

**NYISO Business Issues Committee Meeting Minutes  
September 14, 2011**

**10:00 a.m. – 1:00 p.m.**

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**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. Meeting Minutes – June 15 and July 13, 2011**

*Motion 1:*

Motion to approve the meeting minutes from June 15, 2011 and July 13, 2011.

***Motion passed unanimously with an abstention***

**3. Market Operations/Seams Report**

Dr. Nicole Bouchez (NYISO) reviewed the market operations and seams reports included with the meeting material.

In response to ITC's filing of a proposed Ontario/Michigan PAR interconnection agreement, operating agreement and related documents, on August 17, 2011, the NYISO filed a petition to intervene and initial comments in DOE Docket No. PP-230-4. The NYISO's comments stated that the proposed PAR operating rules present a potential reliability risk to New York. The NYISO is working with ITC, MISO and IESO to resolve its reliability concerns. Comments on ITC's filing are due at DOE by September 23, 2011.

At an August 31, 2011 meeting of the NYISO BIC, stakeholders approved the concept of including a two year post implementation review of the interface scheduling performance under CTS in the CTS tariff filing. The motion was passed with 88% in favor. Mr. Mark Younger (Slater Consulting) noted that ISO-New England recently passed a corollary version. Mr. Rich Miller (Consolidated Edison) requested that the Broader Regional Markets initiatives track the implementation of CTS in PJM and report on what is happening.

**4. Planning Update**

Mr. Henry Chao (NYISO) reviewed the planning and EIPC update included with the meeting material. Mr. Franey asked if there has been any movement to a common production cost simulation tool that ISOs use to share data, instead of a common data exchange. Mr. Chao said there has been a discussion agreement for the usage of a database.

**5. Cross State Air Pollution Rule – Pathways to Compliance**

Mr. Peter Carney (NYISO) reviewed the presentation included with the meeting material. The Cross State Air Pollution Rule (CSAPR) was released in July of this year. It is a final step in a multi-year process that started in 2005 with the former Clean Air Transport Rule (CATR). CSAPR limits emissions of NO<sub>x</sub> and SO<sub>2</sub> emissions in 27 states. CSAPR provides for limited interstate trading of emission

allowances. The rule will go into effect in January 2012. New York is budgeted with allowances for in-state generation measured by tons. These tons are allocated to existing generators in service or recently retired. They are allocated based on heat input (BTU), regardless of emission history. New units also qualify for a set aside of allowances. However, New York is eligible to trade with 17 states, also known as the Group 1 states, and this allows New York to acquire an 18% increase over its in-state budget. If NY exceeds its total emissions or its assurance level, there are compliance penalties. A generator would have to allocate an allowance for the ton it exceeded, plus another two allowances (penalty allowances). According to the EPA, the annual cost of the allowances to NY will be \$55.6 million.

Mr. Howard Fromer (PSEG) noted the uncertainty linked to whether penalty allowances will be required will cause havoc on generator reference levels. Mr. Carney said this is certainly an issue that all parties will have to come to terms with. Mr. Carney said generators would need timely reporting of actual emissions - the best reports available today come from the EPA's quarterly reports, but there is a 90 day lag. Mr. Fromer said MPs need guidance by January 2012 so Market Monitoring is aware of what is included in bids. Mr. Roy Shanker (East Coast Power) commented that generators need a written policy and transparency of how reference prices are set because of the dynamic way of achieving compliance with the allowances. Ms. Mollie Lampi (NYISO) said NYISO will note his comments and respond in the near future. Mr. Franey asked that this discussion be reflected in the minutes.

Mr. Carney stated that penalty allowances could be future year allowances. Mr. Carney said it was his understanding there is a time period described in the regulations for a unit no longer operating to continue to get allowances.

Mr. David Clarke (Long Island Power Authority) noted that there is the possibility that the penalties may be significant but only if units go over certain aggregate limits, and asked whether NYISO would consider whether there is an appropriate way to address the risk of penalty explicitly in the dispatch. He described an analogy where a group might address a positive monthly budget variance by reducing spending in subsequent months to assure that the budget is not exceeded by the end of the year. Mr. Carney noted that predictions by others indicate that the allowances are likely to cost about 1% of the overall production cost budget. Mr. Clarke agreed that the reference prices should include a risk premium addressing the possibility that a unit might face a penalty, but questioned whether we might reduce the overall risk by allowing a larger risk premium in reference prices when we were significantly over our collective allowance budget and perhaps a smaller premium when we were under the allowance penalty threshold budget. The budget would be set to avoid the penalties. Mr. Younger said that the way to affect dispatch is to represent the risks in the generators bids and make sure the mitigation rules do not prohibit them from being represented.

