

# **NYISO Business Issues Committee Meeting**

February 20, 2002

The Desmond Hotel  
660 Albany Shaker Road  
Albany, NY

## **draft MINUTES OF THE MEETING**

### **I. Welcome & Meeting Objectives**

Mr. Stephen Wemple, Chairperson of the Business Issues Committee (BIC), called the meeting to order at 10:07 AM and welcomed the members of the Business Issues Committee. The attendees introduced themselves and the companies that they represent.

### **II. Approval of the Minutes**

Approval of the January 23, 2002 BIC Minutes was deferred to the March 2002 BIC Meeting to allow a Market Participant to submit comments on the Minutes.

### **III. Chairperson's Report**

Mr. Wemple's report to the committee covered three issues. First, he announced that tomorrow, Feb. 21, there would be a joint meeting of the Management Committee and Nepoch Participants Committee in Hartford to cover procedural and technical issues related to the proposed RTO. The possibility of adjusting the BIC schedule to accommodate business issues related to the NERTO was raised.

Second, Mr. Wemple stated that the ICAP deliverability issue, which to that point had been reviewed by a MSWG task force, will be moved to the ICAP working group. He mentioned that he would touch base with Mr. Matthew Picardi, the chairperson of the ICAP working group.

Third, Mr. Wemple informed the committee that the MC had given a "homework" assignment to it, which would be to look at the 85/15 sharing formula for ISO cost. He charged the MSWG to include this task in upcoming meetings and to report back to the BIC by fall of this year. Mr. Michael Mackles, NYISO Corporate Credit Manager, gave a brief summary of the process for arriving at the 85/15 split.

### **IV. Market Operations Update**

#### **Report on Project Plan**

Mr. John Hickey, NYISO, presented the 2002 project plan. He explained how the Senior Management Steering Group and the Project Priority Team work in parallel to prioritize new issues, and how these issues become projects in the project plan. Mr. Hickey confirmed that 2002 project plan presented to the BIC is the same plan that was presented to the MC.

Mr. Hickey described how after the issues became projects they are assigned to one of six categories in the project plan. He said that the highest priority projects are the anchor projects. He also stated that the NYISO is looking at better ways to present the project plan that will include more information. The current plan only shows start and end dates and does not include resource estimates, or staged deliveries.

Mr. Hickey noted that the project plan is resource constrained so that is additional resources become available, a project time line can move up. Projects can also be split off such that one piece of a project may be delayed while another piece moves forward. He added that outsourcing is considered as an additional resource, and that option is weighed against the inefficiency of the need for NYISO staff time to support the contracted staff.

Mr. Aaron Breidenbaugh, of Navigant, asked how a Market Participant should appeal for a change in the project plan. Mr. Wemple replied that the best approach would be to work through the ISO working groups, and that a motion to amend the plan could be brought to the BIC or the MC. After Mr. Keith O'Neil, of NRG suggested that MPs need an explanation for why projects slip. Ms. Doreen Saia, of Couch White, also added that MPs shouldn't set deadlines that the NYISO cannot meet, and should honor independent decisions made by the NYISO.

### **Monthly Market Data**

Mr. Charles King, NYISO, presented the Monthly Market Data. Mr. King began his presentation by pointing out that average daily total price for January 2002 was noticeably lower than the same period 2001, and attributed this drop to the milder weather in 2002. He pointed out that here were incorrect statistics for January 2002 on slide 4-C, and that some of the zonal slides were also incorrect. He added that the package would be re-issued with the correct data.

With regard to multi-hour block transactions, Mr. King noted an increasing trend in the level of participant usage. Mr. Mark Younger, of Slater Consulting, asked when the NYISO would start including price estimate within the zonal graph. Mr. King agreed to take an action item to see if this data could be included in the re-issue of the package.

With respect to the virtual bidding slide, Mr. King explained the significance of the "Authorized – Not Bid" Mw amount is that it shows an increased in usage of virtual bids by approved participants within their approved limits.

Mr. Younger asked the NYISO to provide additional information in the Monthly Report concerning LSE bidding of price capped loads. Mr. Steve Balsler, NYISO, agreed to take

an action item to explore way of presenting this data in future report, and to report back to the BIC with examples of how the data might be presented.

Mr. King pointed out that in the last slide of the package there appeared to a trend toward convergence of the DAM and Real Time LBMPs. He claimed that this convergence could be attributed to the introduction of virtual bids.

### **NYSIO Transaction Performance**

Mr. King explained that the transaction performance data is presented on a "Transaction-Hour" basis, and that the information was gathered primarily from operations. For transactions submitted to the NYISO, the presentation shows how many transactions were curtailed, and for what reasons.

Mr. King offered to continue to update the data if participants thought the information might be of some use. When asked for the specific definition of "proposed transactions", Mr. King took an action item to double check the source of the information and report back to the committee.

When Mr. Howard Fromer, of PSE&G, asked how effective the real time desk has been at restoring failed transactions, Mr. King agreed to take an action item to review the information and report back to the committee at a future date.

