and has requested that Market Participants provide proposals to be considered.

4. President's Report

Reliability Indicators

Mike Calimano reported on control performance and regulation response.

Mr. Scheiderich requested that the NYISO send out an email to MPs that indicates what the formulas for regulation response will be.

Mark Younger, of Slater Consulting, expressed concern that this regulation response issue should be brought through the committee process.

Doreen Saia, representing Mirant, stated that this issue has not been brought to the Operating Committee ("OC") for a vote. This would likely require tariff changes and should be brought to the Schedule and Pricing Working Group and the Business Issues Committee ("BIC").

Wesley Yeomans, of National Grid, replied that he recalls that the tariff states that the ISO can secure the amount of regulation they need to meet the NERC criteria regardless of what the number is. It is the NYISO's judgment of what that number should be.

Mr. Brown stated that presentations should be made to the OC and BIC. Concurrently NYISO's legal department should determine if there would need to be a tariff change.

Mr. Calimano added that regulation testing would be postponed until this has been done.

Mr. Calimano reported that prices have dropped from March to April. This Spring has been running cooler than in the past and therefore demand on the system has been less.

Uplift increased somewhat for April. Price reservations also increased in April, mostly as a result of Zonal NYC generator modeling errors and the Open Scheduling System ("OSS") deployment in April.

NYISO Involvement in RPS Proceedings

Mr. Calimano stated the NYISO has formally intervened in the RPS proceeding being conducted by the Public Service Commission to design a statewide renewable portfolio standard in response to the Governor's message promoting the expansion of renewable energy sources. The NYISO has put together an internal team of Operations, Market Design and Legal staff to participate and will address the reliability impact of expanded renewables on the system. A draft study scope is being developed and will be discussed with MPs prior to bringing it to the proceeding.

Mr. Scheiderich stated that this issue should be brought before BIC because there are market implications as well.

Mr. Calimano responded that BIC will be copied on the materials presented to the OC.

Larry DeWitt, of Pace Energy, added that the BIC would be having discussions with neighboring ISOs on attribute trading across ISOs.

Bob Loughney, of Couch White, expressed concern that the RPS proceeding was moving rapidly and that the ISO will have to move quickly to have the desired input on the reliability impacts of the RPS.

Mr. Brown summarized that MPs can expect an initial analysis of the RPS at the June OC meeting. A similar presentation should be made at BIC as well.

5. Update on Seams and Market Improvement Projects

Chuck King reported on the Northeast Seams Report. A quarterly seams meeting will be set up shortly to discuss the FERC submittal that is due in July.

The NY trading hub issue has been resolved. OSS was deployed on April 13th. The ISO would like to get feedback on the OSS system and will develop short surveys for that purpose. Evaluation of the 7040 transfer limits is underway and will be completed in June.

Rate pancaking discussions are continuing with neighboring ISOs.

Mr. King reported that the Virtual Regional Dispatch paper has been posted and there is a joint meeting of the MSWG and ISO-NE tomorrow to discuss it. Invitations have also been extended to PJM and IMO for participation.

In regard to scarcity pricing, New York implementation is underway for reserve shortage cost pricing and to permit EDRP and SCR resources to set energy prices in real-time. Implementation is planned for June pending FERC approval. There is a similar proposal in ISO-NE, planned for implementation in July.

Mr. King reported that the Regional Resource Adequacy Model (RAM) working group is receiving presentations from vendors. MPs will be notified when a vendor decision has been made.

The multiple proxy bus draft white paper has been issued for MP review and will also be reviewed at tomorrow's joint MSWG/ISONE meeting.

Mr. King reported that the Northeast Coordinating Committee has been developed as a result of an agreement between the NYISO, IMO and ISO-NE. A report has been released that provides background of the group and discusses issues that the group is currently assessing.

