
NYISO Management Committee Meeting Minutes

September 29, 2010

10:00 a.m. – 12:00 p.m.

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.

Mr. McCartney announced that the approval of the meeting minutes from the August 25, 2010 MC meeting would be acted on at a reconvened Management Committee meeting on October 6, 2010 just before the Business Issues Committee. This is because two and a half pages of additional comments were submitted. At 2 p.m., the October BIC meeting will adjourn and the MC will reconvene to act on the meeting minutes. The dial in number will be the same as the BIC dial in number.

Kevin Lang asked if the final version will be sent around prior to the reconvening of the MC on October 6. NYISO confirmed that they will be provided.

2. CEO and COO Report

Mr. Rick Gonzales (NYISO) gave the CEO report in Mr. Steve Whitley's absence.

Mr. Gonzales said that the NYISO is aware that the APPA issued a report on wholesale electricity markets and used data from the NYISO's markets. He said that the NYISO is reviewing the report and we believe their data collection is flawed, especially bid data. The NYISO will release its findings shortly.

Ms. Doreen Saia asked when the NYISO will respond. Mr. Tom Rumsey (NYISO) responded that the NYISO will issue a response next week. The NYISO has received some media interest about the report. The NYISO is reaching out to the author of the report to see if he will re-evaluate his determination.

Mr. Gonzales continued with the CEO report by saying that the NYISO Board of Directors has retained Suede Kelly, a former FERC Commissioner during the Bush and Obama administrations, as an advisor on smart grid, transmission, and other important issues.

Mr. Gonzales announced that the planned software deployment on September 30 for two (2) projects will have to be delayed a few weeks in order to provide for some additional testing time. The Reference Level Software and Increasing Bids in Real Time projects will

be delayed until October 19. Additionally, the Late Day Start software functionality will be delayed until approximately November 2.

Mr. Glenn Haake (Dynergy) asked if these projects have been approved by FERC. Mr. Gonzales said they have not been approved. The NYISO has made a filing for approval.

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

Mr. Mark Younger (Slater Consulting) asked about the recent FERC filing re: ICAP mitigation. He wanted to know how the NYISO will be transparent on its website in making the data used in the calculations to determine if someone is exempt. And when will this data be available.

Ms. Nicole Bouchez (NYISO) responded that the NYISO is still working on this question and will get back to the Market Participants.

4. Consumer Program Update

Mr. Rumsey reviewed the presentation included with the meeting material. He noted that Echo Cartwright will serve in the position of Consumer Liaison.

Mr. Rumsey announced that on October 20, 2010, there will be a meeting to discuss how the NYISO will meet the needs of end use consumers. All market participants are welcomed to attend.

Mr. Rumsey pointed out the new changes to the NYISO mission statement. No other ISO mentions consumers in their mission statement.

Mr. Richard Bolbrock (MEUA) asked if the NYISO will be more specific/direct about the consumer language. He felt that it needed tweaking and that consumers deserve their own bullet point. He recommended the following as a bullet point: "***Minimize the delivered cost of power to the consumer at an appropriate level of reliability and consistent with public policy***"

Mr. Kevin Lang (Multiple Intervenors) asked what to serve public interest means. Mr. Rumsey said that our goals should support the state's goals. Mr. Lang said it was unclear if you are talking about retail consumers, small consumers, or large consumers. Mr. Rumsey said that the consumers are people buying electricity without the intention of reselling it. Mr. Lang commented that it sounds like the NYISO is merging government affairs with its consumer outreach.

Mr. Dave Clark asked about a consumer council to go along with the Consumer Program. Mr. Rumsey said that this idea is not off the table, we are still looking into this.

Mr. Liam Baker (US Power Gen) said that the changes to the mission statement are fine. He inquired about the budget for this initiative. Mr. Rumsey said that it is roughly \$200,000. Once we meet with end use consumers on October 20, we will have a better understanding of budget needs. It won't be underfunded. Mr. Baker expressed concerns if there were sufficient resources allocated to the consumer program.

Mr. Tariq Niazi (NYS Consumer Protection Board) said that NYS CPB appreciates these changes. The real substance we are looking for is the 2nd to last bullet point on slide 6 which says, "Work with end use sector to identify both internal and external resource needs and gather program recommendations." Mr. Rumsey said that this item will likely dominate our discussions with end use consumers at the October 20 meeting.

Mr. Niazi commented that Echo Cartwright should have access to NYISO technical staff to advise her on issues.

Mr. Saul Rigberg (NYS Consumer Protection Board) stated that the new mission statement should include language reflecting on reducing rates to consumers. Mr. Rumsey advised the NYISO is the first RTO to have the word consumer in its mission statement.

