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**DRAFT****NYISO Business Issues Committee Meeting Minutes****January 6, 2010****10:15 a.m. – 2:30 p.m.**

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

Mr. Glenn Haake (Dynergy), the Chair of the Business Issues Committee (BIC) called the meeting to order at 10:15 a.m. He welcomed the members of the BIC and meeting participants introduced themselves and their affiliations. A quorum was determined.

**2. Market Operations/Seams Report**

Mr. Rana Mukerji (NYISO) reviewed the market performance highlights for the month of December 2009 (see presentation).

Mr. Mukerji presented an update on the January 12th filing to FERC seams report. The the filing will include the white paper, ISO and NEISO summary of the joining NE NY initiatives and the FERC seams report to demonstrate there is a broader seams initiative also being addressed. He also indicated the discussions between NY and PJM to align the capacity markets are targeted to begin in 2010.

Mr. Robb Pike (NYISO) provided an update on the Broader Regional Markets initiatives. The final review of proposals for the January 12th filing package was discussed at the MIWG meeting held on January 5. Discussions continue on interface pricing revisions to address what evolutions are desired to develop the interface pricing protocols for today, as well as to operate with the Michigan Ontario phase angle regulators.

Mr. Pike stated that discussions regarding the broader regional solutions are expected to extend to the NE -ISO interface, mainly to include the more frequent transaction scheduling and the congestion management protocol. He indicated that there is general agreement among participants on all of the topics, with two components of buy-through of congestion still under discussion related to the opportunities to manage risk parallel flow and concerns with how firm transmission service is treated. He reviewed the implementation time line as a 3 yr process with a 2012 MISO, PJM and Ontario completion time frame.

The items that the ISO's and RTOs have been addressing are:

- Buy through of congestion: the responsibility to pay for congestion caused by parallel flow or off contract paths impacts.
- Congestion management: the sharing resources across the borders and of maximizing the efficiency and controlling constraints
- Interface pricing is to develop to compatibles prices between control areas to have efficient trading

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- Enhanced interregional coordination is to have more frequent scheduling to recognize changes in conditions through out the course of the hour and overall change in conditions on the system.

Mr. Pike stated the report identifies market solutions and recommendations and will require stakeholders discussion and approval before solutions are put into place.

In response to a question asked on the purpose of the filing, Ms. Elaine Robinson (NYISO) replied that the filing is a vehicle of communication on progress for FERC.

In response to a question pertaining to buy though of congestion, Mr. Pike stated there are two elements for the proposal that do not have stakeholder consensus: the first proposal is related to the ability to specify an “up-to” congestion willingness, which is the ability to specify a threshold of off-contract congestion charges. The current proposal is a willing to pay or not willing to pay. It is an on/off indicator. The second element is related to the questions surrounding firm transmission service and the perception that if someone has firm transaction and not willing to pay for off-contract path impacts we have degraded the service request because the non firm wiling to pay for the service would be allowed is a misunderstanding.

Mr. Bruce Bleiweis (DC energy) inquired about the concept to pay entities that are counter flows or reducing the congestion. Robb Pike indicated a proposal was made to compensate for counter flow up to the level of congestion recovery from forward flow off-contract path impacts.

### **3. Weekly invoice update**

Mr. Kevin Jones (Hunton & Williams) reported that the plenary session was rescheduled to January 20th in conjunction with the Management Committee meeting. The plan is to continue the stakeholder discussion with the idea for consensus to support a 205 filing and failing that the Board has an appeal that they will need to address.

### **4. Planning update**

Mr. John Buechler (NYISO) provided an update on the CRP cycle beginning this year by beginning the preparation of the RNA and then move to the CRP. Phase 2 of the CARIS process has begun and are currently developing the procedures to support the CARIS process with 3 remaining to satisfy the compliance filing in April.

Mr. Buechler reported that at the December IPSAC meeting, members discussed the carry over of concerns with stakeholders on how to gain access to inputs and data models to complete the inter-regional studies. All ISOs agreed that this is necessary and are moving forward on how to resolve it.

