

**NYISO Business Issues Committee Meeting Minutes
June 15, 2011**

10:00 a.m. – 12:00 p.m.

DRAFT

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

The vice chair of the Business Issues Committee (BIC), Mr. Alan Ackerman (Customized Energy Solutions), called the meeting to order at 10:05 a.m. by welcoming the members of the BIC. The members of the BIC identified themselves and attendance was recorded. A quorum was determined.

2. Approval of Minutes –April 13, 2011 – Discussion/Vote

The April 13, 2011 meeting minutes were presented for approval.

Motion # 1:

The Business Issues Committee (BIC) approves the April 13, 2011 meeting minutes.

The motion passed unanimously by show of hands with abstentions.

3. Market Operations Report /Seams Report

Market Operations

Mr. Robb Pike (NYISO) provided the Market Performance Highlights. LBMPs were up slightly from April, daily send out is up higher than April and fuel prices are down.

Seams

Mr. Pike provided highlights on the seams report. With regard to Market to Market Coordination, progress is being made with NYISO and PJM staff on the development of rules set. On July 21, 2011 NYISO will host a joint stakeholder meeting for PJM and NYISO market participants to review and discuss market-to-market rules, process and joint operating agreement.

There is a settlement conference related to the Ontario/Michigan PAR cost allocation proceeding will be held on June 16, 2011 at FERC. Mr. Fromer asked if NYISO has heard from FERC regarding the threshold questions that needed to be resolved. Mr. Schnell stated no.

With regard to an update on PARs, Mr. Schnell said settlement discussions are still ongoing and that's where it stands at the moment. Mr. Schnell said PJM and other entities have protested before the Department of Energy. The PAR Operating Agreement has become tied up in the settlement discussions.

On May 17, NYISO implemented Phase 1 of its Enhanced Interregional Transaction Coordination (EITC) initiative that provides 15-minute transaction scheduling capability at the HQ-Chateaugay interface. This is not active yet, software is in place and expected activation date will be in the July timeframe. Market participants will be given at least a two-week notice prior to the implementation.

Mr. Frank Francis (Brookfield) said he was informed by his traders of unusual congestion patterns on the interface following the software deployment, and asked for an explanation from the NYISO. He

said the switch hasn't been turned on yet, but maybe NYISO can explain that strange pattern. He said he wasn't sure if HQ is doing testing on that interface. Mr. Pike said he does not have the details of that, but indicated there had been inquiries from stakeholders about the interface prices. Mr. Pike said he had no concerns with the software. The tariff became effective when it was deployed. The new pricing rules are applicable at the border for scheduling outcomes.

At the June 6, 2011 Market Issues Working Group, the NYISO provided an update on Enhanced Interregional Transaction Coordination (EITC) Phase 3 which will provide for 15-minute transaction scheduling between NY and PJM. Software and tariff changes developed for EITC Phase 1 will support much of the EITC Phase 3 deployment. Additional operational tools and procedures will be developed to support 15-minute checkouts with PJM. NYISO expects to begin implementation in March of 2012.

On June 1, NEPOOL Markets Committee and NYISO BIC joint stakeholder meeting regarding IRIS. NYISO stakeholders selected the Coordinated Transaction Scheduling (CTS) proposal with an 85.47% affirmative advisory vote. NEPOOL stakeholders voted to approve a separate competing proposal, Tie Optimization, by 61.64%. As a result of this outcome, the ISOs' management will review the merits of each of the proposals and return to stakeholders with a recommendation for moving forward. The NYISO is still targeting a filing later this year.

Mr. David Clarke (LIPA) wanted to thank the NYISO for including capacity markets in the seams report. He raised a question pertaining to delisting rules for ICAP in the ISO NE market and the UCAP in the NYISO market. Mr. Pike asked him to capture his concerns and NYISO will work on this.

Planning Update

Mr. Henry Chao (NYISO) said IPSAC is working on NCSP Report for 2011 and examining impacts of environmental regulations, reviewing renewable output and interregional system operations and planning, and renewable portfolio standards. The next IPSAC WebEx is scheduled for June 27th.

Mr. Chao updated the BIC on the latest from EIPC. EIPC, together with stakeholders committee, are busy working on final deliverables for phase 1 report, due later this year. The phase 1 report will cover the draw up case of regional plans and analytic 8 future micro economic cases. Also, the EIPC is working on high building blocks of future transmission for final deliverable of EIPC which would be the phase 2 report, due December 2012. This "building block" has been submitted for stakeholder review and commented by many stakeholders, including many from NY.