Mr. King reported that the NYISO and PJM have reviewed the use of the Congestion Management Pilot implemented in 2002 and have concluded that the pilot is no longer

needed and may be suspended. Transformer additions in western Pennsylvania have eliminated the contingency situation, thus rendering the pilot moot. The pilot was last used on five occasions in November of 2002. A manual bill will be issued to PJM for those instances last November. The NYISO will consider other congestion management pilots with neighboring control areas if they come up.

Mr. Jeremko, of NYSEG, stated that there is a national congestion management meeting in early July. Mr. King responded that he is planning to attend, adding that it is worthwhile to observe what other parts of the country are doing and will report back anything significant.

Mr. Brown stated that tomorrow's MSWG would be a joint meeting with ISO-NE.

Mr. King discussed upcoming Summer Projects, some of which will address recommendations given by David Patton. Mr. King stated that the NYISO would prepare and post status of recommendations from past reports.

The ability for Day Ahead Demand Response providers to bid has been deployed. The settlements portion will be completed by July 20. MP usability is targeted for July 1st.

Scarcity Pricing's initial deployment is targeted for June 10th. Lost Opportunity payments are targeted for August. The ISO confirmed that it will manually track the LOC payments that become due in the interim.

Mr. King reported that the Non-competitive Proxy Pricing is scheduled deployment is June 10th pending FERC approval. A manual price correction process is in place if approved and triggered between May 30th and June 10th. Bid Production Cost Guarantee ("BPCG") Limitation is targeted for August.

The 85/15 initiative will be billed manually for period May '02 – June '03.

Jim Parmelee, of LIPA, suggested that the rate recommendation process should involve Market Participant ("MP") input.

Elaine Robinson stated that she would try to get Randy Bowers on the phone after lunch to address rate and billing code changes.

Mr. King reported that Web Based reconciliation is currently undergoing testing with Transmission Owners. Deployment will follow the posting of June invoices and it will be used first on July 9th.

With regards to GT Management, Mr. King stated that the NYISO Operations Department is working to eliminate late GT starts and eliminate persistent dragging in Real Time. The targeted deployment for both initiatives is June 17th. This improvement will automatically solve the problem, so as to not require manual operator intervention.

Mr. Younger asked if the fix would be able to identify the cause of the GT management problems.

Mr. King responded that he was unsure, but would find out.

Mr. Dewey reported on the process used to develop the scope for the SMD 2 Initial Release. Features of existing markets had to be carried over to a SMD2 release. The project schedule must be frozen to ensure stability of the SMD2 design. Code changes and emergency fixes will still be dealt with.

Mr. Dewey stated that work is currently underway to lock down what will and will not be included in the initial SMD 2.0 deployment. The functions to be added to the design of SMD 2.0, except for AMP IV, are projects that are currently underway that the NYISO feels confident will be completed in the legacy systems prior to the start of SMD market trials. AMP IV will be included in the initial deployment and will cover both Day Ahead and RT. Software specific to the GT late start issue will be worked into the RTS design.

Mr. Scheiderich stated that it is important to know that the solution on multiple proxy buses has a generic design, so as not to potentially duplicate efforts down the road.

Mr. Dewey reported on features that are still being reviewed for inclusion. The final list will be announced this summer. The following project schedules are still uncertain and include: UCAP automation, In-day Pre-scheduling, Facilitated Checkout, and Loads bidding as Reserve.

Mr. Dewey clarified that the Facilitated Checkout project is on schedule, but NYISO is still looking for a partner from the neighboring control areas.

Mr. Dewey also reported on Future Features, which will not likely be completed for SMD's initial deployment. These projects include: TCC Online Auction Automation, Ex-Posting Pricing, and Controllable Lines Pricing and Scheduling.

Mr. Scheiderich requested an effort level estimate necessary for MIS data changes that will be implemented post-SMD deployment.

6. Report on Power Alert III

Mr. Calimano discussed the recently released Power Alert III. This report is a comprehensive view of the bulk power system that assesses three components: supply, transmission, and demand response/conservation.

Ray Kinney, of NYSEG, is concerned that the "In-State Reserve Margin" chart is misleading because it only portrays in-state generation.