Mr. Gonzales said that we need to make sure that the mission statement is not misconstrued with our tariffs.

Mr. Rumsey stressed the NYISO is still at an early stage in developing the consumer program.

5. Enhanced Shortage Pricing Phase 1

Shaun Johnson (NYISO) reviewed the presentation included with the meeting material.

Rich Miller (Consolidated Edison) asked about the quantitative analysis of 2009 LBMP data. Mr. Johnson said that he did not have time to include this in his presentation today.

Mr. Haake asked if NYISO will revise demand curve. Mr. Johnson said it will be incorporated in the next demand curve reset, not the one which has just gone through the stakeholder process.

Mr. Younger asked when the NYISO will make a FERC filing. Mr. Johnson said NYISO will possibly file in January to meet the March 2011 implementation. He then commented that the changes we are making won't address the July 6 and 7, 2010 peak day when NYISO committed SCRs. He asked if Phase 2 will address the SCR pricing next year. Mr. Johnson said that it will be worked on.

Mr. Clark said that he wanted to commend NYISO staff on how the ISO approached this issue with the stakeholders and the work done on this issue. We'd like to see this approach for the more controversial issues as well. He'd like this to be the standard for future initiatives and wanted to thank the ISO again for the exemplary effort.

Motion #1:

The Management Committee (MC) hereby recommends that the NYISO's Board of Directors approve for filing under Section 205 of the Federal Power Act, amendments to the Market Services Tariff Rate Schedules 3 and 4, modifications to the reserves and regulation demand curves consistent with the proposal on Phase 1 of Enhanced Shortage Pricing as described in the presentation made to the MC on this date, September 29, 2010.

Motion passed unanimously.

6. STR – LBMP Calculations

Mr. Rick Hoefer (NYISO) reviewed the presentation included with the meeting material.

Motion #2:

The Management Committee (MC) recommends that the NYISO Board of Directors approve for filing under Section 205 of the Federal Power Act, amendments to the Market Services Tariff as part of the Strategic Tariff Review for LBMP Calculations and related provisions, as described in the presentation made to the MC this date, September 29, 2010.

Motion passed unanimously with an abstention.

7. NYISO 2011 Budget Preview

Mr. Scott Brown (New York Power Authority) reviewed the presentation included with the meeting material.

Ms. Mary McGarvey (NYISO) said that the normal cycle for the NYISO budget involves a preview of the budget at the September MC with the MC voting on the budget at the October MC meeting and Board approval in November. For the 2011 budget cycle, NYISO has recommended to defer the MC vote until the November MC meeting. The NYISO wants to give adequate time for MPs to consider the Infrastructure Master Plan and other important initiatives.

Mr. Brown said that a BPWG meeting will be scheduled in early November to address the budget in more detail before the November MC vote.

Ms. McGarvey said the ISO also has posted details for 2012-2013 budget projections under last week's BPWG meeting materials.

Mr. Clark said that from the TO perspective, they would like the ISO to finance the project and seek the PSC approval. Does the NYISO oppose going back to the PSC? Ms.

McGarvey said that the ISO is not opposed. The ISO would need strong MP support to bolster our case if we went back to the PSC with a new petition. Mr. Clark asked if the ISO thought that the PSC would not approve a new petition. Ms. McGarvey said she couldn't speak for the PSC. Mr. Clark said the NYISO should wait until it has the full amount of financing needed. We'd like the NYISO to go through the PSC.

Mr. Gonzales said that the ISO is interested in hearing all comments on the budget and the Infrastructure Master plan. Even if those comments have been made in the past, the ISO would like to hear them again.

Mr. Paul Goia said that is inappropriate to have a capital project in Rate Schedule 1.

Mr. Niazi asked what does the NYISO have in mind for the Carman Road facility and what is the next step for Krey Boulevard; is this the first phase and then we come back next year?

Mr. Richard Dewey (NYISO) said that, for the Carman Road facility, the current NYISO plan is to address the urgent needs for the data center and the completion of the work to commission the emergency generators at that facility. Due to the critical nature of these deficiencies, the NYISO feels that this work needs to start immediately in 2011. Additionally, the NYISO plans to finalize the design to address control room space inadequacy and technology deficiency. In order to meet the timeline required to adapt to the coming business changes, the NYISO feels that this design needs to be completed in 2011, and the construction should be performed in 2012-2013. The NYISO plans to seek MP support and PSC funding approval for this project during the coming year.