Mr. Fromer asked the NYISO to report back at the next BIC on an overview of the last nine months of work. Mr. Chao said the NYISO will take action to provide a high level summary.

On May 28th, the SSC reached a consensus on the final set of eight "resource expansion futures", and the data inputs for all sensitivity cases to be studied.

4. Payment Default – Tariff Revisions

Ms. Sheri Prevratil (NYISO) provided an update. The NYISO is adding language to the default notice to marketplace provision of the tariff (OATT Section 2.7.5.4), which would allow the NYISO to provide a dollar range of the payment and/or creditworthiness default.

Mr. Frank Francis (Brookfield) asked if it is possible to include how much of that exposure is covered by collateral. Ms. Prevratil said she would look into it. Mr. Fromer said it this is a wise solution to give MPs the buckets, but to avoid having people to call NYISO to ask about the collateral portion. It

might be good between now and MC to work on the size of net exposure. Ms. McGarvey (NYISO) said this tariff change in response to MPs concerns and clarified that the NYISO doesn't have any pending payment defaults. Mr. Fromer said understood, but this is a good response to concerns that many MPs raised. Mr. Francis said he seconded with the expectation that Mr. Fromer outlined.

Mr. Tom Paynter (NYS DPS) asked if the collateral is bigger than the bill that they fail to pay, does that count as a default. Ms. Prevratil said additional clarification is needed on that as it is still considered a default. The NYISO would still need to notice the market of the default.

Motion #2:

The Business Issues Committee (BIC) hereby recommends that the Management Committee (MC) approve revisions to the NYISO's tariffs to enhance the default-notice to marketplace provision, as more fully described in the presentation made to the BIC at the June 15, 2011 meeting.

The motion passed unanimously by a show of hands

5. TCC Credit Policy Enhancements

Ms. Sheri Prevratil (NYISO) reviewed the presentation included with the meeting material. The NYISO staff asked Scott Harvey (FTI Consulting, formerly of LECG) to analyze current data from the TCC markets to determine if the NYISO should pursue any potential revisions to the current TCC credit requirements.

In response to a question on if the changes would potentially reduce exposure that NYISO experienced during the Amber default, Ms. Prevratil said because Amber's default was a "perfect storm" (three outages, inclement weather, and high gas prices), she's not sure if these changes would have allowed NYISO to have that fully covered. This is being analyzed by Scott Harvey. Had the changes the NYISO is proposing today been in effect, the NYISO would have made collateral calls on Amber during the month of December.

Ms. Prevratil provided an explanation on how the NYISO monitors congestion rents each day. Ms. Prevratil said the multi-duration TCC project is expected to be deployed in 2013. Ms. McGarvey said the credit policy for the project is expected to be done later this year so that it can be implemented in 2013. The NYISO will ask for MP concurrence later in 2011. This presentation addresses making enhancements to the TCC credit policy before the 2013 project is completed. The NYISO is looking to implement these changes as quickly as possible.

Ms. Prevratil stated that in October the NYISO will commence weekly invoicing, so congestion will be billed weekly. The NYISO also intends to propose specific minimum participation criteria in October.

Motion #3:

The Business Issues Committee (BIC) hereby recommends that the Management Committee (MC) approve revisions to the NYISO's tariffs to enhance the TCC credit policy, as more fully described in the presentation made to the BIC at the June 15, 2011 meeting.

The motion passed unanimously by a show of hands

6. Proposed Changes to Rate Schedule 2 of the Market Services Tariff and the Ancillary Services Manual

Mr. Brad Garrison (NYISO) provided an overview on the proposed changes Ms. Deidre Altobell (Consolidated Edison) said Con Edison is concerned whether NYISO looked at the appropriate data and if the proposed changes are needed. Con Edison requested that NYISO commit to a VSS study reviewing the magnitude and rate of historical generator performance failures, and past incidences

of penalties and expulsions, to determine if the VSS changes approved at the June 15, 2011 BIC are appropriate. Con Ed also proposed a timeline: within 2 months NYISO will report back to both SOAS and MIWG with a more detailed study scope and data necessary to conduct its study; within 6 months NYISO will provide a status report to SOAS and MIWG on the progress of the study and acquisition of relevant data; and within one year, the NYISO will review the completed study and recommendations at the SOAS, MIWG, OC and BIC. Ms. Whitaker agreed to the proposed timeline, although she noted that the analysis may be a going-forward analysis, as opposed to an analysis of historical data.