He noted PJM is in the process of publishing a white paper summarizing the cross boarder cost allocations used in this country as well as other countries. It is anticipated this white paper will be a springboard for other discussions.

A Task Force is under development to discuss all of the planning initiatives with the proposal to be kicked off in February.

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Mr. Buechler announced the EIPC DOE grant was received for 16 million dollars. He added the next step is to begin to negotiate a contract with the DOE. He stated that the stakeholder steering committee process is underway. The next step is the solicitation through out the EIPC region for entities that are already involved in a stakeholder processes. The EIPC representatives are asking for a self designation of 2 representatives from each sector to participate with the Keystone consultants to address how to set up the stakeholder process for the EIPC. He clarified that the request is not for candidates for the steering committee. This is to get input on how the process to get the steering committee to be processed.

Mr. Buechler added the 16 million is provided to develop and administer the stakeholder process and to perform the technical analysis for the interconnection wide transmission and of the resource expansion scenarios to be developed by the stakeholder process.

## **5. ICAP Manual Revisions – Discussion and Vote**

Mr. Dave Lawrence (NYISO) presented the proposed ICAP Manual changes to addressing the NYISO tariff leaves filed with FERC regarding a Capability Year adjustment in respect of capacity over UDRs, and other revisions. This proposed change will recognize the different Capability Periods with neighboring ISO's. Mr. Lawrence provided background regarding the Capability Year adjustment ICAP Manual changes

Mr. Lawrence explained that these ICAP Manual changes would not become effective unless FERC accepted the proposed Tariff revisions. Mr. Lawrence clarified that there is no intent to provide this opportunity to all UDR rightsholders, but only those which meet the prescribed criteria. At present, the only know entity that does is LIPA.

Ms. Doreen Saia (Greenberg &Traurig) inquired if the motion would be contingent on FERC acceptance of the proposed Tariff leaves. Mr. Lawrence confirmed it was.

Mr. Brad Kranz (NRG) requested to have the language in the ICAP Manual state that it was pending FERC acceptance of the Tariff leaves. Dave Lawrence (NYISO) said he would look into this and report back with a response. Mr. Haake agreed that the best way to move forward is to have the NYISO come back as what is preferred method to post the ICAP Manual revisions (that is, before and after FERC acceptance.)

The ICAP Manual changes motion was presented.

### **Motion # 1**

The Business Issues Committee (BIC) hereby approves the ICAP Manual revisions as presented to the BIC on January 6, 2010 and to become effective upon FERC acceptance of the related proposed Tariff revisions.

***The motion passed with abstentions.***

## **6. Strategic Tariff Review – BPCG, DAMAP**

Mr. Tim Duffy (NYISO) presented the Strategic Tariff Review Supplier Guarantees by providing an overview and indicated most of the changes are ministerial. (See presentation). He noted that one page within the presentation had been modified since the discussions held at past MIWG

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meetings. This modification is of the EOP definition which was the result of input received from Market Participants. He presented a proposal that would limit the eligibility for supplemental event credits to units who are affected by the supplemental event dispatch and essentially making self committed fixed units ineligible for the supplement event credit. A second change being proposed is to include units that are ramp rate constrained down would be eligible to receive the payment. In addition, supplemental events can cross over midnight with the new changes.

Mr. Duffy noted that the allocation of SCR and EDRP costs have been modified to be allocated on the hourly basis instead of daily and exclude stations service load from the cost allocation process. This avoids a tremendous amount of coding for little impact. He also noted further discussion regarding the role of bilateral transactions in the bid production cost guarantee payment would be held in the near future.

The motion regarding the amendments to the BPCG payments was presented.

#### **Motion #2**

The Business Issues Committee (BIC) recommends that the Management Committee approve, and recommend to the NYISO Board for filing under Section 205 of the Federal Power Act, amendments to the OATT and Market Services Tariff proposed as part of the Strategic Tariff Review for BPCG, DAMAP and related provisions, as described in the presentation made to the BIC this date, January 6, 2010.