Mr. Calimano stated that backup data and assumptions to the "NYS Summer 2003 In-State System Load and Generating Capacity" chart would be provided by mid next week. This data will be posted on the Web under MC meeting materials.

Jim Parmelee raised LIPA's concern that the congestion measurement method in the report is incorrect.

Mr. Brown suggested that this issue should be discussed further in a working group.

Mr. Yeomans suggested the Transmission Planning Advisory Subcommittee ("TPAS") is the appropriate group for the OC and Larry Dewitt, BIC Chair will decide on the appropriate BIC group later this week.

Randy Bowers discussed how the 15% recovery of rate schedule 1 charges would be made.

Elaine Robinson stated that the NYISO is considering recovering in installments rather than a lump sum. She will make arrangement for a special BAWG meeting by teleconference to discuss this further.

7. Working Capital Allocation Compliance Review

Kevin Jones, of Hunton and Williams for the NYISO, discussed the Working Capital Allocation Compliance Review.

8. Thunder Storm Alert (TSA) Compliance Filing Review

Andrew Hartshorn, of LECG for the NYISO, discussed the proposed methodology for calculating costs attributable to Thunderstorm Alerts.

9. Report from the Budget Standards and Performance Committee

Mr. Parmelee gave an update of the activities of the Budget Standards and Performance Subcommittee ("BS&P"). The potential refund from 2001 and 2002 is now estimated to be \$4.8 million. Year to date, 2003 Income is slightly ahead of projections and spending is on track. The bylaws Subcommittee is drafting procedures to define how multi-year processes will be continued. Performance Goals are currently being reviewed. The next meeting of the BS&P will be June 6th.

10. New business

None

11. Adjourn

The meeting adjourned at approximately 2:28

NYISO Management Committee Meeting

May 28, 2003

New York State Nurses Association, Latham, NY

MOTIONS FROM THE MEETING

Motion #1:

Motion to approve the Minutes of April 14, 2003.

(Motion passed unanimously by show of hands)

New York Independent System Operator - Committee Membership

Management Committee - Attendance May 28, 2003 - Albany, NY - Parties Checked in Attendance