Ms. Altobell said the compensation rate is not part of Con Edison's request. Mr. Fromer expressed concern over the long standing and unresolved question of system utility service territory power factors that has been pending for five years. Ms. Altobell said Con Edison is specifically looking to address that issue with its proposal. She said there is a two month timeframe for NYISO to come back and report. Mr. Fromer said these are reasonable deliverables, but there have been concerns over the past five years that we are calling on generators for voltage support, possibly as a result of insufficient voltage support at the distribution level. Mr. Fromer stated that it's not appropriate to use generators to avoid distribution system improvements. Ms. Whitaker clarified that the NYISO is willing to commit to performing a study associated with proposed changes to increase bandwidth of performance for voltage support from 5% to 10%. However, the NYISO study will not review the sufficiency of voltage support at the distribution level; that issue is the subject of an ongoing study by RPWG.

Ms. Whitaker stated that the scope of the study is expected to be in place within two months and asked that .If there are particular aspects MPs would like the NYISO to include, email them to NYISO.

Mr. Ting Chan (Central Hudson) said that there should be a study to look at voltage support service by each region so that we're not so over-subscribed. Central Hudson also wants consideration of an alternative payment system to separate the payment of VSS into an enrollment payment for demonstrated capability and a performance payment.

Ms. Erin Hogan (NYSERDA) said she remembered a discussion of this topic that mentioned that voltage support calls were increased dramatically. Mr. Garrison confirmed that discussion. Ms. Hogan recalled that the reason for increased voltage support events on the bulk power system was to minimize losses. Mr. Dan Congel (TransCanada) said the reason why they get called upon to provide voltage support is irrelevant from TransCanada's perspective. The original proposed changes weren't costing more. They were made in an effort to penalize less. So that needs to be kept in mind in whether or not this methodology to counteract losses is getting to a point where it is costing more to minimize those losses.

Mr. Dean Ellis (Dynergy) said the NYISO's primary means of communicating with the generators is through the TOs, although direct generator communication is allowed. The current technology for direct generator communication is outdated. The NYISO should consider moving to a newer technology, so that more generators can connect to NYISO.

Motion #4:

The Business Issues Committee (BIC) hereby approves the changes as described in the VSS Rate Schedule 2 presentation at the June 15 BIC meeting and approves those changes to be reflected in the Ancillary Services Manual.

The motion passed unanimously by a show of hands with abstentions

7. Accounting and Billing Manual Changes – Installment 12

Mr. Paul Edmundson (NYISO) reviewed the presentation included with the meeting material. Mr. Edmundson said these are the last installment of changes and wanted to give special thanks to the late Randy Bowers for his work on the manual. Mr. Clarke asked if Limited Energy Storage Resources were included in these changes. Mr. Edmundson said they were not.

Motion #5:

The Business Issues Committee approves the twelfth installment of the revised Billing and Accounting Manual as described to this BIC meeting on June 15, 2011. Installment 12 contains all Bid Production Guarantee Settlement Changes resulting from BPCG Enhancement project and Settlement rules for Reliability and Highway Facility Charges (OATT Schedules 10 and 12.

The motion passed unanimously by a show of hands with abstentions

8. Working Group Updates

a. Billing and Accounting Working Group – Bruce Marley

Mr. Marley thanked the NYISO on finishing the Accounting and Billing Manual Update and reviewed the Grid Accounting Report and the Billing Issues Report. An update on the BAWG activities is located on the BAWG website.

b. Electric System Planning Working Group - Deidre Altobell (Con Edison)

Ms. Altobell said at the last ESPWG meeting, the NYISO updated Market Participants on several input assumptions for CARIS. The group will have a more detailed review of cost estimates. NYISO proposed three scenarios to evaluate impact on congestion for CARIS (1) Indian Point retirement scenario, (2) high gas prices scenario, and (3) high load scenario. MPs asked for additional scenarios (low fuel price, low load, generation at risk scenario, and an Athens SPS in service scenario). Any additional scenario requests should be submitted prior to the next meeting on June 22. There were questions on NYISO's proposed Central-East limit that will be used in the CARIS because it is based solely on 2010 data, instead of several years of historical data. NYISO has been asked to investigate an analysis encompassing more than one year's worth of data. NYISO presented the back half of 2011 CARIS model results. NYISO will investigate difference in generation dispatch in downstate NY. A preliminary draft CARIS Report template will be rolled out in July in parallel with presenting some actual results. The goal is to have the final CARIS Report approved at the September BIC and MC. NYISO also presented a summary report of the 2009 CARIS 2 base case for specific project proposals. That base case will be the basis for any kind of project evaluation. Mr. Bart Franey (National Grid) said National Grid recommended that generic solutions be simultaneously modeled to assess the impact of eliminating more than one of top 3 constraints.

