

NYISO Business Issues Committee Meeting Minutes
July 13, 2011
Teleconference

10:00 a.m. – 12:00 p.m.

DRAFT

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

The chair of the Business Issues Committee (BIC), Mr. Bart Franey (National Grid), 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 –May 3, 2011 – Discussion/Vote

The May 3, 2011 meeting minutes were presented for approval.

Motion # 1:

The Business Issues Committee (BIC) approves the May 3, 2011 meeting minutes with a minor change requested by Mr. Franey.

The motion passed unanimously by show of hands with abstentions.

3. Market Operations Report /Seams Report

Market Operations

Mr. Rana Mukerji (NYISO) provided an overview of the Market Operations report.

Seams

Mr. Mukerji provided an overview of the Seams Report. On July 21, 2011 NYISO will host a joint stakeholder meeting for PJM and NYISO market participants to review and discuss market-to-market coordination. The most recent settlement conference in the Ontario/Michigan PAR cost allocation proceeding was held on June 16, 2011. An additional settlement conference was scheduled for July 8, 2011.

Mr. Mukerji reported on the June 10, 2011 NE-POOL Participants Committee meeting, where NE stakeholders voted to support the Tie Optimization option (68% in favor) for improving energy scheduling between the NY and NE regions. As previously indicated the ISOs' management will continue to review each proposal and then return to stakeholders with a recommendation for moving forward. Mr. Mukerji said the NYISO is working with NE to bridge the gap and NYISO is considering a trigger mechanism that evaluates CTS over a two year period vs. Tie Optimization. Mr. Mukerji said the NYISO is working with Dr. Patton regarding the metrics and market participants would be able to comment at an upcoming MIWG and then it would go for a conceptual vote at BIC.

4. Planning Update

Mr. Henry Chao (NYISO) gave the planning update. An IPSAC meeting was held on June 27 to discuss: Environmental Issues and Variable Resource Technologies; Natural Gas Issues and ISO/RTO Reliability Update; IREMM Results of the Interregional Production Cost Study; Update on the PROMOD Interregional Production Cost Study; Update on Interregional Activities; and Next Steps and Plans for NCSP11.

The next SSC meeting is scheduled for July 28-29th in Cleveland which will focus on the development of the final three scenarios for detailed analysis in Phase II.

Mr. Chao reported on EIPC activities. The group has been focusing on six tasks. The first task was to initiate the project. The second task was integrating regional plans and its final report has been delivered in March 2011. The third task was determined to be unnecessary at the concurrence of stakeholders, and DOE eliminated that task for the time being. For task 4 and 5, the stakeholders had selected all of the 8 futures in their sensitivity cases. Macroeconomic analysis is underway. The results are to be reviewed by stakeholders once the work is done by the consultant. The targeted completion of all 8 future scenarios is September 9, 2011. In terms of results, there is a good sense of three scenarios: future number 1 "Business as Usual," future 2 is federal carbon constrained with national implementation, and future 3 with state and regional carbon constraints implemented. Mr. Chao reviewed the first three futures.

Mr. Chao said Future 2 reflects a national carbon standard. Key assumptions there are CO₂ reductions by 40% by 2030, 80% by 2050. As far as NY is concerned, it was assumed that coal was retired and differences were made up for reserve. Additional generation of 10,000 MW of wind and 1,000 MW of combined cycle assumed to meet reserve requirement. Future 3 reflects a national standard with regional implementations. In comparison to future 2, 80GW of less wind and 10 GW of more gas fired CC. Mr. Chao discussed the transfer limits of the different future scenarios. CRA analysis is expected to continue into August.

Mr. Chao said stakeholder's focus has now shifted to review the results of the CRA analyses in preparation for the selection of the final three resource scenarios for detailed transmission analysis in Phase II.

5. FERC Order 741 Update

Mr. Chris Russell (NYISO) reviewed the weekly invoicing section within the presentation included with the meeting material. He provided background information on the October 2010 Order. The NYISO's compliance filing was made on June 30, 2011. The implementation of weekly invoicing is ongoing. Market trials and training are ongoing in July and software will be deployed in August. September will have only one invoice issued on the new software, NYISO usually issues two. October 12, 2011 will be the first weekly invoice.

Ms. Sheri Prevratil (NYISO) reviewed the credit revisions section of the presentation and changes that will go into effect on October 1, 2011. She also reviewed the minimum participation requirements that Market Participants must meet – also effective October 2, 2011. A notarized officer's certificate, signed by an authorized officer of the Market Participant, certifying Market Participant is in compliance with the minimum participation criteria is due annually no later than April 30. Initial certification is due by October 1, 2011.

Mr. Brad Weghorst (PPL Energy Plus) asked if the form is available yet. Ms. Prevratil said that form is awaiting acceptance from FERC, but the NYISO could post it under CPWG meeting materials for July 22, 2011.

