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## NYISO Management Committee Meeting Minutes

August 25, 2010

10:00 a.m. – 4:30 p.m.

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

Mr. Glen McCartney (Constellation Energy), the Chair of the Management Committee (MC) called the meeting to order at 10:00 a.m. and welcomed the members of the MC. Meeting participants introduced themselves and their affiliations. A quorum was determined.

### 2. Approval of Meeting Minutes – July 21

#### Motion #1:

*Motion to approve the June 21 Management Committee meeting minutes.*

Motion passed unanimously.

### 3. President's Report and COO Report

Mr. Steve Whitley (NYISO) reported that he attended a PJM members meeting recently with Ms. Karen Antion (NYISO) to discuss Broader Regional Markets and to work on seams issues. He briefed PJM members on the topic and noted the importance of keeping all parties informed of this joint initiative.

Mr. Whitley explained the recent announcement of the Consumer Liaison position. This was created based on input from many parties. FERC and the PSC have discussed this position with the NYISO. Susan Tierney highlighted this as an area for improvement in the Tierney Report from April 2010. The NYISO received feedback from the sector meetings. The Board Liaison committee also discussed this topic in detail. Tom Rumsey has also presented this topic at a previous MC meeting.

Mr. Whitley reiterated that this is not an advocacy position. It is to improve the interface with end use consumers. It's about information, communications, and education outreach. This position will identify other areas where improvements can be made.

Bruce Bleiweis (DC Energy) praised the PJM visit.

Mr. Rick Gonzales (NYISO) reviewed the COO Report presentation included with the meeting material.

Mr. Mark Younger (Slater Consulting) asked if SCRs actually set prices when they were activated during the July heat wave period. Mr. Gonzales said they were capable of setting price, but did not, and that all clearing prices have been determined to be correct and in accordance with the ISO tariff. Mr. Younger then asked if the SCRs were needed for reliability purposes and Mr.

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Gonzales confirmed that Zone J SCRs were activated for maintaining an acceptable voltage profile as was presented at the ISO Operating Committee. Mr. Younger questioned the current methodology of price setting for SCRs and whether the tariff needs to be revised through the stakeholder process.

Arthur Maniaci (NYISO), as part of the COO Report, gave a presentation on the July 6, 2010 Peak Day Load Analysis.

Mr. Glenn Haake (Dynergy) asked about the 450 megawatt estimate mentioned in the presentation. Mr. Maniaci explained that it is a preliminary estimate.

Ms. Doreen Saia (Mirant) asked if the 2006 figures are actually known. Mr. Maniaci explained that the data is based on a FERC filing.

Mr. Haake asked why the demand response contribution was much larger in 2006 since there are more registrations in demand response since then. Mr. Maniaci said that the NYISO only invoked demand response in Zone J. In 2006, the ISO activated demand response in more zones.

Mr. Dan Congel (TC Ravenswood) asked about localized outages on July 6. Mr. Maniaci said that the ISO does not account for small distribution outages. The bulk power system is designed to serve all loads at the distribution level. The statistics do need to be adjusted for large distribution outages.

#### **4. Revised TCC Credit Requirements**

Mr. Jim Scheckton (NYISO) reviewed the presentation included with the meeting material.

Mr. Bart Franey (National Grid) asked what effect this proposal has on the transmission owners with grandfathered-rights. Sheri Prevatil (NYISO) explained that those rights won't be affected and that they do not have requirements.

A Market Participant commented that any additional changes need further consideration. Ray Stalter (Edison Mission Marketing & Trading) appreciated the ISO's responsiveness. He indicated that he would abstain, but noted that this points out a need to look at the policy for holding requirements as a whole and in more detail.

Motion #2:

Motion to authorize the NYISO to file revisions to the NYISO's tariffs to implement enhancements to the TCC credit requirements; provided, however, that prior to the NYISO filing, the NYISO shall submit the revised tariff sheets to the BIC, OC, and MC Chairs and Vice Chairs for review and approval.

*The motion passed with abstentions.*

#### **5. Voltage Support Service from External Generators**

Kathy Whitaker (NYISO) reviewed the presentation included with the meeting material.