c. Installed Capacity Working Group – Chris LaRoe (IPPNY)

Mr. LaRoe said ICAP discussed issues relating to distributed generators. NYISO proposed measurement of generators compared to host baseline as well as type of generators that would apply. NYISO also came forward with proposal for UCAP for solar resources in ICAP market. NYISO is recommending developing a table for projecting solar resources. ICAP will discuss this at the next meeting is on July 11. A group of Other Suppliers submitted questions re: in city mitigation determination process. The NYISO answered as many questions as they could. It looks like that issue has been put to rest for now at the ICAP working group level. The ICAP WG will also work on a proposal outage repowering resources in the city for mitigation that was put forward by the City of New York.

d. Interconnection Issues Task Force - Frank Francis

Mr. Francis said there has been no meeting.

e. Market Issues Working Group – Patti Caletka

Ms. Patti Caletka (NYSEG) said MIWG has had a few meetings since the last BIC. MIWG had a joint meeting with ISO-NE on IRIS. MIWG also discussed VSS, EITC, and several presentations on Astoria Bidding Points from the NYISO and DC Energy. There was a presentation by HQ US on interface limits and transfer limitations and New England single source contingencies. MIWG also discussed Market-to-Market Coordination with PJM. The NYISO also presented on the NOPR for frequency regulation compensation. There were several presentations re: TCCs. Edison Mission presented a proposal to modify TCCs when the NYISO moves to weekly billing cycles. The other TCC presentations addressed the TCC survey and multi-duration TCC project auction update. Finally Potomac Economics presented a State of the Market quarterly report.

f. Price Responsive Load Working Group - Alan Ackerman

Mr. Ackerman said the PRLWG met on May 9. NYISO presented an update re: FERC Order 745. It was a rundown of what is encompassed in the Order and NYISO's response. NYISO will take a look at DADRP program because that meets most of criteria and NYISO will focus on that. The filing is due July 22.. Under new business the scope of PRLWG was raised and whether it was appropriate to have it as a full Working Group or Task Force. Further discussions on this will continue at the next PRLWG meeting. Mr. Francis said the stakeholders should consider if we need to continue IITF as well.

g. Credit Policy Working Group - Norman Mah

Mr. Mah said CPWG covered four topics at the May 23 meeting. Sara Keegan (NYISO) discussed an update to Dodd-Frank legislation on commodity future trading commission. NYISO is planning to make a filing for an exemption for NYISO products by the end of June. NYISO discussed Order 741 specifically minimum criteria for MPs and ability to offset market obligations. NYISO is pursuing central counterparty option. There will be a compliance filing by June 30th for FERC Order 741 that NYISO is on schedule for. There was a discussion of TCC credit policy that BIC voted on today. And also a discussion of multi duration TCC credit policy, specifically holding requirements for current and future TCC products. This will be discussed at the future CPWGs.

h. Load Forecasting Task Force - Bryan Irrgang

Mr. Irrgang said at the May 24 meeting US Power Gen discussed their observations and recommendations on the ICAP load forecast process. This will be further discussed at a future LFTF. LFTF hosted a spring economic outlook conference on June 7 where Moody's Economics presented an analysis of the economy. The NYISO presented background material for load forecast uncertainty analysis that ICS asked the NYISO to review further with the LFTF. Load forecast uncertainty is on the next meeting's agenda.

i. Inter Regional Planning Task Force – Ken Lotterhos

No report

11. Other Business

Mr. Matt Darcangelo (NYISO) said earlier today there was a discussion for a possible new task force for generator direct communication. SOAS is looking at timeline for sun setting current technology and replacing with new technology. Nothing substantive has been done yet, but the next meeting is June 21. Participation in that will be beneficial.

The meeting was adjourned at 12:00 p.m.