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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.

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 (Dynegy) 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 while he doesn't dispute the RNA, he was disappointed with the Market Monitoring Unit's comments on it. MI does not believe that there is a present need for a new capacity zone in the Lower Hudson Valley, particularly given the analysis in the RNA. Therefore, MI questions the basis for the MMU's continuing recommendation of creating that new capacity zone. Creating a new capacity zone will likely result in increased capacity prices in the Lower Hudson Valley, thereby signaling a need for new generation when there is no such need. At the same time, costs to Lower Hudson Valley consumers will increase unnecessarily. MI is concerned that Dr. Patton's recommendation on this issue, as set forth in his annual State of the Market reports, and in this memo, has not changed over time notwithstanding the change in the NYISO's analysis regarding the need for new capacity in the Lower Hudson Valley. Ms.

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Saia noted that the scenario analyses for both Indian Point and the cumulative environmental impacts demonstrate that needs could arise in the Lower Hudson Valley essentially overnight and zones need to be in place to address circumstances as they arise.

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.

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, in particular noted that no evidence was provided to support the statement that Mr. Patton made that the separate capacity zone would help provide efficient incentives to introduce capacity into this region. He further stated that Mr. Patton at a minimum should have deleted the word "efficient" from the sentence and this is why this issue 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 Mr. Patton is expressing his opinion only, that the NYISO has a stakeholder driven process, and 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.

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**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 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\*\***

## **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. He indicated that the NYISO had removed the repowering item that had been- discussed at the BIC meeting because the NYISO believed the issue would benefit from further discussions at the ICAP working group. The NYISO's independent Market Monitor Unit representative, Dr. David Patton (Potomac Economics), joined the meeting via telephone.

The NYISO indicated that it had separated these issues out. This presentation covers changes specific to the exemption, determination and duration of the offer floor. The second presentation addresses the 12 month rule for an offer floor exemption. That is Agenda Item #8.

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.

The NYISO stated that it was coming forward with some new definitions but essentially it means that a unit will no longer be mitigated as long as it clears 50% of its capacity for 24 non-consecutive months. The NYISO is proposing a formula that would allow for a shorter period if it is a higher percentage of the capacity.

The NYISO noted that the timing of the exemption is tied into the class year analysis. There are then a series of iterations when projects decline to accept their costs.

The NYISO stated that it has provided the text for the exemption test which now has been defined to be the period that is three years out. The NYISO has decided to use this fixed forecast period because they feel that they cannot rely on proposed in service dates.

The NYISO will consider retirements that have been noticed to the PSC as intending to retire as well as the load forecast and the SCR resources as set forth in the most recently published load and capacity book.

The NYISO is proposing that the duration of the offer floor has to be a minimum of three years. Super imposed on top of that rule is that you apply the lesser of how long it takes to roll off the excess, 15 capability years or the 50% rule.

The NYISO has included a slide specifying how they will treat units that initially did not request CRIS rights. The costs to be considered are the full costs of the unit plus its SDUs.

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.

The NYISO reported that there is an ability to get partial CRIS rights: for the number of MW requested that are deliverable; the other option is to decline all or accept all. Mr. Kranz (NRG) noted that the concern is that this was meant to be a test done when you were deciding whether to invest and go forward with a project. The NYISO noted that it was trying to capture in the forecast the right mix of what capacity would be in the market at the time of the partial MW entrant, along with the other projects in the Class Year. Ms. Saia raised concerns with moving away from the structure laid out in the existing tariff.

Mr. Younger noted the potential for gaming opportunities if the NYISO makes a second mitigation determination when additional CRIS MW are requested. When asked, Dr. Patton said that he agreed with Mr. Younger that the proposal may be problematic.

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

Ms. Saia wanted to note that there is substantial disagreement ~~on~~ on the tariff interpretation. She noted that it was not clear how they NYISO was proposing that some of these rules would work. 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 that was reached through the FERC proceeding. 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. She further stated that the NYISO did not agree with the motion to table Agenda #7 indicating it was prepared to go forward with these changes, notwithstanding that some tariff provisions were more recently amended than others. Ms. Saia requested that we at least hold off voting on the actual tariff language as some of it is brand new and there are concerns with other provisions. A motion to table taken later in the meeting failed.

