

NYISO Business Issues Committee Meeting Minutes

January 16, 2008

New York Independent System Operator
10 Krey Boulevard
Rensselaer, NY

1. Welcome and Chairman's Report:

Mr. Glen McCartney (Constellation), Chair of the Business Issues Committee (BIC), called the meeting to order at 10:00 a.m. and welcomed the members of BIC. Meeting participants introduced themselves and their affiliations.

2. Approval of Minutes

Mr. Frank Francis (NYISO) offered the December 5, 2007 minutes for approval.

Motion #1:

Motion to approve the Minutes of the December 5, 2007 BIC meeting.

(The motion passed unanimously by show of hands)

3. Market Operations Report

Mr. Rana Mukerji (VP, NYISO) presented the Market Operations Report, which was distributed to Market Participants. The following summary was provided:

Mr. Mukerji reported that the LBMP for December was \$93.44/MWh, up from \$67.46/MWh in November 2007. The average monthly cost was \$97.73/MWh, up from \$71.37/MWh in November 2007. The Day Ahead and Real Time LBMPs have increased from November 2007.

Mr. Mukerji reported that the Fuel prices were mixed this month; details were provided in his presentation. He indicated that uplift was higher this month relative to November 2007. Uplift (not including NYISO cost of operations) was \$1.35/MWh, up from \$1.26/MWh in November 2007, and total uplift (Schedule 1 components including NYISO Cost of Operations) increased from \$25.6 million in November 2007 to \$30.9 million in December 2007.

4. Regional Market Enhancements

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

Intra-hour Transaction Scheduling

Mr. Mukerji said the NYISO and ISO-NE have had some initial discussions on the impact of economic interchanges. David Patton's yearly market report featured this subject as well. NYISO would like to take a fresh look at intra-hour transaction scheduling, although it has been studied before. Together, the NYISO and ISO-NE will come up with some different designs and take back to their respective market working groups to discuss. An update will be provided later this year.

Regional Resource Adequacy

Mr. Mukerji reported that the NYISO has been working on the forward market design, and that several comments from Market Participants had been received. This issue has been added to the agenda for the ICAP Meeting on January 22, 2008.

Cross Border Transaction Scheduling

Mr. Mukerji informed BIC that there was nothing new to report on this topic.

Coordination of Interregional Planning

Mr. Mukerji reported on the December 14, 2007 IPSAC meeting. The purpose of this meeting was to review inter-regional planning activities with stakeholders. Mr. Mukerji asked that questions on this topic be sent to Mr. John Buechler.

Interregional Congestion Management

Mr. Mukerji reported that the NYISO is looking into this with PJM. NYISO made a presentation with findings on Dec. 14, 2007, and will be looking at the possibility of implementing a joint congestion management protocol with PJM. The NYISO presented a very conceptual outline of what could be done to address joint congestion management and is working on a straw proposal. This will be brought to the Market Issues Working Group for discussion later this year.

Elimination of Rate Pancaking

The NYISO has begun discussions with its neighbors in 2008, and has planned to do a market impact study in 2009.

Additional Discussion

There was discussion on conference calls on the quarterly Seams report which includes staff from the three ISO's and Market Participants. BIC members believe that these discussions are very important and the NYISO should continue working with neighboring ISO's on seams issues. Mr. Mukerji stated that discussions will continue and the NYISO will be visiting other ISO's. He agreed that carrying on the seams dialogue is important.

5. Working Group Updates

A. Billing and Account Working Group (BAWG)

Ms. Kathy Logan was unable to join in for this meeting. BIC Members were directed to send questions to Mr. Frank Francis, who would forward to Ms. Logan.

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

Mr. Tariq Niazi provided an update on the ESPWG Meeting. A brief conference call was held and an update on the FERC Order 890 was given by the NYISO. Mr. Niazi reported that work on the 2008 CRPP was underway, and work on the 2009 RNA would begin soon. The next meeting has been scheduled for Feb. 1, 2008.

