
NYISO Business Issues Committee Meeting Minutes

August 4, 2010

10:00 a.m. – 4:00 p.m.

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 10:00 a.m. and welcomed the members of the BIC. Meeting participants introduced themselves and their affiliations. There was a quorum.

2. Approval of Meeting Minutes – April 7, 2010

Motion 1:

The Business Issues Committee (BIC) approves the April 7, 2010 meeting minutes.

The motion passed unanimously by show of hands.

3. Market Operations Report/Seams Report

Mr. Mike DeSocio (NYISO) reviewed the Market Performance Highlights through July 18. Mr. DeSocio reported that the LBMP was up from June. Uplift is down from the previous month, and fuel prices were mixed, as compared to June.

Mr. DeSocio (NYISO) provided an update regarding the Seams report. He advised the group that FERC had responded to a Broader Regional Market January filing and conditionally approved the filing. FERC has submitted questions to NYISO and the NYISO expected to respond by the end of next week. The NYISO is working through Enhanced Interregional Transaction Coordination tariff language and will be bringing that through to committees for review. There was a question in the room regarding whether or not Mr. DeSocio would be coming to any committee meetings with the NYISO prepared responses, prior to submitting the responses to FERC. Mr. DeSocio responded that there would not be enough time to do this, but instead the NYISO will draft and submit responses, and look for comments from the Market Participants afterward.

4. Planning Update

Mr. Henry Chao (NYISO) provided an update on planning activities.

Eastern Interconnection Planning Collaborative (EIPC): the first meeting of the Stakeholder Steering Committee (SSC) was held in Chicago on July 15-16th. This committee will form its own working groups to address the planning footprint and any improvements that could be made and also policy. Election of chairmen, bylaws and charters are currently under discussion. With the formation of the SSC completed, the technical work of the EIPC is expected to begin in July. The delayed start for this project has resulted in an adjustment to the schedule: an interim report is now targeted for October 2011 and a final report in October 2012.

Inter-Area Planning Stakeholder Advisory Committee (IPSAC): The 2009 Northeast Regional Planning Coordination (NCSP) plan was completed in June, 2010. EIPC is taking a backseat due to FERC NOPR; a conference call is planned for October to review the market efficiency study database. The plan will also be discussed at the conference call.

Congestion Analysis and Resource Integration Study (CARIS): At the end of last year NYISO finished its CARIS Phase 1 and, in that report, three major congestion areas in the NY System were identified. LS Power Development Ltd is proposing a 4 x 750 MVA phase angle regulators to be in added series with our present transmission lines between Leeds and Pleasant Valley to the response of our CARIS I report. The package for this proposal has been posted on our website. The NYISO will have LS Power return to help further develop the study scope through ESPWG in the coming weeks, and this will evolve into the CARIS Phase II report. Mr. Chao confirmed that this project is an installation of four PARS. The preliminary scope will be brought to ESPWG for discussion and to solicit MP input for additional studies. This LS Power Project is not in the interconnection queue yet, so it is not yet known if it will go through the SRIS process.

Mr. Chao also advised that there was a discussion about preliminary studies regarding the 2010 peak studies in this month's MC/OC meeting. The NYISO is working on these studies for 2010 peak load conditions, and is reviewing what the load is like both with and without demand response. A report will be presented at the Operating Committee meeting tomorrow.

Broader Regional Markets: the Broader Regional Market meeting has been postponed until September.

5. Real Power Level for Run of River VSS Testing/ Ancillary Services Manual Revisions

Ms. Kathy Whitaker (NYISO) reviewed revisions to the Ancillary Services Manual to specify the real-power level for Run-of-River Hydro tests in terms of their UCAP values, instead of in terms of their DMNC. The reason for the revisions is that Run-of-River Hydro Units don't use DMNC values in the ICAP market. These changes will be applicable to all tests performed in 2010.

Motion 2:

The Business Issues Committee (BIC) hereby approves changes to the Ancillary Services Manual related to Limited Control Run-of-River Hydro Testing as presented at the August 4, 2010 BIC Meeting.

The motion passed unanimously by show of hands with abstentions.