Frank Francis (Brookfield Energy Marketing) asked how we currently dispatch the two external generators that provide voltage support. Ms. Whitaker indicated that the NYISO requests voltage support from the neighboring ISO that has direct operational control over the external generators.

Motion #3:

Motion that recommends the NYISO's Board of Directors to approve the proposed amendments to Rate Schedule 2 of the NYISO's Market Administration and Control Area Services Tariff regarding eligibility to provide Voltage Support Service.

*Motion passed with abstentions.*

## **6. 2010 RNA**

Mr. Howard Tarler (NYISO) reviewed the presentation included with the meeting material.

Mr. Younger said that the retirement number as presented is misleading. Mr. Tarler said that the reported number was discussed with market participants at ESPWG, but agreed to discuss a better representation at future ESPWG meetings.

Mr. Haake asked for clarification of the Indian Point scenarios, in particular, the dates that the two units' licenses are to expire and why the NYISO chose the year 2016. Mr. Tarler said that the year 2016 was chosen because 2016 is the first year after both IP licenses expire in 2013 and 2015 for units 2 and 3 respectively.

A Market Participant asked whether the LOLE was analyzed in certain zones. Mr. Tarler said that all load zones were analyzed.

Mr. Franey asked for clarification of the transmission capacity and about LOLE. Mr. Tarler said on page 38 the RNA modeled NYSEG's ETCNL, the 1080 MW as a firm contract on the PJM western NY ties, and concluded that there would be no impact on the NYCA LOLE.

Ms. Saia asked for clarification of whether the NYISO will also monitor energy efficiency in the future. Mr. Tarler said that the ISO will continue to monitor it regularly.

Mr. Kevin Lang (Couch White) commented that he doesn't dispute the RNA. He added he was disappointed with the Market Monitoring Unit's review of it. Kevin does not see the need for the MMU's continuing recommendation of creating a capacity zone for the Lower Hudson Valley in the capacity market. This sends a signal that there is no need, but costs to Lower Hudson consumers will increase. MI is concerned that Dr. Patton's recommendation has not changed after its annual State of the Market reports.

Mr. Henry Chao (NYISO) said that this issue of creating a new capacity zone will be discussed at MIWG, IITF, and ICAPWG. The MMU review, required by tariff, endorsed the NYISO assumption. Mr. Lang responded that the MMU has a biased opinion in its market analysis. Lower Hudson generators will have increased revenue, and consumers will also have increased costs.

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Ms. Saia commented that we shouldn't have a debate over creating a lower Hudson zone at the MC meeting. She said that in her interpretation, the MMU does show a concern in its analysis.

Mr. Rich Miller (Consolidated Edison) said that he supports Mr. Lang's objection, but this needs further discussion.

Mr. Haake said that we don't need to make this a grave concern. He did comment that we need price signals.

Mr. Whitley said that this discussion will go through the stakeholder process. We are committed to looking at these issues.

Mr. Chao said we will monitor the discussion of the new capacity zone development and keep the issue open in the committees. Further analysis on transmission systems by the Annual Transmission Review will be reported to the TPAS subcommittees and other reliability organizations such as NPCC and NYSRC.

Mr. Franey would like the CRP released before the ATR.

Ms. Saia commented on the hard work done by the NYISO staff with the RNA to get it approved earlier this year and allowing MP comments in a timely manner. She appreciated the NYISO's efforts. Mr. Rich Miller (Consolidated Edison) concurred.

Mr. Tarler said the ISO would like to thank the stakeholders in producing this report.

Mr. Whitley said he wanted to thank the staff as well. The planning department is under pressure to get work done. They do the core analysis work, including DEC's environmental initiatives scenario analysis, the EIPC interregional planning studies, etc. The progress shows how effective our stakeholder process is and our good working relationship with the NYS DEC. You've all put in a lot of work at our meetings.

Ms. Saia asked for when the NYISO Board will discuss the RNA. Mr. Tarler said that they will discuss it in September.