C. ICAP Working Group (ICAPWG)

Mr. Glenn Haake (IPPNY) reported on the December 17, 2007 ICAP Meeting. The primary topic was the Forward Capacity Market Design. A presentation was put together by NERA which showed the

pros and cons of a voluntary and mandatory forward capacity market. The NYISO originally put forward a proposal for a voluntary forward capacity market with a mandatory element. A conclusion has not been reached to date. The NYISO asked Market Participants to submit comments on their views about what a forward capacity market should look like, to Frank Francis, for further discussion at the January 22 ICAP WG meeting.

In addition, ICAP discussed responses that were provided by the NYISO on issues that were raised by EnerNOC concerning special case resource performance factors and how they have been calculated. Comments on the NYC ICAP Market redesign proceeding that is pending at FERC are due in the middle of the month.

D. PRLWG

Steve Lynch reported that the PRLWG did not meet in December. The next meeting is scheduled for February 5 and discussion topics include: credit requirements, tariff language and qualifications for demand side ancillary services program.

6. Proposed Enhancement to the Startup/Shutdown Penalty Exemption

Mr. Robb Pike (NYISO) reported on this issue. The Committees had previously approved tariff revisions to eliminate under-generation penalties and to pay LBMP for all energy produced during approved startup and shutdown periods in recognition that the penalties were not an effective means to improve unit performance during the physically constrained unit operation that existed during these time periods.

During further investigation of generation penalties, it was uncovered that this process did not provide adequate relief of penalties to grouped units during the startup/shutdown time periods. Aggregate metering for these complexes gave the appearance that units in the group, already on-line concurrent with the startup of another unit, were significantly dragging. In practice, the units that were not starting-up were not dragging. However, measurement practices evenly distribute the output of the group to all scheduled generators that are part of the group, thus causing the already operating unit(s) to appear to be operating below their schedules.

The proposal was to expand the Start-up/Shutdown penalty exemption provisions to generators that are measured as a group of generators, such that if one unit in the group was exempt from penalties then the entire complex would be exempt from penalties for the duration of the Start-up/Shutdown period.

Mr. Pike reviewed the filing schedule: This would go to the Management Committee for approval on February 6, then to the Board of Directors in mid February and a filing would be made to FERC in March.

Mr. Stuart Nachmias (Con Edison) expressed concern regarding the impact this change may have. Mr. Pike responded that this would apply to only to combined cycle units with multiple configurations/co-gen facilities. Mr. Pike responded that current tariff provisions only extended this protocol to resources during pre-approved start up and shutdown periods during which unstable operation precluded units from accurately following their basepoints.

Ray Kinney stated that he was not convinced that creating additional carve-outs and complexity that comes with that was better than just reexamining as a whole the need for penalties at all. He added that it was not clear that additional penalties should be the way to go. Mr. Younger added that the NYISO was the only ISO who applied penalties of this nature.

Robb Pike stated that analysis to review penalties has been ongoing at the MIWG meetings.

Motion #2:

The Business Issues Committee (BIC) hereby approves the proposed revisions to the implementation rules for NYISO Startup and Shutdown under-generation penalties, as well as a proposed treatment of over-generation payments, as presented to the BIC at its January 16, 2008 meeting, and recommends approval by the Management Committee.

(Motion passed unanimously with abstentions.)

7. Proposed Wind Generation Rules and Forecasting

Mr. Pike reported on the wind rules and forecasting proposal. There were several discussions within the MIWG on how to incorporate wind forecasting capabilities into the scheduling system and resulting rules that would apply to those types of resources. The proposal that was brought to BIC included implementation of a centralized state-wide forecast, an increase of cap/exemption in market services tariff, the recovery of forecast fees from wind plants, a description of data communication requirements for wind plants and follow-up studies on impacts of higher levels of wind power penetration.