6. Voltage Support Service from External Generators

Ms. Kathy Whitaker (NYISO) reviewed revisions to Section 15.2.2 of the Market Services Tariff, which allows suppliers electrically located outside of the New York Control Area (NYCA) to provide and be paid for Voltage Support Service (VSS). The revisions limit the ability to participate in the VSS program to generating units electrically located inside the NYCA.

A question was raised on how often voltage support is provided. Ms. Whitaker replied that this value is not tracked because VSS compensation is based on a supplier's capability as opposed to the number of times the service is provided. In response to a question regarding the definition of "electrically located in the NYCA". Ms. Whitaker replied that although the NYISO is willing to review requests on a case by case basis, the definition of electrically located within the NY control area is very well established.

Mr. Howard Fromer (PSEG) identified that there would be voltage support that wouldn't be capable of participating in the program after this change. Ms. Whitaker explained that the compensation for voltage support is based on capability of the suppliers, which varies from year to year. The unit rate, which is defined by tariff, stays constant. The savings accrued will lead to a lower total payment for the service.

Motion 3:

The Business Issues Committee (BIC) recommends that the Management Committee approve amendments to section 15.2 of the Market Services Tariff with regard to Voltage support Service from External Generators as presented to the BIC on August 4, 2010.

The motion passed by show of hands with opposition and abstentions.

7. Cross Border Cost Allocation Proposal Discussion

Mr. Rich Miller (Con Edison) presented the proposal on behalf of the NY Transmission Owners. After several questions were raised, it was decided to table this item for the next BIC meeting to allow additional time for review.

8. In-City Buyer Side Mitigation– Exemption, Determination, and Duration of Offer Floor

Mr. David Lawrence (NYISO) provided an overview of the In-city buyer-side mitigation proposed tariff revisions. Beginning with the May 21, 2010 ICAP Working Group meeting, the NYISO has conducted four meetings with stakeholders on proposed revisions to Attachment H addressing four issues: associated with the NYC ICAP buyer-side mitigation rules:

- Timing of Exemption and Offer Floor Tests
- Duration of Offer Floor
- Test for Offer Floor Exemption
- Offers of Capacity with an In-City Offer Floor in the NYCA Spot (discussed only at two of the four meetings)

Based on stakeholder feedback, the NYISO proposed to revise Attachment H as described in the presentation to the BIC meeting. The draft tariff revisions that were provided to stakeholders at the ICAPWG meetings were consistent with the presentation, and would be reviewed with stakeholders prior to the Management Committee meeting on August 25, 2010.

In response to questions on what the rationale was to break BIC Agenda Item #8 and Agenda Item #9 into two separate voting items rather than one package, Mr. Lawrence stated that the NYISO originally intended to submit the items to the BIC as one package; however, there was an interest on the part of the generators to separate the item that is in BIC Agenda Item #9 due to what they believe was an error in Attachment H, and the NYISO did not see an issue with separating the two agenda items. Mr. Lawrence further stated that the issues are separable and the outcome of the votes on each item would be totally independent of the other.

Mr. Kevin Lang (for Multiple Intervenors and the City of New York) noted his concern with the process; these items were treated collectively as one package when discussed at the working group. He does not think that these should have been broken out; they don't feel that there was a good reason to separate Agenda Item #8.

Mr. Liam Baker (U.S. Power Gen) stated that a few members of the generators felt that there was an error in Attachment H: it currently provides for an exemption determination based on the forecast price in a single spot auction rather than the average of 12 months of spot auctions. Mr. Baker further stated that Attachment H can now be read to be an exemption could be granted based on a single month and he believes this should be fixed and should not be tied to other items that needed to be fixed.

Mr. Brad Kranz (NRG) stated that Dr. David Patton had confirmed that the average of 12 months is how this was originally intended to be implemented.

Ms. Gloria Kavanah (NYISO) asked that it be reflected in the Minutes that these modifications are being considered at the request of Generators, and that the NYISO did not agree with the characterization by a generator representative.

Mr. Richard Miller (Con Edison) asked that the minutes reflect that these items were broken out based on request of the generators only, and not any other stakeholders.