Organization	Sector	Representative	Alternate1	Alternate2	Alternate3	Alternate4	Alternate5	Alternate6	Proxy	Guest
NYS Energy Research & Develop. Auth. The City of New York	End Use - Gov. Agency/Aggr. End Use - Gov. Agency/Aggr.	Paul DeCotis Michael Delaney	✓ Jeffrey Gerber Richard Miller	Erin Hogan Scott Butler	Chris Hall Jonathan Wallach	John Spath				
Alcoa/Reynolds Metals Company	End Use - Large Consumer	✓ Robert Loughney	Michael Mager	Craig Carriero						
ATCO Management Co.	End Use - Large Consumer	Peter DiCapua	Scott Petersen	George Diamantopoulos						
IBM Corporation	End Use - Large Consumer	✓ Robert Loughney	Michael Mager	Craig Carriero						
Occidental Chemical Corp.	End Use - Large Consumer	✓ Robert Loughney	Michael Mager	Craig Carriero						
Praxair Inc.	End Use - Large Consumer	Christian Lenci	✓ Robert Loughney	Michael Mager	Craig Carriero					
Xerox Corporation	End Use - Large Consumer	✓ Robert Loughney	Michael Mager	Craig Carriero						
Metropolitan Transportation Authority	End Use - Large Cons. Gov.	✓ Jesse Samberg	Gary Caplan	Walter McCarroll						
Association for Energy Affordability, Inc.	End Use - Small Consumer	David Hepinstall	✓ Larry DeWitt							
Beth Israel Health Care System	End Use - Small Consumer	Catherine Luthin	✓ John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner				
Building and Realty Institute	End Use - Small Consumer	Herb Rose	Marjorie Ochrach	Ted Lee	Judith Mondre	✓ Tariq Niazi				
Citizens Advisory Panel	End Use - Small Consumer	Gordian Raacke	✓ Larry DeWitt							
CNYC Inc. (Council of NY Coop & Condo)	End Use - Small Consumer	Herb Rose	MaryAnn Rothman	Marjorie Ochrach	Ted Lee	Judith Mondre	✓ Tariq Niazi			
Columbia University	End Use - Small Consumer	Catherine Luthin	✓ John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner				
Mount Sinai Medical Center	End Use - Small Consumer	Catherine Luthin	✓ John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner				
New York Energy Buyers Forum	End Use - Small Consumer	Herb Rose	Ted Lee	David Bomke	✓ Tariq Niazi					
New York Presbyterian Hospital	End Use - Small Consumer	Catherine Luthin	✓ John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner				
New York University	End Use - Small Consumer	Catherine Luthin	✓ John Dowling	Jennifer Kearney	✓ Tariq Niazi	Doug Elfner				
Refined Sugars, Inc.	End Use - Small Consumer	John Gebhard	Quintin George	Catherine Luthin	✓ John Dowling	Jennifer Kearney				
NY State Consumer Protection Board	End Use - State Agency	✓ Tariq Niazi								
AES NY	Generation Owners	Christopher Wentlent	Rick Santoroski	Charles Sjoberg						
American National Power, Inc.	Generation Owners	Dorothy Capra	Bill Henson							
Astoria Energy LLC	Generation Owners	Greg Banhazi	Leonard Singer							
Calpine	Generation Owners	Thomas Kaslow	Tracee Bersani	✓ Richard Felak						
East Coast Power	Generation Owners	Gary Keevill								
Edison Mission Marketing & Trading	Generation Owners	William Roberts	Robert Agnello							
Energy Nuclear Northeast	Generation Owners	Marc Potkin	William Stone	Jeffrey Ellis						
Indeck Energy Services	Generation Owners	Mike Ferguson	John Schrage	✓ Ron Mackowiak						
KeySpan Ravenswood, LLC	Generation Owners	James Brennan	Rich Hohlman	✓ Mark Younger						