Ms. Sara Keegan (NYISO) gave a Commodity Futures Trading Commission (CFTC) update.

CFTC Background

Dodd-Frank raises the question of CFTC jurisdiction over ISOs, particularly with respect to certain "purely financial" transactions with no physical delivery obligations, such as TCCs and Virtual Transactions. Dodd-Frank provides CFTC with ability to exempt transactions from its jurisdiction if already regulated under a FERC-approved tariff and if an exemption is "consistent with the public

interest and purposes of the Commodity Exchange Act. This is known as the “4(c)(6) exemption.” NYISO and 6 other ISOs and RTOs, are pursuing a 4(c)(6) exemption from CFTC regulation for ISOs and RTOs. Toward that end, we have been in discussions w/CFTC since late last year.

CFTC’s Focus

The CFTC is particularly interested in the FTR/TCCs and virtual transactions. Within those markets, there is considerable CFTC emphasis on risk management measures (both ISO’s risk management and risk management of our MPs). CFTC will only grant an exemption if it feels comfortable that ISOs can fill the “risk management” gap. CFTC is concerned that ISOs are not currently performing any degree of due diligence to verify MPs have appropriate risk management procedures in light of the size/scope of the MP’s trading. CFTC staff has expressed a preference for more than simply a certification that MPs have risk management procedures. CFTC wants some level of verification by the ISOs that its MPs have such procedures and that they are adequate, likely something akin to the PJM process proposed in its Order 741 compliance filing. FERC senior staff and FERC General Counsel’s office have advised: that it is “indefensible not to have some level of verification” and that verification procedures are within the scope of Order 741.

The verification proposed by PJM and CAISO is a model that would appear to satisfy both CFTC and FERC. The NYISO will likely need to implement a similar process. Options include having an independent body develop objective standards (CME[?] or CCRO [?]) and have an independent agency/auditor or even CME (which already performs such evaluations for its members) evaluate MPs’ risk management policies.

CFTC is also quite interested in the anticipated implementation of the Central Counter Party (CPP) [?] approach and the time line for such implementation. NYISO, ISO-NE and CAISO can’t implement CCP model until they receive IRS and state tax ruling as to whether they can maintain 501(c)(3) status as a central counterparty. Currently in joint discussions with IRS – expect to file a ruling request in the very near future – likely by end of July. NYISO also expects to file ruling request or otherwise seek clarification from NYS on state tax issues

Timing

NYISO will file a joint exemption application before the end of July, and anticipates that the CFTC will issue a proposal to be published in the Federal Register by mid August. There will be a comment period of 30 to 60 days. Mr. Fromer asked if PJM has requested and obtained FERC’s approval of their risk management procedure. Ms. Keegan said PJM just filed that; and NYISO expects to hear back soon. She said CFTC is comfortable with that model and FERC is also comfortable. The alternative is having the CFTC regulate our markets, and the added layer of compliance with CFTC standards. Mr. Fromer asked if PJM stakeholders had buy in to the PJM proposal. Mr. Rich Miller (Consolidated Edison) said it was contested, but PJM went ahead and filed anyway.

Mr. Joe Wadsworth (Vitol) asked if there are any other opportunities for ISOs to work together on the annual certification process and verification of risk management procedures. Ms. Mary McGarvey (NYISO) said annual certification will be due on April 30. They started in a similar fashion, but there were regional differences that modified the language. With respect to verification, the NYISO would like a common methodology that the NYISO could file in our tariff so that MPs don’t have to complete different forms in order to comply. Mr. Rich Miller asked if there will be an exception for participants in the TCCs who hedge their load. Ms. Keegan said that needs to be discussed further. She said the PJM proposal does distinguish between FTRs to hedge vs. speculative use of those instruments. This is difficult for the NYISO to verify. Ms. McGarvey said CFTC staff stated that applying the verification component to a subset of TCC participants would not be

sufficient. The NYISO is waiting for CFTC reaction to PJM proposal. This is something the Credit Policy Working Group will discuss further

6. Working Group Updates

a. Billing and Accounting Working Group – Bruce Marley (Central Hudson)

Mr. Marley provided an overview of BAWG activities. The group reviewed the Grid Accounting Report and Billing Issues Report. Also at the meeting, Ms. Christy Minshall (NYISO) provided a report on the consolidated invoice redesign project and reminded everyone that the June 11 Compliance filing would be discussed at the June 20th CPWG meeting. Registration is now open for market trials (July 13-15 and July 18-20) and additional training opportunities will be made available in late July and early August (prior to deployment). Technical bulletins will be issued detailing the weekly invoice procedure (August issue date). Ms. Peggy Coy reviewed the changes made to the Customer Settlements Interface program (CSI). Mr. Paul Edmonson informed the group that the last section of the Accounting and Billing Manual was approved by the BIC.