NYISO would be the administrator of a centralized forecast. The forecasts would be provided to NYISO for all wind plants in the NYCA by a 3rd party wind forecasting company (AWS Truewind). Forecasts would be provided for both real-time and day-ahead time horizons and would be incorporated into the corresponding market evaluations. Wind plants would have access to their individual forecast and ongoing costs of the forecasting service would be recovered from wind plants.

Mr. Pike provided a summary of the tariff provisions. The proposal would go to the Board in March, FERC approval in May timeframe, and integrate live forecast into market runs by June, 2008.

In 2008, NYISO will embark on an updated study to determine the steps needed to securely integrate wind generation beyond 3,300MW across all zones in NYS. The assessment will seek to identify the existence of statewide or locational limitation on the full integration of wind resources. If identified, these limitations may require the establishment of new wind operating protocols, load following capabilities, ancillary service market changes, and/or limitations on installations.

After the Motion was moved, seconded and discussed, an amendment was proposed to exempt wind plants in commercial operation as of January 1, 2002, with a name plate capacity of 12 MWs or fewer, from the meteorological data requirements. The amendment was accepted as friendly by the parties moving the motion.

Motion #3:

The Business Issues Committee (BIC) hereby approves the proposed changes to market rules for Intermittent Power Resources using wind as their fuel, as presented to the BIC at its January 16, 2008 meeting, and recommends approval by the Management Committee. Exempting all existing wind farms under twelve MWs from wind forecasting fees and meteorological wind data requirements.

(Motion passed unanimously with abstentions.)

8. Gas-Electric Coordination – Update

Mr. Paul Kiernan (NYISO) provided an update for BIC members. Mr. Kiernan explained that communication systems have been established to receive notices of system events including

Operational Flow Orders from the Interstate Pipelines serving generators in New York. The NYISO will inform Interstate Pipelines and the Local Distribution Companies of Energy Emergency Alerts. The NYISO has developed two protocols: NYISO – NGA Protocol (with the Interstate Pipelines through the Northeast Gas Association) and the New York State Gas-Electric Coordination Protocol between TOs, Local Distribution Companies (LDCs) and Power Plant Operators (PPOs). Compensation for Generators is outside the purpose of the 698 filing. Mr. Kiernan asked the BIC for comments on the compliance filing by January 22, 2008 to allow enough time to meet the February 1, 2008 filing deadline.

Mr. Stuart Nachmias (ConEd) discussed issues with the current draft protocol; in particular, the TO communication with PPOs. Con Edison would like to continue work on this with the NYISO and Market Participants; communication between the NYISO and PPOs should be on a more extensive basis and not just in emergency circumstances.

Mr. Carl Patka (NYISO) pointed out that the NYISO technical bulletins and manuals direct communications with PPOs through the Transmission Owners' control rooms, and added that it would be a major operational change for the NYISO to undertake communications directly with all the PPOs. An additional concern was NYISO's ability to communicate with the gas LDCs. The NYISO had been looking into the possibility of providing emergency energy alerts directly to the gas LDCs in order to provide them the information they need, rather than asking the TOs to make that communication. The TOs' role remains that if there was an identification of a bulk critical or local critical generator, that communication would come to the NYISO through the Transmission Owners.

Mr. Kiernan explained that FERC has been very clear that during an emergency, if a commercial entity and a reliability entity can resolve an issue and prevent the disconnection of gas or electric customers, the entities must communicate. With regard to the question of compensation for generators, Mr. Kiernan stated that FERC Order 698 is solely about communication between gas and electric operational entities and does not touch any financial issues. Mr. Kiernan said that issue could be raised in other appropriate committees if desired.