Mirant New York, Inc.	Generation Owners	Susann Felton	✓ Doreen Saia	Dick Ackerson	✓ James D'Andrea	✓ Terrence Kain	Ron Lukas			
Orion Power New York	Generation Owners	✓ John Reese	Bruce Bleiweis	Vicki Lynch						
PG&E Generating	Generation Owners	Dan Dubois	Dan Whyte							
Sithe Energies, Inc.	Generation Owners	✓ Garry Brown	David Applebaum							
TransCanada Power Marketing	Generation Owners	William Taylor	Elaine Beaudry							
1st Rochdale Cooperative NYC	Other Suppliers	Gregory Wortham								
Advantage Energy, Inc.	Other Suppliers	Kyle Storie								
Agway Energy Services, Inc.	Other Suppliers	Russell Miller	✓ Jim Scheiderich							
Amerada Hess Corporation	Other Suppliers	Hemant Jain	Kevin Laguardia	Bias Hernandez						
Aquila Energy Marketing Corp.	Other Suppliers	Jerry Coffey	Peter Brown	David Wiesner	Pamela VanHorn	Richard Mooney	✓ Susan Chamberlin			
Cinergy Capital and Trading	Other Suppliers	Jason Barker	Walt Yeager							
Con Edison Energy	Other Suppliers	Ken Bekman	Ivan Kimball							
Con Edison Solutions	Other Suppliers	Ken Bekman	✓ Stephen Wemple							Paul Gioia
Conectiv	Other Suppliers	Bill Fehr	John Foreman							
Constellation New Energy Inc.	Other Suppliers	Peter Duprey	Carrie CullenHitt	Steve Fernands						
Constellation Power Source	Other Suppliers	Daniel Allegretti	Harvey Reed	Glen McCartney	Mary Lynch	Carrie CullenHitt				
Coral Power, LLC	Other Suppliers	✓ Matt Picardi	Marc Overdyk	Dave French						
Dominion Energy Marketing, Inc.	Other Suppliers	Michael Bekker	Lou Oberski							
Duke Energy North America, LLC	Other Suppliers	Stacy Dimou	Del Disher							
Dynergy	Other Suppliers	✓ Alan Foster	Jason Cox	Chris Moser	Tom May	Steve Vavrik				
ECONergy	Other Suppliers	Saul Horowitz	✓ Tom Halleran							
El Paso Merchant Energy	Other Suppliers	Gary Keevill	Asavari Alvarez	Russel Like						
Exelon Generation - Power Team	Other Suppliers	Linda Clarke	✓ Garry Brown	David Applebaum	Regina Carrado	Eric Olson				
Fortistar/Lockport Energy Associates, L.P.	Other Suppliers	Roger Kelley	Tom Gesicki	✓ Mark Younger	Glenn Haake					
FPL Energy	Other Suppliers	Roberto Denis	Fernando DaSilva							
HQ Energy Services	Other Suppliers	Benoit Goyette	Michel Prevost	Paul Norris	Joel Zipp	Gunnar Birgisson				
KeySpan Energy Services	Other Suppliers	Ron Lukas	Ruben Brown	Peter Chamberlain	John Smith					
Mirabito Gas & Electric, Inc.	Other Suppliers	Russ Southard	✓ Jim Scheiderich							
Morgan Stanley Capital Group	Other Suppliers	Patrick Murray	Karen Kochonies	Levon Kazarian	Doron Ezickson	Nikolai Markarian				✓ T. Hethington, D. Kerto
NRG Power Marketing	Other Suppliers	Joe DeVito	✓ Charles Knight	Peter Chamberlain						
NU / Select Energy	Other Suppliers	Gunnar Jorgensen	✓ Jim Scheiderich							
Ontario Power Generation Inc.	Other Suppliers	✓ Barry Green	Tasos Karatsoreos	Ken Lacivita						
PP&L Energy Plus	Other Suppliers	John Brodbeck	Roland Moor	David Smith						
PSEG Energy Resources & Trade	Other Suppliers	Howard Fromer	Michael LaFalce							
Reliant Energy Services, Inc.	Other Suppliers	Bruce Bleiweis	✓ John Reese							
Sempra Energy Trading	Other Suppliers	✓ Tom Halleran	Dan Staines	Russel Like	Mally Becker	Bob Chilton				