*The motion was approved with abstentions*

#### **7. Spring 2010 TCC Auction Update**

Mr. Greg Williams (NYISO) presented an update on the planning and scheduling of the spring 2010 TCC auction. He indicated that based on the survey results presented at the December 3 MIWG, the NYISO intends to move forward with the 10 round TCC structure. Ms. Mollie Lampi (NYISO) stated the Tariff has a default structure which is the 4 round auction resulting in the 10 rounds.

Mr. Bleiweis indicated his desire for fewer rounds in the TCC auction process, and expressed interest in 8 rounds. Similar comments were echoed by Mr. Howard Fromer (PSEG), Mr. Brad Kranz (NRG), Mr. Glen McCartney (Constellation) and Mr. Frank Francis (Brookfield), all were in agreement that fewer rounds increases participation and competition and has potential to extract greater value by having increase participation.

Mr. Bleiweis inquired about when the potential Tariff waivers would take place that have been mentioned in previous discussion held on this topic. Ms. Patty Farrell (NYISO) replied that the discussion regarding the tariff waiver has been tabled. Discussions held with MIWG are on going with respect to clarifying the multi-duration structure

Mr. Paul Gioia (Representative for the Transmission Owners) stated that the number of rounds is not selected arbitrarily. It was a negotiated that the rounds offered by the TOs,

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would provide full value for their transmission. He indicated that the TO's need to consider if the fewer rounds will provide value for these assets.

Mr, Williams indicated the NYISO will reconsider the 10 round structure based on today's discussion and will confer with the TOs regarding their interest. Upon finalization, discuss at a MIWG meeting.

### **9. Rest of State Mitigation**

Dr. Nicole Bouchez (NYISO) presented on the rest of state mitigation measure proposal (see presentation). She explained that generators committed for reliability possess market power in the non-constrained areas, which excludes NYC, can exhibit local market power. This essentially allows the units to raise their offer price, which destroys competition.

Dr. Bouchez clarified that this issue is narrowly defined when generators have market power because they are pivotal to the need for reliability. These mitigation measures are intended to address that. In the case where the generator is pivotal where it can only supply the reliability need, the rules are too lenient. She highlighted the September 2009 205 filing. Mr. Mark Younger (Slater Consulting) inquired if any instances have been identified under this filing. Dr. Bouchez stated no.

Mr. Scott Leuthhauser (HQ US) inquired if any analysis was completed using the proposed thresholds. Dr. Bouchez reported no, as it is not an informative look to review past bids on the new measure as people change their behavior based on the rules.

In response to concerns voiced on invoking the measures on something FERC has not yet ruled on, Dr. Bouchez stated that the gap in the market rules needs to be closed to exclude market participants from exhibiting market power and the rules need to be well understood so that it is a level playing field.

Mr. Mike Meager (Multiple Intervenors) stated Multiple Intervenors believes that Market Monitoring should move quickly on any identified problems and concerns with market rules.

Dr. Bouchez stated that the proposal is to apply mitigation guarantee payment there by substituting a reference level for the generators bid if certain conditions are met. For more information, see page 7 of the presentation.

Mr. Jim D'Andrea (TransCanada) commented that the selection made by the Transmission Owner will set off mitigation by selecting only one unit. If the Transmission Owner informs the NYISO about both units then the Transmission Owners pays the offer price. He stated there is a need to move away from the Transmission Owner being able to select the unit to invoke mitigation.

Mr. Chris LaRoe (IPPNY) inquired how the thresholds for the filing were calculated. Nicole Bouchez replied that Appendix A includes the analysis that was presented to MIWG to cover the basis for the threshold. The analysis done was to look at neighbors to determine their thresholds and volatility of natural gas. And natural gas volatility can trap a unit involuntarily. Based on propriety information we could not post the actual data but felt that the info was sufficient.

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Intraday concerns were considered but are unable to be analyzed as the lack of reliable indices. However, the RT BPCG dollars can be reviewed and discussed with NYISO staff after the fact, if the unit considers itself wrongly mitigated.