Mr. Liam Baker (US PowerGen) commented on taking gas when a generator is instructed to operate for reliability reasons by the TO; Generators can expect to pay unauthorized use charge or penalty charge or both. While it's appreciated that the ISO will reimburse for such charges and this makes Generators commercially ambivalent, or perhaps even benefited by the situation, Mr. Baker feels that it's simply improper to apply such charges -they are designed to be a deterrent to Generators for a variety of improper things, not for maintaining reliability. Imposing unauthorized use and penalty charges on generators that are required to run to ensure local reliability creates uplift and can result in a very high BPCG and/or LBMP. He requested for Con Edison to reconsider imposing unauthorized use and/or penalty charges on generators that are operating to ensure reliable electric service to ConEd's customers. He also inquired as to whether the NY PSC had reviewed this matter.

Mr. Nachmias stated that their position is part of the PSC tariff and they apply their tariff as required. Ms. Julia Well (PSC) stated the PSC will make the decision regarding how the tariff will be applied in a situation like this. Mr. Nachmias requested that the ISO look into creating a separate task force or working group to review the communications protocol being discussed. Con Ed believes that while the TOs have fulfilled this role in the past, it is more appropriately handled via the ISO. Mr. Francis agreed to look into developing a working group to discuss this topic.

Mr. Patka stated he was unaware of any of concerns from power plant operators at prior informational meetings. He noted that Orange & Rockland was present at last meeting and expressed many of the concerns. Gas LDCs were strident about the NYISO being clear in the communication of an emergency situation and that it was a situation based upon reliability and not economics. Clauses were added to address these issues. The PSC also added a clause denoting more clearly what a

“gas system event” actually is. To the best of the NYISO’s knowledge, there were no outstanding or open issues after these changes, with the possible exception of Con Edison’s position regarding the communications protocol. However, there was already agreement that the (communication protocol) issue would be handled via a new or existing working group.

Ms. Roxanne Maywalt (National Grid) noted that it had several edits to be made (edits will be sent to the NYISO electronically). The edits are definition-based in nature and are largely founded upon EEA2 and EEA3 found in NERC documentation. Would like wording of 5.A General Applications section to be modified as well, noting that people should be encouraged to use another fuel before gas, if possible.

Mr. Haake commented that the ability to prescribe that a Gen must switch fuels was a difficult conversation, but it’s also one that should not be included into this discussion and filing. Ms. Saia said it was her understanding that no one challenged the decisions made in New England. She agreed that this (dual fuel) conversation should be taken up elsewhere and not in line with this filing discussion.

Ms. Saia said that if there is going to be the addition of a (National Grid sponsored) directive regarding dual fuel units running on an alternative fuel, it would come as a major change to the markets as they exist now.

9. Update to NYISO Portal

Mr. John Bub (NYISO) presented changes that are being made to the NYISO web site regarding: 1) the heretofore archived committee documents, all of which will now be found on the committee pages and will have better descriptions; 2) the performance improvements that will be put in place through reduce page size; and 3) log-in and search capability improvements. Mr. Bub noted these changes came from NYISO customer surveys.

Mr. Bub continued with additional enhancements that are being considered, and asked for continued feedback from the BIC members for other changes they would like to see.

10. Administrative Matters

Stuart Nachmias questioned the change in submitting VSS test data from 5 days to 10 days. He asked that when bringing proposals to the committees/working groups a clear explanation for the change be provided.

11. New Business

Ms. Kathy Whitaker reviewed the VSS test data procedures stated in Section 3.6 of the Ancillary Services Manual. Test data reports must be submitted electronically by the VSS Supplier within ten (10) business days of the test to the NYISO for review and acceptance. If a generator fails to meet the 10 day window for reporting, the consequence would be that NYISO would reject those test results, and retesting would have to be completed and submitted again within 10 days.

Mr. Howard Fromer commented that this was not consistent with other NYISO reporting and did not understand why generators who failed to report their test data within the 10 days would have to repeat their testing. Ms. Whitaker and Mr. Joseph Williams clarified the NYISO’s reasoning for obtaining this data in this fashion. They agreed to bring this issue up for further discussion in a working group meeting.

12. Adjourn

The meeting was adjourned at 2:40 pm.