Motion #4:

WHEREAS, the Electric System Planning Working Group ("ESPWG") and the Transmission Planning Advisory Subcommittee ("TPAS") held a series of meetings with NYISO Staff to discuss and review the studies and analyses underlying the NYISO's findings regarding reliability needs in New York State; and

WHEREAS, the Operating Committee ("OC") at its August 5, 2010 meeting reviewed the NYISO's draft 2010 Reliability Needs Assessment ("RNA") Report, and based on the information and presentation made by the NYISO to the Market Participants made changes to the draft RNA Report at the August 5, 2010 OC meeting; and

WHEREAS, the OC unanimously and with one abstention concurred with the findings of the draft 2010 RNA Report, as revised at the August 5, 2010 OC meeting, and recommended that the

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Management Committee (“MC”) concur with the findings of the draft 2010 RNA Report and recommend approval by the NYISO Board of Directors; and

WHEREAS, the NYISO Staff has provided a draft RNA Report dated August 18, 2010 that includes the changes made at the August 5, 2010 OC meeting, for the August 25, 2010 MC meeting, and has made a presentation and provided information on the draft 2010 RNA at the August 25, 2010 MC meeting; and

WHEREAS, the NYISO’s independent Market Monitor Unit (“MMU”) has reviewed the draft RNA Report and provided to the NYISO a memorandum, dated August 2, 2010, commenting on the RNA, which the NYISO provided to the OC and the MC for consideration;

NOW, THEREFORE, based on the presentation made by the NYISO at the August 25, 2010 MC meeting and the information available from, and presented by the NYISO to, the Market Participants as of this time, and considering the memorandum from the MMU, the MC hereby concurs with the findings of the draft 2010 RNA Report and further recommends that the NYISO Board of Directors approve the August 18, 2010 draft of the RNA Report.

*Motion passed unanimously.*

#### **New Business**

Mr. McCartney announced that the Vice-Chair position is open and potential candidates should register. He said it is whole different experience for members and that it is great to work with NYISO’s committee support staff.

Mr. McCartney announced that there are lots of strategic tariff review documents that will need to be approved soon. Most are not controversial, but rather clean-up language. He would like those future agenda items to go on the consent agenda for approval. If anyone wanted to oppose a particular item, it can be done and will be taken off the consent agenda and moved to the regular agenda.

Mr. Younger said that he wanted to keep NYISO from considering significant tariff language changes as part of the strategic tariff review.

Mr. Lang said he liked this idea.

Mr. Stalter said he wanted a sense of the to-dos. Mr. Whitley said the ISO will have Kathleen Dalpe discuss, but he thinks the process is coming to an end.

Mr. Neil Butterklee (Consolidated Edison) said that he thinks that we need more than a week to review STR.

Mr. Richard Barlette (NYISO) wanted to remind MPs to fill out the customer survey. MPs still have two weeks to do so.

**\*\*Lunch\*\***

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

Mr. David Lawrence (NYISO) reviewed the presentation included with the meeting material. The NYISO's independent Market Monitor Unit representative, Dr. David Patton (Potomac Economics), joined the meeting via telephone.

Mr. Younger stated that he felt that the presentation was complicated and should have been simplified. Ms. Saia stated that she felt that the NYISO was moving away from recommendations made in 2008 and was uncomfortable going forward with the vote. She asked for a clarification of the proposal.

Mr. Younger asked if the NYISO will provide on the website the calculations used in the CRIS rights to be as transparent as possible. He indicated that market participants would like to know how the NYISO made calculations. Mr. Lawrence agreed. Ms. Gloria Kavanah (NYISO) added that the provision of information would be subject to masking confidential information.

Ms. Kavanah said that the proposal is an improvement over existing rules.

Ms. Saia wanted to note that there is substantial disagreement of the tariff interpretation. She believed that this proposal is not ready and that generators are concerned about it and the disruption of the balance we have in place. Ms. Kavanah said that the NYISO was aware of the disagreement, but this was why we went through the stakeholder meetings to work on the proposal.

Mr. Dave Clarke (Navigant Consulting for the Long Island Power Authority) said that this issue was discussed at working group meetings and that there are differences of opinion. LIPA sees this as an improvement.