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

Ms. Altobell said at the last ESPWG meeting, the NYISO presented more information of CARIS 1 preliminary results. That included some data on imports by interface and for NYCA total generation by local zone, as well as production cost for NYCA and the externals. Some parties had issues with NYISO's approach of using constant hurdle rates and asked NYISO to come back to ESPWG with justification or proposed changes. Parties asked for demand congestion by zone and also asked for detailed document explaining the congestion metrics terminology used when it comes to demand congestion. Parties also questioned the limit the NYISO is using for the CARIS 1 for the center east interface. NYISO was asked to provide more data so that ESPWG agrees with limits applied in the study. There are some emissions forecast that NYISO brought to ESPWG. ESPWG expects to review NYISO's emission forecast and what changes may have occurred in the emissions markets, and whether or not they recommend using the same forecast for CARIS 1. NYISO also reviewed an action item list, which NYISO will continue to update. Mr. Bart Franey asked if NYISO intends to define demand congestion better or make it clear what the determinants are. Ms. Altobell said there was confusion of actual terminology that NYISO was using at the meeting re: demand congestion. They are supposed to define it more clearly. Mr. Franey said it would be good also to define in terms of forecast.

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

Mr. LaRoe said ICAP had a meeting this past Monday. Two topics that dominated discussion were: changes to DRIS that would be done on September 13 to incorporate the recently approved performance measurements for APMD to ACL for Special Case Resources. The NYISO is going to host training seminars to educate people on requirements for importing data and other information that will be impacted by the change in performance. DRIS will have ability to incorporate the SCR adjusted calculations and capture that in the software, but won't be reflected this information until the Summer of 2012. Changes to the ICAP manual will be necessary before the roll out. ICAPWG is looking at having a special ICAP meeting prior to the next scheduled BIC meeting so that BIC and MC have the time to approve the language change. The other topic was initial performance factors for solar resources in the capacity market. The NYISO has done research on solar resources and came up with average solar performance factors that they would like to use for solar resources first capability period in the market. Once the resources have the performance measurements, they can use those going forward. The NYISO wants to develop an average performance factor to be used in the initial capability period over the next few months.

d. Interconnection Issues Task Force - Frank Francis (Brookfield Energy)

There were no meetings.

e. Market Issues Working Group – Patti Caletka (NYSEG)

Ms. Caletka reported that at the last MIWG meeting, the group discussed: EITC Phase 3 – Update on Tagging; the NYISO will be coming back to the MIWG with another update. Mr. Tim Duffy gave a verbal update on Potential Market Problems – RLS. Also on the agenda: suggested revisions to Attachment N, and FERC Order 745 Update.

f. Price Responsive Load Working Group - Alan Ackerman (CES)

Mr. Ackerman said the PRLWG met on June 21 for discussions on the group's scope. Members requested that NYISO provided comments on NYISO's view of the scope from 2000 and revisit the scope at the r August 2nd meeting. The NYISO will provide their view and MPs can add comments.

g. Credit Policy Working Group - Norman Mah (Con Ed Solutions)

Mr. Mah said CPWG covered most of the FERC Order 741 topic that was presented today, as well as the ability to offset market obligations. The next meeting is July 22.

h. Load Forecasting Task Force - Bryan Irrgang

Ms. Bullock said LFTF met on June 7 in NYC for the Spring Economic Conference. Moody's Economics gave an update of the national and NYS economies. Their outlook projects low unemployment in 2012 and 2013 for NY as a whole. The economics for Syracuse to Buffalo and downstate regions are in recovery, but the central upstate region that comprises of Utica and Albany and south to Poughkeepsie are still at risk. The LFTF also reviewed a presentation by Arthur Maniaci (NYISO) on the load forecast uncertainty methodology. On June 17, the LFTF reviewed the load forecast uncertainty models of LIPA, Con Ed, and NYISO to be used by the NYSRC for the 2012 Installed Reserve Margin study. After reviewing the proposed models, the LFTF recommended they be used in the study. The next LFTF is on August 1.

i. Inter Regional Planning Task Force – Ken Lotterhos

There were no meetings.

11. Other Business

Mr. Younger (Slater Consulting) raised the issue of meeting material distribution and asked that the NYISO start providing updates at BIC on performance. He noted that meeting material continues to be presented late. Mr. Matt Darcangelo stated that the NYISO would provide a status report to BIC.

Mr. Rich Miller (Con Edison) said his understanding that the FERC Order 745 compliance filing was due on July 22. He wanted to note that both NE and MISO have filed request for extensions with FERC to give them more time to review proposals with their stakeholders, and added that the NYISO may want to make an extension as well.

The meeting was adjourned.