The group discussed the definition of what constitutes repowering. There was a comment made that there are still a few grey areas that might be considered exempt from the test. The language and issues on this have still not been thoroughly vetted, and therefore, if appropriate, this piece and the associated language could be taken off the table and returned to the ICAP Working Group for further discussion and better definition. Several stakeholders in the room stated they supported deferring the topic to a future ICAP Working Group meeting for additional review.

Mr. Scott Brown (NYPA) asked that his comments be recorded for the record. "While the New York Power Authority intends to vote in favor of this proposal, I want to note for the minutes that while we see this as a step in the right direction, we continue to have serious concerns over the entire aspect of buyer side mitigation as it doesn't take into account public policy driven projects undertaken on behalf of our customers. In fact that issue among others is now before the Courts which we are also a party to. By no means should our positive vote be interpreted in any way as an endorsement for the concept of buyer side mitigation. It's our hope that there will be further refinements to the current Tariff, especially in regards to re-powering."

Mr. Dave Clarke (Navigant Consulting for LIPA) asked that it be noted for the record that Navigant strongly opposes buyer side mitigation for the Rest- of- State. They feel that there is a problem with the way the offer floor test for UDR facilities is proposed; rather than doing the test at the time of the system deliverability upgrade request, that there is a possibility that if there was a transmission line that was built on which deliverability upgrades done when the line was implemented, it's possible that capacity might not be purchased over that line for a while. There are two issues with this: 1) is for the UDR holder; who would be conducting the test at the wrong time because it's based on the conditions that occurred when the line was put in, as opposed to when the capacity might actually be purchased, and 2) it's an issue for the other people in the class year, because they'd have in their class year a facility that may or may not be buying capacity when it comes time to conducting the test.

Mr. Clarke said that he felt that there were also issues regarding the NOPR, if it was not a voluntary cost allocation for transmission projects. LIPA is concerned that they're paying for transmission under a non-voluntary kind of process that they cannot use to deliver capacity because of mitigation. When would they consider a cost to be sunk, if it was a mandatory cost allocation? He feels these things should be considered.

Mr. Lawrence said that it's not a known situation that a facility would have to indicate to the NYISO when they were or were not going to be purchasing capacity. Mr. Dave Clarke countered by saying that they need to inform the NYISO when they were or were not going to be purchasing capacity. He added that it would be a good idea to give the UDR holder an option; either the SDUs when it's built, or when you buy the capacity. Each of these options would have different outcomes. Either they'd have the numbers of the class at the time, or they might wait to purchase capacity at a point when the market could support a capacity purchase.

Mr. Haake asked how SDUs are allocated if one is planning to exercise their CRIS rights. Mr. Clarke responded that it is not a requirement to sell capacity when CRIS rights are received. Mr. Lawrence said that if this were the case, then the most appropriate action would be at the point when people request their UDR, and not an annual notification.

Mr. Mark Younger (Slater Consulting) asked how issues raised by Mr. Lawrence would have the potential for market manipulation, and he also asked how the forecast price would be determined. The answer given was that the Gold Book is the resource used for this determination, and calculation of the forecast price will be determined between the start of the Class Year Study and the initial decision period. The forecast Spot Auction price will not be posted, but inputs leading to its determination will be. Per the potential new mitigation rule tied to the CRIS process, it was questioned whether or not the NYISO would exempt someone as soon as their CRIS rights had been processed, while their other capacity continued to be in the market. Ms. Kavanah explained that the proposed tariff revisions significantly honed the existing tariff and has already taken into consideration the group of generators that have noticed retirement. The bright line test was added at the request of MPs that wanted predictability.

Mr. Richard Miller (Con Edison) stated that Con Edison would vote for the changes to the buyer mitigation rules but that (1) its vote should not be construed as a vote in favor of buyer-side mitigation, which Con Edison opposed; and (2) Con Edison objects to both the 3-year period mitigation and the NYISO's proposed requirement that at least 50% of the unit's capacity has to clear in any monthly auction for the mitigation to be phased out. He stated that he would not be seeking to amend the proposed revisions at the BIC, but he reserved his right to make a motion to amend at the Management Committee meeting.

