
DRAFT**NYISO Management Committee Meeting Minutes****September 27, 2011****10:05 a.m. – 12:00 p.m.**

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

Mr. Howard Fromer (PSEG), the Vice Chair of the Management Committee (MC), called the meeting to order at 10:15 a.m. and welcomed the members of the MC. Meeting participants introduced themselves and their affiliations. There was a quorum.

2. Approval of MC Minutes – July 27, 2011**Motion #1:**

Motion to approve the MC minutes from the July 27, 2011 and August 31, 2011 meetings.

Motion passed unanimously with an abstention

3. President and CEO Report

Mr. Rick Gonzales (NYISO) reviewed the CEO and COO report included with the meeting material. Mr. Mark Younger (Slater Consulting) asked about the causes for the low prices in August. Mr. Gonzales said that the LFTF is investigating.

Mr. Gonzales informed members that the previously reported Beck-Niagara outages were now postponed into the fourth quarter.

Mr. Rich Miller (Consolidated Edison) asked for an update on the July 22 scarcity pricing. Mr. Gonzales noted that NYISO previously discussed the topic at the Market Issues Working Group on August 29. He said that because of the uniqueness of the July 22 event, it was the first time scarcity pricing had been implemented statewide. NYISO was unable to correct the prices through the normal price validation process and therefore had to implement corrections to the production scarcity pricing software. Mr. Younger asked what will the NYISO do in the future. Mr. Gonzales said the NYISO would want the code to be as dynamic and be flexible as possible for future reliability constraints requiring demand response activation. Mr. Younger said he strongly supports these efforts.

Infrastructure Master Plan (IMP):

Mr. Rich Dewey (NYISO) gave an update of the IMP. He said the Carman Road project is making progress and is on track. The NYISO recently completed the enclosure of the structure and now is moving to the interior of the structure. The PCC held up well during Hurricane Irene and the torrential rain. The roof and the new addition wasn't completed at the time, but the overhead roof protection shielded the facility from the rain. The NYISO is still on target to complete the project by the end of the year. He provided pictures of the construction work.

For the Krey Blvd project, the NYISO is in the final stages of the completion of detailed designs and the bidding of the actual work. NYISO is happy with the prices that it has seen from a labor and material standpoint and will remain on budget. The NYISO expects the first phase of the construction project to begin in shortly.

Mr. Fromer asked about the evacuation event at the PCC. Mr. Dewey said that roofing contractors were using material too close to the air intake and created a concern with fumes. As a precaution, the NYISO evacuated and an environmental air quality team determined the building was safe. The NYISO operated the grid from the ACC. There were no reliability or market problems as a result.

4. NYISO 2012-2014 Budget Overview

Mr. Scott Brown (New York Power Authority) reviewed the presentation included with the meeting material. Mr. Brown updated members of the current budget process and reminded stakeholders that there will be a BPWG meeting on October 7 to discuss the budget further.

Ms. Saia said she noticed that the budget for MWh levels are higher than the Gold Book forecast. Mr. Henry Chao (NYISO) said the LFTF will discuss the forecast process for next year.

Mr. Fromer raised a concern about FERC fees being beyond anyone's control and asked what happens if the FERC fees significantly increase. Ms. Mary McGarvey (NYISO) said FERC Fees are in the budget; if stakeholders want to remove it, the NYISO will support that. She said the NYISO assumes there will be small growth, but the NYISO doesn't know what the assessment will be until it is received.

Mr. Miller asked if the timing of the Public Service Commission audit is changing? Ms. McGarvey said it may be delayed by a month. Mr. William Heinrich (NYS DPS) said the PSC will discuss it at the October session. Mr. Paul Gioia (representing TOs) asked about the spending for the audit and the gas/electric study. Ms. McGarvey said that the NYISO is paying for audit firm and the gas/electric study. Mr. Miller asked if NYISO can add the additional Operations employee in the 2013 budget. Ms. McGarvey said the NYISO is expecting 11 positions in 2013. She said the NYISO needs the position in 2012 to prepare for the new BES definition. She said stakeholders may want to discuss further at the upcoming BPWG.

Mr. Kevin Lang (Multiple Intervenors) raised a concern that the NYISO's revenue requirement is the second highest in the nation. Ms. McGarvey said the NYISO looks at that in the same light and is minimizing costs where possible. Mr. Fromer asked about NYISO's historical headcount growth. Ms. McGarvey said she can provide more details at the BPWG, but said that 2011 had 519 FTE. Mr. Miller asked about the IT positions. Mr. Dewey said he can provide more details at BPWG, but he noted that last year the NYISO reduced contractors and replaced them with the equivalent number of employees in software development in order to lower professional fees. Mr. Lang commented that the MC should be aware that this was a one shot last year and now NYISO is increasing costs next year for additional projects. He said he would like to have a discussion at the BPWG.

Mr. Fromer asked about the historical trends for project costs in the budget. Ms. McGarvey said that number has averaged \$20 million. Mr. Lang said there needs to be moderation with future projects and the NYISO needs learn how to say no.

Mr. Miller noted that Con Ed has long asked for a multi-year budget, but was concerned if the budgets reflect efficiency savings. Mr. Fromer expressed a concern with a three year budget commitment. Mr. Rich Bolbrock (MEUA) asked for a narrative for additional headcount in the future. Mr. Lang seconded. Mr. Chris LaRoe (IPPNY) comment that the \$4.1 million increase in the 2014 budget is very high. Mr. LaRoe asked if stakeholders would vote separately on the 2012 budget and the 2013-2014 budgets. Mr. Brown said this remains an open issue. He asked MPs to provide feedback. Mr. Fromer reminded stakeholders of the obligation to adopt a budget for 2012. He urged members to participate at the

BPWG meeting so that there will be broad representation and that concerns can get resolved. Mr. Fromer thanked Mr. Brown for shepherding the budget process.

5. Treatment of Solar Resources in the Capacity Market

Mr. Will Dong (NYISO) reviewed the presentation included with the meeting material. The tariff and ICAP Manual do not specifically address ICAP market provisions for solar resources. Solar resources are expected to enter the NYISO's market in late 2011. The NYISO proposes the following changes: define methods to calculate the Unforced Capacity for i) existing solar resources and ii) new solar resources; and exclude solar resources from the Day Ahead Market (DAM) bidding and scheduling. Due to its dependence on solar energy as fuel, which is beyond the control of the Generator or Installed Capacity Supplier, solar resources should not be required to bid into the DAM. These changes were approved by the September 14, 2011 BIC meeting.

Mr. Jackson Morris (PACE Energy and Climate Center) asked about LIPA's request from the BIC meeting re: the NYISO to look at historical data for HB 13? Ms. Gloria Kavanah said the NYISO would provide a report within a year to stakeholders.

Motion #2:

The Management Committee (MC) recommends that the NYISO Board of Directors approve for filing under Section 205 of the Federal Power Act, amendments to the Market Services Tariff as described in the presentation entitled, "Treatment of Solar Resources in the Capacity Market", made to the MC on this date, September 27, 2011.

Motion passed unanimously.

6. New Business

No new business