New York Independent System Operator - Committee Membership

Management Committee - Attendance May 28, 2003 - Albany, NY - Parties Checked in Attendance

Organization	Sector	Representative	Alternate1	Alternate2	Alternate3	Alternate4	Alternate5	Alternate6	Proxy	Guest
Strategic Energy LLC	Other Suppliers	Francis Pullaro	Michael Swider	Jeffrey Knox	James McCormick	Matt Morais				
Strategic Power Management, Inc.	Other Suppliers	Dan Duthie	Mario DiValentino							
Transalta (formerly MEGA)	Other Suppliers	Bob Sadowsky	Jubran Whalan							
TransEnergie U.S. Ltd.	Other Suppliers	José Rotger	Michael Jacobs							
Williams Energy Marketing & Trading Co.	Other Suppliers	David Singer	Dennis Keener							
Long Island Power Authority	Public Power - Authorities	✓ Jim Parmelee	Bill Killgoar	Seth Hulkower	Kevin Jones					
New York Power Authority	Public Power - Authorities	Robert Hiney	✓ William Palazzo	✓ Kim Byham						
American Wind Energy Association	Public Power - Environmental	David Wooley	✓ Larry DeWitt							
Environmental Advocates	Public Power - Environmental	Anne Reynolds	✓ Larry DeWitt							
Natl Resources Defense Council	Public Power - Environmental	Dale Bryk	✓ Larry DeWitt							
Pace University	Public Power - Environmental	Edward Smeloff	✓ Larry DeWitt							
Scenic Hudson	Public Power - Environmental	✓ Larry DeWitt								
Bath Electric, Gas & Water Systems	Public Power - Munis & Co-ops	✓ Paul Pallas	Matthew Benesh	Jim Hamilton	Jack Brown	Ken Moore	✓ Tim Bush			
City of Jamestown Board of Pub. Util.	Public Power - Munis & Co-ops	✓ Michael Darroch	David Gustafson	Wally Haase	✓ Tom Rudebusch					
Plattsburgh Municipal Lighting Dept.	Public Power - Munis & Co-ops	Jack Brown	✓ Paul Pallas	✓ Tim Bush						
Village of Fairport	Public Power - Munis & Co-ops	Ken Moore	✓ Tim Bush	✓ Paul Pallas						
Village of Freeport	Public Power - Munis & Co-ops	Hubert Bianco	Anthony Fiore							
Village of Rockville Centre	Public Power - Munis & Co-ops	✓ Paul Pallas	Jim Hamilton	Jack Brown	Ken Moore	Matthew Benesh			✓ Tom Rudebusch	
Village of Westfield	Public Power - Munis & Co-ops	Jim Hamilton	✓ Paul Pallas	Matthew Benesh	Jack Brown	Ken Moore	✓ Tim Bush			
Central Hudson Gas & Electric	Transmission Owners	✓ Charles Freni	John Watzka							
Consolidated Edison	Transmission Owners	✓ Joe Oates	Terry Agriss	Neil Butterklee						✓ P. Gioia, J. Mucci
National Grid	Transmission Owners	Jerry Ancona	✓ Wes Yeomans	Peter Flynn	Herb Schrayshuen	Bart Franey	Masheed Rosenqvist	✓ MaryEllen Paravalos		✓ R Mancini, S Jeremko
NY State Electric Gas (NYSEG)	Transmission Owners	✓ Ray Kinney	✓ Patti Caletka	Hank Masti	Cliff Olson	Denis Wickham				
Orange & Rockland, Inc.	Transmission Owners	None Assigned								
Rochester Gas & Electric	Transmission Owners	Clifton Olson	Laurie King-Pirchner							
Aaron Breidenbaugh	Non-voting	Aaron Breidenbaugh								
Caithness Energy, L.L.C	Non-voting	Ross Ain	Jack Feinstein							
Cianbro Corporation	Non-voting	Chuck Hewett	John Tompkins							
Customized Energy Solutions	Non-voting	Stephen Fernands	Bill Schofield							
Energetix, Inc.	Non-voting	Barney Farnsworth								
Hudson River Energy Group	Non-voting	Frank Radigan								
Hydro-Quebec TransEnergie	Non-voting	✓ Glenn Sylvain	Mario Boucher							
NYS Department of Public Service	Non-voting	Penny Rubin	✓ Rajendra Addepalli							
The Structure Group	Non-voting	Bob Furry	Jim Krajecki							
William P. Short	Non-voting	William Short	Marc Schaefer	Joe DeVito	John Brodbeck	Ron Matlock	Paul Savage	Jim Verna	Roberto Denis	
zNew Member	Non-voting	None Assigned								

NYISO and Hunton & Williams Members in Attendance:

✓ Ira Freilicher	Hunton & Williams
Kathy Robb	Hunton & Williams
James Schmidt	Hunton & Williams
✓ Mike Calimano	NYISO
Bill Museler	NYISO
✓ Chuck King	NYISO
Mollie Lampi	NYISO
✓ Gerald Deaver	NYISO
✓ Bob Ricketts	NYISO
✓ Elaine Robinson	NYISO
✓ Kristen Kranz	NYISO
✓ Leigh Bullock	NYISO
✓ Ray Stalter	NYISO
✓ Debbie Eckels	NYISO
✓ Jim Savitt	NYISO
Dave Evanoski	NYISO
Phil Goozee	NYISO
John Cutting	NYISO
✓ Jane Lathrop	NYISO
✓ Ernie Cardone	NYISO
John Charlton	NYISO
✓ Kathy Whitaker	NYISO
Andrew Harshorn	NYISO/LECG

Key:

✓ = In attendance