Motion 4:

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 Market Services Tariff Attachment H In-City buyer-side mitigation exemption, determination, and duration of Offer Floor provisions, consistent with the proposal as described in the presentation made to the BIC on this date, August 4, 2010, but:

1. Eliminating
 - a. The proposed new Subsection (IV) to Section 23.4.5.7.3 and its proposed insertion regarding 2 MW or more of CRIS MW or material modifications to facilities, and
 - b. The description regarding an exemption determination for an increase of more than 2 MW.

And

2. Sending the issue of whether buyer-side mitigation measures should be applicable to facilities that repower and if so, the applicable measures, to the ICAP Working Group for prompt consideration.

The motion passed with 63.45% affirmative votes

Motion 4a:

Motion to amend #4.

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 Market Services Tariff Attachment H In-City Buyer-Side mitigation exemption, determination, and duration of Offer Floor provisions, consistent with the proposal as described in the presentation made to the BIC on this date, August 4, 2010, but:

1. **Eliminating:**

- a. The proposed new Subsection (IV) to Section 23.4.5.7.3 and its proposed insertion regarding 2 MW or more of CRIS MW or material modifications to facilities, and
- b. The description regarding an exemption determination for an increase of more than 2 MW.

And

2. Sending the issue of whether buyer-side mitigation measures should be applicable to facilities that repower and if so, the applicable measures, to the ICAP Working Group for prompt consideration.

The motion passed with 90.87% affirmative votes.

Motion 4b:

Motion to amend motion #4:

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 Market Services Tariff Attachment H In-City buyer-side mitigation exemption, determination, and duration of Offer Floor provisions, consistent with the proposal as described in the presentation made to the BIC on this date, August 4, 2010, **but:**

1. Eliminating

- c. The proposed new Subsection (IV) to Section 23.4.5.7.3 and its proposed insertion regarding 2 MW or more of CRIS MW or material modifications to facilities, and
- d. The description regarding an exemption determination for an increase of more than 2 MW.

2. Sending the issue of whether buyer-side mitigation measures should be applicable to facilities that repower and if so, the applicable measures, to the ICAP Working Group for prompt consideration.

Delete bullet three on slide 12 and replace with:

Provision that would exempt the MWs that clear economically within either (a) a consecutive 12 month period or (b) in 12 nonconsecutive months within a contiguous 24 month period, so long as the MWs clear in six months in a summer period and six months in a winter period.

The motion failed with 40.61% affirmative votes.

9. In-City Buyer Side Mitigation – Offer Floor Exemption Test: Average of 12 Months

Mr. David Lawrence (NYISO) presented this Agenda item as well. The item was to make only one change: to the exemption test. Effectively this would modify part A, regarding the average of spot auction pricing (average annual pricing).

Motion 5:

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 Market Services Tariff Attachment H In-City buyer-side mitigation Offer Floor exemption test on the average of 12 months, consistent with the proposal described in the presentation made to the BIC on this date, August 4, 2010.

The motion passed by show of hands with abstentions and an objection.

10. Installed Capacity Manual Review

Mr. Dave Lawrence reviewed the Installed Capacity Manual Review.

Motion 6:

The Business Issues Committee (BIC) hereby approves changes to the Installed Capacity Manual as presented at the August 4, 2010 BIC Meeting.

The motion passed unanimously by show of hands with abstentions.

11. Market Design Multi-Duration Centralized TCC Auction

Mr. Chris Watts presented a report describing the elements of the market design for the Multi-Duration Centralized TCC Auction:

1. Multiple TCC Durations available in single rounds
2. Balance of Period Reconfiguration Auctions
3. Implementation details: Number of Rounds and percent of System Transmission Capacity made available per round

He reported that the next steps would be to determine implementation plan, propose market design and draft tariff changes on appropriate credit requirements for longer-term TCC and Balance of Period auctions for Market Participant input, and present draft tariff changes on Multi-Duration Centralized TCC Auction design and process for Market Participant input.

Motion 7:

The Business Issues Committee (BIC) recommends that the Multi-Duration and Balance of Period market Design be approved pursuant to the presentation made at the August 4, 2010 BIC meeting.

The motion passed unanimously by show of hands with abstentions.

Mr. Rich Miller (Con Edison) stated that they believe the current Round 4 Auction has yielded robust results.