The NYISO believes that the most cost-effective approach to solve all the infrastructure deficiencies and to address the changing business requirements is to build a new addition with a control center at Krey Blvd. and migrate the Operations functions from Carman Road to Krey Boulevard. The infrastructure deficiencies were identified almost three years ago and have not been addressed. Given the multi-year time frame it will take to complete the construction activities, the NYISO strongly believes that the project needs to be initiated now in order to meet the reliability and business requirements.

Mr. Kevin Lang said that he had two comments to make. He agreed with the TOs that we don't feel funding through Rate Schedule 1 is a good option. These improvements are supposed to benefit everyone. So the 80/20 split does not work for these costs if it benefits everyone.

He said that it was premature to be spending any money on Krey Boulevard in 2012 without approval and that it was inappropriate.

Mr. Dewey responded that some of the work that was performed by the architect and construction management firm was following the Market Participant approval of the project, but that work was suspended at Market Participant request during the Summer. The budgeted amount assumes that renewed Market Participant support can be obtained

following analysis of the studies, and would be necessary to meet any loan conditions should financing be approved.

Ms. Caletka asked about the studies that are being performed about the Infrastructure Master Plan. Why is the ISO doing these studies if they already know the answer?

Mr. Rigberg said that the PSC staff at last week's BPWG had raised a question with respect to the cost of the Carman Road improvements. He asked that the issue be looked ?

Mr. Miller (Con Ed)said the NYISO has appropriately postponed the vote on the budget until the November MC meeting. We strongly believe that capital costs should be financed, and not go through Rate Schedule 1.

Ms. McGarvey stated including the Infrastructure Master Plan directly into Rate Schedule 1 was not the ISO's preference or intent. The ISO had hoped to finance this project over 20 years, but the PSC did not act on its financing petition. In terms of considering another petition, the purpose of the studies was to bolster the case if, in fact, the NYISO chooses to submit another long-term financing petition.

Mr. Miller continued that his company had not seen the study of Krey Boulevard needs and would like to before voting. The study needs to have credibility and close analysis. It should not be a wish list to meet reliability needs.

Mr. Miller stated he thinks we are having a good discussion of Incentive Goals at BPWG and thanked Wayne Bailey and his approach.

Mr. Clark said that we are pleased with NYISO's work on the budget. We would like to see the study before the vote.

Mr. Gonzales said the ISO appreciates all stakeholder comments.

Mr. Brown said on next Friday (October 8, 2010), the BPWG will have a meeting and will look at the Incentive Goals. The studies should be coming out soon.

Mr. Baker asked where we are going from here.

Mr. Brown said as an MP, he believes the ISO will take the temperature of the MPs and proceed accordingly.

Ms. McGarvey said that we will have the vote on the budget in November. If MPs want the ISO to submit a petition to the PSC, the ISO would likely need stronger Market Participant support to support a financing petition at the PSC.

Mr. Baker asked if we have looked at the entire cost of Rate Schedule 1 re: the Infrastructure Master Plan.

Ms. McGarvey said that we have looked at it internally.

New Business

Mr. McCartney said the MPAAS is seeking more MPs to volunteer on the committee.

Mr. McCartney also said that re: the FERC filing on September 24 about ICAP zones, he thought it was adequate. He wanted to ask if the ISO will keep moving forward at deliverability aspects.

Mr. Rana Mukerji (NYISO) said the ISO intends to do that. We will proceed at the ICAPWG and IITF.

Continuation of Meeting on 10/6

Agenda #2: August 25, 2010 Minutes

Mr. Nachmias (Con Ed, covering for Mr. McCartney) stated the NYISO had received multiple MP comments and had sent a revised version earlier in the afternoon. Mr. Paul Gioia expressed concern with some of the comments received and asked for confirmation that the NYISO agreed with the MP provided edits. Gloria Kavanah (NYISO) stated that the NYISO agreed that the edits were a reasonable representation of what was said at the meeting and, although the NYISO might have worded the minutes slightly differently, the edits were sufficiently close to represent consensus view of minutes of the meeting. David Lawrence (NYISO) agreed with Ms. Kavanah's statement.

Mr. Dave Clarke of LIPA stated LIPA would like to object to the manner in which David Patton's comments were obtained and characterized. These were essentially extemporaneous comments provided without a thorough and balanced consideration. Mr. Gioia said LIPA stated the concerns of all the NYTOs and they urged the Board and FERC to give little or no weight to comments obtained from the Independent Market Monitor when such comments are provided without a thorough and balanced consideration of the issues at hand.

Ms. Kavanah stated Mr. Patton had reviewed the section of the minutes with his comments and confirmed their accuracy.

Motion #3:

Motion to approve the Minutes of the August 25, 2010 MC meeting.

Motion passed with 1 objection and 10 abstentions.

Adjournment

The meeting adjourned at 2:45 PM.