The NYISO reported that it is going to propose an effective date one day after filing. If this is approved at today's MC meeting, they will file a request for waiver of the current exemption determination provisions promptly after the period for appeal of the MC approval of tariff revisions has expired, provided an appeal has not been filed. The waiver filing would request an effective date of the day after the filing and provide that the NYISO may notify FERC and stakeholders that it intends to resume effectuating existing exemption and Offer Floor determination provisions if it appears that newly filed tariff leaves will not be accepted by FERC by the requested date (30 days after filing).

Dr. Patton was asked if he reviewed the NYISO's proposed tariff changes. Dr. Patton indicated that he had some questions about the presentation. Dr. Patton first confirmed if someone incurs

no SDUs, they have to take all or none they can't take partial. The NYISO confirmed that point. Dr. Patton asked when a developer can take partial CRIS rights. NYISO indicated that the project can elect to take the number of MW that were determined to be deliverable without SDU costs. Patton asked if they come in later for additional CRIS rights, and the NYISO said they could. Dr. Patton stated that he believed that may be problematic if the additional CRIS rights would create a surplus, unless they can show that the resource was economic against the market conditions at the time that the developer made the decision to build the resource.

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, the changes are an improvement. There are elements that need clarification, including how the mitigation will apply if a supplier wants to expand CRIS rights for an existing unit in the market. You don't want to set up an avenue to escape the mitigation when a participant's takes an action that violates the spirit of the rule. I am not sure whether there is a loop hole here. I also think there are some questions on how the determination works for partial MW. I think the other change to apply the exemption test against 12 months not just one month is an unambiguous improvement. The NYISO clarified that this will be the next motion.

Mr. Christopher LaRoe (IPPNY) said that the proposal needs more clarity. He asked for Dr. Patton to further share his thoughts on the 50%/24 month proposal. Dr. Patton stated: I have advised that it would be beneficial to have a termination provision that would give some certainty to a developer that wants to go forward with an investment because he does not agree with the ISO forecast. The investor would know on the outside how long mitigation would continue. I don't think the proposal provides this certainty. Additionally, Dr. Patton raised a concern that all of the months could be summer months. You could pass the test without an entire year's worth of showing that your unit was actually economic, which is not consistent with the spirit of the mitigation.

Mr. Younger noted the fact that he had consistently asked why it is appropriate to let capacity begin to be exempt from mitigation when it has not shown that it is economic. If I sell 50%, I then get to sell 100%. The day after this happens, I cause the €curve to go below the floor. This shortens the time of mitigation. Dr. Patton indicated that he believed the provision is intended to



serve as a deterrent to make these sorts of strategies uneconomic in the first place. Is three years long enough to be a sufficient deterrent if this test allows people to be exempt thereafter? On balance, it might be too lenient. Dr. Patton advised participants to think about whether the proposed test is enough of a demonstration to warrant eliminating the mitigation. He indicated that part of the problem is that the tracking of the amounts cleared begins immediately.

Mr. Miller pointed out that this issue was debated at BIC, and Con Edison thinks the proposed tariff changes are an improvement (stating that this shouldn't be construed as support for in-City mitigation in general),- and Con Edison disagrees with the 3-year minimum duration because it results in a disincentive to economic entry, contrary to the FERC's decisions on in-city mitigation.

Mr. Liam Baker (U.S. Power Generating Co.) agreed that these rules should not be a deterrent to new entry, should not be unfair and should allow for economic entry. Dr. Patton noted that the fact that the new resource may only clear in the summer months is not entirely consistent with the spirit of mitigation. -Mr. Baker noted that generators also have raised concerns with the 50% piece and further noted that we have a lot of unanswered questions. . Dr. Patton stated that, if the group decides to look at some of these issues further, he was willing to provide Potomac's opinion or advice. Mr. Baker noted that the NYISO proposal 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) indicated that the buyer side rules are meant to be a package. If this deterrent does not work, Mr. Kranz 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. Mr. Baker stated that Dr. Patton could choose to decline to comment if he did not feel prepared to provide his opinion. 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. He noted that this is a change to part (a) of the test. The NYISO is proposing to modify part (a) to use the average annual price. The NYISO is proposing to make these changes effective one day after the date of the tariff revisions.

Ms. Saia noted the fact that generators have been concerned for some time that the NYISO's tariff contained an error in this regard and failed to apply FERC's orders. She further noted that, due to the late hour, she would not repeat all of the bases behind this statement that were provided at the working group meetings.

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.*