Dr. Bouchez responded to a question regarding comparison of intraday and day fuel price volatility by stating generators exposed to intra-day volatility typically those units SRE'd after the DAM run are able to come in and request with analysis and adder to the reference price.

Mr. Gioia stated if there is a unit that can not cover its funds in the competitive market that does not justify the exercise of market power, and is a different issue but this is not the issue today.

Discussion began to center around Attachment Y, to which Mr. Buecheler stated there are different mechanisms to address the market power issue and all the NYISO has indicated is that we have a mechanism to the Attachment Y process that can address the situation if there is a reliability need. Attachment Y directly deals with the state authority and does not preclude any authority of FERC.

Mr. Tom Payntor (NYPSC) clarified that the PSC role is to ensure reliability. Part of that is to ensure citing authority for generation and transmission and demand response. And in some cases, cost recovery for demand response. In attachment Y, the planning process is simply making use the existing States PSC authority for citing generation and the purpose of that is to get an efficient response to maintain reliably. PSC has the jurisdiction to feels Attachment Y takes advantage of that jurisdiction.

Mr. Kranz stated that regarding to reliance to attachment y where there is a process to play out without a time frame specified due to the moment a unit decides to retire but is turned down due to reliability changes their capital costs. This proposal also creates an opportunity for one market participant to exercise market power over another. Missing a process to get to the root cause that only one unit can be relied upon to meet that voltage constraint.

Mr. Stu Nachmius (Con Edison) stated that the NYISO has come forward with a mitigation proposal because of a issue. These units are being mitigated to appropriate reference levels and these units are still receiving revenue but under a mitigated value. These units are being mitigated because there is a potential for market power in certain situations. If the result ends in units desiring to retire, then the problem will be vetted with an agreement on a gap solution to correct the problem.

Mr. Chris Wentlent (AES) stated this proposal will lead us to an outcome that is not sustainable. We are ending up with an outcome that will affect reliability going forward.

Mr. Meager stated that Multiple Intervenors was not in agreement with the long-term outcome.

The motion for Rest of State Reliability Mitigation was presented

**Motion #3:**

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The Business Issues Committee (BIC) recommends that the Management Committee approve changes to Attachment Hof the Market Services Tariff as presented at the January 6,2010 BIC meeting.

*The motion failed with 57% affirmative votes.*

## **8. Working Group Updates**

Billing and Accounting Working Group (BAWG) – no update was provided.

Electric System Planning Working Group (ESPWG) – Ms. Deidre Altobel (Con Ed) informed the group that the CARIS report was approved and the next subsequent meetings will hold discussions regarding lessons learned from drafting the CARIS report.

Installed Capacity Working Group (ICAPWG) – Mr. Bob Boyle ( NYPA) informed the group that demand curve reset discussions have begun. He also indicated Dave Lawrence presented the manual changes discussed at BIC today on Import rights and wheel throughs.

Interconnection Issues Task Force (IITF) – Mr. Frank Francis (Brookfield) informed the group that a future meeting is to be determined.

Market Issues Working Group (MIWG) – Mr. Ray Statler (Edison Mission) reported that MIWG had had two meetings since the last BIC which the rest of state mitigation and bid production cost guarantee proposals were discussed. Broader regional markets was covered at the most recent MIWG along with a discussion on the start up conduct implementation and discussion on the North Sub zone Loss allocation. Also discussed was the wind study and updated to Technical Bulletin 40. Future MIWG topics are to discuss issues with the Minimum Oil Burn rules presented by TransCanada and a possible TCC auction discussion.

Price Responsive Load Working Group (PRLWG) – Mr. Alan Ackerman (Customized Energy Solutions) summarized the December 14th meeting by informing the group of a test of the demand response information system with an internal test to be expected in the first quarter. He also added joint PRL – MIWG meetings are expected to cover topics from FERC Order 719.

## **9. New Business**

Mr. Kranz asked for more information regarding the FERC filing/declaratory order regarding expiration of TCCS. Mr. Bleiweis also requested information about why this filing was not discussed at a committee meeting.

The meeting was adjourned at 2:30.