12. Revised TCC Credit Requirements

Mr. Jim Scheckton (NYISO) provided a proposal on the revised TCC Credit requirements. NYISO currently calculates credit requirements for holding TCCs according to Attachment K of the MST, Section III.B.(iii)(a), which states, in pertinent part, that the credit requirement for holding TCCs equals: "The sum of the amounts calculated in accordance with the appropriate per TCC term-based formula listed below for TCC purchases less the amounts calculated in accordance with the appropriate per TCC term-based formula listed below for TCC sales...". The two-year TCC is the only NYISO TCC product whose credit coverage is re-valued at a subsequent point during the life of the TCC. The two-year TCC is re-valued after one year has expired, thereby, revalued as a one-year TCC. Market Participants have requested NYISO to re-value the credit coverage for TCCs of other durations at subsequent points during the life of those TCCs (e.g. one-year TCCs, six-month TCCs).

Recommendations and next steps were discussed. Mr. Andrew Hartshorn (Edison Mission) expressed concern that this related to a regularly occurring problem with portfolios having long positions that are over-collateralized, and that this would make things worse. His group is very concerned about this general policy. Ms. Prevratil advised that the NYISO is analyzing the issues that were raised by Mr. Hartshorn, and that the NYISO is working to fix the concerns of Edison Mission.

Motion 8:

The Business Issues Committee (BIC) recommends that the Multi-Duration and balance of Period Market Design be approved pursuant to the presentation made at the August 4, 2010 BIC meeting.

The motion passed unanimously by show of hands with abstentions.

13. Working Group Updates

A. Billing & Accounting Working Group

Ms. Patti Caletka (NYSEG) reported that the last meeting was on July 19. There were no significant issues on the invoices. Presentations on billing issues concerned bid- production cost guarantees. Also included was a presentation on the non-physical rate recovery. New rates for 2011 were posted on July 15. Station powering and their activities, as well as project updates were given. They're giving read-write capability to MPs in order to change credit allocations. Currently they have to call the credit department before allowing this. This will start in August 2010 to prepare for Market Trials, which will occur in October. There is a need for a change through the MIS administrator system, so this should be noted. In June the NYISO released an Energy Ancillary Market request, but it was released with no new issues. There should be an increase in software bids in real-time in September. Installment 9 of the manual is available and a teleconference is scheduled for August 9. The non-settlement dispute will be covered; this tariff change may be incorporated into the Strategic Tariff Review. We should see something on this in August or September. The next BAWG workshop will be held in October.

B. Electric System Planning Working Group (Joint BIC/OC Working Group)

Ms. Deirdre Altobell (Con Edison) provided an update on ESPWG. NYISO finalized the RNA and it will be up for vote at tomorrow's Operating Committee meeting. Subsequent to that it will return to the Management Committee meeting at the end of August. The next meeting is scheduled for Wednesday, August 11.

C. Installed Capacity Working Group

Mr. Bob Boyle (NYPA) provided an update. Meetings were held on July 17, 27, and August 2. Demand Curve and In-city Buyer side mitigation and CRIS rights were discussed.

D. Interconnection Issues Task Force

There was no update for the IITF.

E. Market Issues Working Group

There was no update for the MIWG.

F. Price Responsive Load Working Group

Mr. Ackerman (ECS) reported on the July 30th meeting for PRLWG and one topic discussed was Demand Response System Information System. Resources have been successfully registered for August. Additional functionality will roll out in September and there will be two training sessions scheduled in August. (August 26th and 31st) As part of May 20th FERC compliance filing the Responsible Interface Party (RIPs) will have to provide additional SCR data provided for new resources that will be added in September. The additional RIPS will be due into the NYISO on August 10th. Resources proceeding will have to include information on the payments they've received for resources they've gotten. There was an unintended consequence in changes with DSASP that precluded local generators with capacity greater than the native load from entering in; the NYISO is going to fix this and it will be discussed at the August 20th ICAP meeting.

G. Credit Policy Working Group

Mr. Norman Mah (Con Edison Solutions) advised that there had not been any meeting this past month on Credit Policy Working Group. There will be training on September 24, and market trials in October. The next meeting has not been scheduled.

H. Load Forecasting Task Force

There was no update for the LFTF.

I. IPTF

There was no report for the IPTF

14. Other business

There was no other business. The meeting was adjourned at 3:55 pm.