### **Review of Offer Restrictions in the 10 Minute Non-synch Reserve Market**

Mr. King noted that all of the slides for this presentation were based on analysis conducted by the Market Advisor, David Patton and the Market Monitoring Unit. He explained that even though on average there is about 50% more non-synch reserve bid into the market than the amount accepted, the HHI analysis shows that ownership of the reserve is concentrated among a small number of participants. Because of the high concentration, Mr. King expressed the NYISO's recommendation to maintain the existing requirement to bid and extend to Non-ICAP providers. The NYISO recommendations also included the removal of the offer cap of \$2.52 per Mw, the establishment of reference prices, and a repeat of the assessment after one year.

Mr. James Scheiderich, of Select Energy, expressed his concern that by extending the offer requirement to Non-ICAP resources, those resources would become ICAP suppliers by default.

Mr. Mark Reeder, of the NYSDEC, asked what the NYISO intention was by making these recommendations to the BIC. Mr. King replied that the recommendation could be included in the upcoming comprehensive filing, or can go through a review by the appropriate working group.

Elaine Robinson recommended that further discussion of the recommendation be deferred to a special AMP Task Force Meeting, which would be scheduled for Feb. 25<sup>th</sup>

**V. Presentation on Schedule 1 Analysis**

Mr. Andrew Hartshorne, of LECG, presented the results of an analysis of the various components of Schedule 1 charges that are summarized in the daily and monthly reconciliation report. He qualified his analysis by stating that it was in the early stages, and that format and data will change as the analysis progresses. He described how BPCG, energy residual, loss residual, and congestion residual were four components of Schedule 1 that his analysis addressed. The analysis of the balancing market also included DAM contract balancing.

Mr. Hartshorne explained the details related to positive and negative residuals for each of the components. He showed a summary of the DAM BPCG for a single day, which indicated a rather large discrepancy between reported amounts and calculated amounts of uplift. He attributed the discrepancy to the current method for estimating lost opportunity cost and mitigation of start-up and minimum generation cost.

Mr. Hartshorne identified a number of possible problems as the result of his analysis.

**VI. Status report on Comprehensive Mitigation Filing (Agenda Item 11)**

Mr. King covered the high points of the Comprehensive Mitigation filing. He affirmed that the threshold value that will be employed during congestion period will be the 2% maximum annual exposure curve, but also added that a re-assessment will be conducted after the 2003 summer capability period.

When asked when the filing document would be made public, Elaine Robinson, of the NYISO, replied that the revised Market Monitoring Plan tariff language would be distributed at least three days before the March 1 filing date.

In response to questions regarding flaws in the market mitigation plan, Mr. Steve Balsler, on the NYISO, stated that he was not prepared to discuss the question at this meeting and that the issue will be discussed at the AMP Task Force Meeting on Feb. 25<sup>th</sup>.

**VII. Presentation on the Options for a “Non-Incentivized” Revenue Neutral PRL Proposal (Agenda Item 9)**

Dave Lawrence, of the NYISO, summarized the history of the Price Responsive Load Programs. He stated that when the incentivized program were developed, the PRL working group was charged to study load response program that did not include an incentive component. He announced that the working group came up with two proposals, plus a no change proposal.

Mr. John Little, of Navigant, presented ~~the~~ three ~~proposals~~ options. Mr. Little started with the no change option ~~to~~ as a benchmark to represent how the program works currently. ~~In~~

†This option ~~the~~ pays incentives to the DRP. For Option 2, Mr. Little showed how The Demand Response Provider is given the credit for the day ahead scheduled load reduction, and how the DRP will pay for underperformance by balancing in the real time market. For the third option, Mr. Little explained that the LSE would receive the day ahead credit and pay any under performance balancing charges. Additionally, this option would have the DRP and LSE negotiate separate terms and conditions for the load reduction service provided by the DRP.

**VIII. Act on BIC Bylaw Changes Pre-approved by the MC (agenda Item 7)**

Mr. Steve Schell, of Hunton and Williams, related the details of a motion that was passed at the Management Committee on February 7, 2002 to amend the ISO Agreement and the MC By-Laws, and to pre-approve By-Laws for the OC and BIC. He reported that the amendment to the By-Laws was intended to tighten up the definition of “Small Consumer”, and to include a quorum requirement for the Small Consumer sub sector. The motion was passed unanimously.

**Motion #1:**

WHEREAS, the Management Committee, at its February 7, 2002 meeting, approved revisions to the ISO Agreement and the Management Committee By-Laws proposed by the Management Committee’s By-Laws & Governance Subcommittee;

WHEREAS, the Management Committee’s revisions to the ISO Agreement require conforming changes to be made to Section 7.04 of the Business Issues Committee By-Laws; and

WHEREAS, the Management Committee, at its February 7, 2002 meeting, pre-approved for action by the Business Issues Committee the attached conforming amendments to Section 7.04 of the Business Issues Committee By-Laws;

NOW, THEREFORE, IT IS MOVED that the Business Issues Committee approve the attached amendments to the Business Issues Committee By-Laws.