Mr. Lang said that this discussion today at the MC is a rehash of what was already discussed at working group meetings. Generators aren't the only ones with disagreements, but this issue is important. The balance that Ms. Saia referred to is no balance at all.

Mr. William Palazzo (New York Power Authority) stated that NYPA plans on voting in favor. NYPA sees this as a step in the right direction, but NYPA has serious concerns over the entire aspect of buyer-side mitigation, as it doesn't take into account public policy-driven projects on behalf of their customers. NYPA's vote should not be interpreted in any way as an endorsement for the concept of buyer-side mitigation before the MC. Mr. Palazzo commented that it is NYPA's hope there that there will be further refinements to the current Tariff, especially in regards to re-powering. NYPA urges that the independent Market Monitor report on the effectiveness of these rules and report back on any unintended consequences that may result. He asked whether Dr. Patton see this as an improvement.

Dr. Patton indicated that, on the whole, it's an improvement. There are instances that need clarification especially if they want to expand CRIS rights for an existing unit in the market. Mr. Christopher LaRoe (IPPNY) said that the proposal needs more clarity. He asked for Dr. Patton to further share his thoughts on the proposal. Dr. Patton stated that he believed that it would be good to give investors certainty.

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Mr. Miller pointed out that this issue was debated at BIC, and Con Edison thinks the proposed tariff changes are an improvement, although they disagree with the 3-year minimum duration.

Mr. Liam Baker (U.S. Power Generating Co.) said these rules shouldn't be a deterrent. It needs more clarity. He said he does not see Dr. Patton's views as a clear endorsement. He asked if the NYISO will consider removing this item from consideration. Mr. Lawrence said no.

Mr. Brad Kranz (NRG) asked if the buyer-side rules meet "just and reasonable" criteria. He said he doesn't think there has been an analysis of these proposals.

Mr. Clark said that LIPA is prepared to support this motion and also prepared to discuss economic issues.

Mr. Paul Gioia (Dewey & LeBoeuf, LLP) representing Transmission Owners, including LIPA and NYPA) said that he considered it inappropriate to have market participants asking Dr. Patton off-the-cuff for his opinion on the proposal. Ms. Saia said that Dr. Patton's job is to evaluate proposed market rules. Stakeholders need a better understanding of post-Order 719. She also asked about the section 205 filing to FERC. Ms. Kavanah said that NYISO plans to request a shortened comment period and an order 30 days after filing. If an appeal is filed, the NYISO won't request a waiver.

Motion #5:

Motion to recommend that the NYISO Board of Directors approve for filing under Section 205, the proposed amendments to Attachment H as presented to the Management Committee (MC) modified to specify that it does not address, and that the Stakeholder process should promptly review, the issue of the timing and manner to make an exemption or Offer Floor determination for a generator initially found to be deliverable for part of its MWs of requested CRIS rights when subsequently it requests CRIS rights for the remaining MWs at the August 25, 2010 MC meeting.

*Motion passed with 64.17% affirmative votes.*

Motion #5A:

Motion to table motion #5:

*Motion failed with 40.31% affirmative votes.*

Motion #5B:

Motion to recommend that the NYISO Board of Directors approve for filing under Section 205, the proposed amendments to Attachment H as presented to the Management Committee (MC) modified to specify that it does not address, and that the Stakeholder process should promptly review, the issue of the timing and manner to make an exemption or Offer Floor determination for a generator initially found to be deliverable for part of its MWs of requested CRIS rights when subsequently it requests CRIS rights for the remaining MWs, on this date, August 25, 2010, except that the 6 capability minimum duration period described in slide 9 and set forth in section 23.4.5.7 is deleted.

*Motion failed with 57% affirmative votes.*

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

Mr. Lawrence reviewed the presentation included with the meeting material.

Motion #6:

The Management Committee (MC) recommends that the NYISO Board of Directors approve for filing under Section 205, amendments to Section 23.4.5.7.2 of Attachment H of the Services Tariff as presented to the MC on this date, August 25, 2010.

*Motion passed with abstentions.*