*(Motion passed unanimously by a show of hands)*

In response to Mr. Breidenbaugh’s question as to when the amended By-Laws would become effective, Mr. Wemple replied that the amendment will require FERC approval, and take at least a couple months.

**IX. Proposal to Revise Transmission Loss Allocation (Agenda Item 6)**

Mr. Rick Gonzales, of the NYISO, communicated a proposed change in the methodology used by the NYISO to calculated subzone losses. He observed that the current method

computes not equivalent to losses calculated by transmission owners, because of the use of static breakdown factors that are not always accurate. The inconsistency results in positive and negative unaccounted energy when triuing up subzone loads to retail metered loads. Mr. Gonzales further explained that misallocation of subzone losses results in LSEs in one zone being charged inappropriately for the losses of LSEs in another zone.

Mr. Gonzales reported the results of an operating study that illustrated specific example of the misallocation of losses.

Mr. Gonzales proposed that in the long term the implementation of a state estimator will solve the inconsistencies in subzone loss calculation, and the ensuing misallocation of losses to LSEs. Given the fact that the implementation of the state estimator would not be happening soon, Mr. Gonzales proposed an interim method that would use EDC areas to provide more accurate loss estimates.

Mr. Jerry Ancona, of NMPC, moved to adopt the proposal, which was passed by role call.

**Motion #2:**

Proposal to approve the Proposed Interim Methodology as detailed below:

- ❖ Use same EDC Model that currently provides total NYCA loss estimate
- ❖ Use detailed EDC Areas to provide more accurate locational loss estimates within the NYCA
- ❖ Use breakdown factors for EDC Areas to estimate subzone losses
- ❖ 9 EDC Areas breakdown to 22 subzones

*(Motion passed with 89.27 % affirmative votes)*

Mr. Jerry Dunbar, of Consolidated Edison, moved to table the motion in order to provide addition time to evaluate the consequences of the interim methodology. The motion failed by role call.

**Motion #3:**

Motion to table Motion #2

*(Motion failed with 38.37 % affirmative votes)*

**X. Status Report of OSS and Pre-Scheduling Deployment**

**Pre-Scheduling**

Mr. Dick Mills, of the NYISO, informed the committee that an interim version of the Pre-Scheduling package will be deployed in advance of the OSS sometime in late March or early April. Since the interim version will not be included with the OSS, it will employ the existing MIS with new web pages. He mentioned that pre-scheduling would extend the bid box to 18 months, and that users would be able to submit queued or non-queued bids. Unaccepted queued bids would be could be evaluated again if additional capacity became

available.

Mr. Mills described the check out process as assumed OK, or "AOK". In this process, if no ATC or Ramp violations existed the schedule would be accepted in New York. He went on to explain that data validation for transaction schedules would be dependent upon manual procedures, and that the details for those procedure have yet to be worked out.

### **Open Scheduling System**

Mr. Walt Pfunter, of the NYISO, presented an overview of the Open Scheduling System (OSS). He noted that an NPCC OSS User's Group has been formed and held meetings in Montreal, Detroit and Houston. Presentation had made before the Senior FERC staff and Western RTO working group.

MR. Pfunter expressed that the OSS was designed around principals that it should use open architecture, interface as closely as possible with existing systems, be scaled to handle growing volume, and establish standards for interaction between scheduling coordinators.

Mr. Pfunter reported that the implementation schedule for the OSS had been modified such that Phase 1 of the project is expect to go live in the third quarter of 2002. The schedule change was made necessary to address gaps in the business and technical design.

### **XI. Working Group Updates**

### **XII. New Business**

### **XIII. Administrative Matters**

### **XIV. Adjournment**

The meeting was adjourned at 3:50 pm.

Respectfully submitted,  
David R. Evanoski, P.E.  
Recording Secretary, Business Issues Committee

**Business Issues Committee – Action Item Listing**

Number	Action Items	Assigned to
BIC.02.20.02-1	Incorporate BME pricing along with DAM and Real-Time prices within the Market Operations Report.	C. King
BIC.02.20.02-2	Explore ways of presenting LSE price capped load bidding data in future market operations reports, and to report back to the BIC with examples of how the data might be presented.	S. Baiser
BIC.02.20.02-3	With respect to the transaction performance analysis, provide the BIC with a definition for “proposed transaction” at a future meeting	C. King
BIC.02.20.02-4	Correct slide 4-C of the Monthly Market Data report and re-issue	C. King
BIC.02.20.02-5	Schedule an AMP Task Force meeting for February 25, 2002 for the purpose of further reviewing and discussing the March 1 mitigation filing.	E. Robinson
BIC.02.20.02-6	Ensure that the revised Market Monitoring Plan tariff language be distributed at least three days before the filing date.	E. Robinson