Mr. Tom Paynter (NYS Department of Public Service) said it would be helpful for NYISO to publicly post any information on the budget of emission allowances. Mr. Carney said the NYISO is not a repository of that information. He reminded MPs that this information is available from the EPA, and there is a 90 day lag. Mr. Paynter commented that it would be beneficial if the market had timely information.

Mr. Younger asked what happens to a unit's allowances if it retires. Mr. Carney said it was his understanding of the EPA regulations that if a unit retires, within a certain period before the regulations are effective, or thereafter, allowances accrue to the account of the retired unit for a defined time period and then the allowances go to the new unit set-aside. Any unused balance of those allowances can be offered for sale or transfer to the rest of the affected generators. Mr.

Younger clarified that the allowances don't go away; they just go away as far as the ownership of a unit. Mr. Younger suggested that the NYISO address the risk of unit being penalized for not having enough allowances. He encouraged that a process be implemented to make this information is available quicker.

Mr. Rich Miller (Consolidated Edison) requested that any changes to policies and/or assumptions used to calculate reference price levels as a result of the implementation of CSAPR be reviewed at MIWG prior to implementation and not be resolved privately between the market monitoring unit and the generators. He further stated that he understands that confidential information cannot be revealed, but any generic changes should be discussed.

Mr. Joe Wadsworth (Vitol) restated Market Participant concerns about the lag in reporting of emissions data and said the NYISO is uniquely positioned to convey Market Participation concerns to the DEC, PSC, and other state entities to spur a discussion and remedy these concerns timely.

Ms. Doreen Saia (GenOn) asked if the emission allowance figures are static. Mr. Carney said the EPA could revise the figures, but for the time being they are static. Ms. Saia asked how many megawatts were retired in the presentation's low capacity factor scenario. Mr. Carney said less than 1,000 MW. He said if a unit had a capacity factor of less than 50%, it would be difficult to survive.

Mr. Franey asked if NYISO is going to investigate the potential market price and consumer impact of complying with these numbers. Ms. Lampi said NYISO will note the concerns and get back to stakeholders.

#### **6. ICAP Manual Revisions – External Clearing Pricing in the ICAP Market**

Ms. Mariann Wilczek (NYISO) reviewed the presentation included with the meeting material. The NYISO has incorporated the language from Technical Bulletin #204 into the proposed revisions within the ICAP Manual. These proposed changes were discussed at the July and August ICAPWG meetings.

#### **Motion 2:**

The Business Issues Committee (BIC) hereby approves the changes to Sections 4.1, 4.2, 4.4.7.1, 5.15.1, 5.15.2, 5.16, 5.18, and 6.1 of the ICAP Manual as described in the presentation entitled "ICAP Manual Changes – External Interface Clearing Price and Other Issues" at the September 14, 2011 BIC meeting.

**The motion passed unanimously by a show of hands with abstentions**

#### **7. ICAP Manual Revisions – SCR Baseline Implementation**

Ms. Donna Pratt (NYISO) reviewed the presentation included with the meeting material. The reasons for these changes are to include reporting procedures for Summer 2011 data after the DRIS software changes are deployed. Also, to support implementation procedures that were not defined at the time that changes were proposed to the SCR baseline rules and ministerial changes to improve consistency with tariff-defined terms.

Mr. Garret Bissell (Multiple Intervenors) noted at the August ICAPWG meeting, several stakeholders raised concerns with the posting the top 40 hours internally into DRIS and that many customers don't have an account in DRIS. He asked if NYISO will provide data still on the website. Ms. Pratt said NYISO will continue to post the top hours to the NYISO website.

Mr. Matt Renninger (Energy Curtailment Specialists) noted in the August ICAPWG meeting there was a concern about the transfer of an SCR to another RIP, the new RIP wouldn't have access to the new interval information that a previous RIP entered. Would it be possible for the SCR to request that data and submit it to the new RIP for new enrollment. Ms. Pratt said there is a procedure where you can contact auxiliary operations for SCR data requests, and it can be transferred to the new RIP. The NYISO is looking at all possible ways to make this process easier.

Motion 3:

The Business Issues Committee (BIC) hereby approves the changes to section 4.12 of the NYISO Installed Capacity Manual as described in the presentation entitled "Proposed ICAP Manual Changes for Additional SCR Baseline Procedures," which addresses the additional procedural requirements to implement the Average Coincident Load and Provision Average Coincident Load ICAP/SCR baseline rules, made at the September 14, 2011 BIC meeting.

**The motion passed unanimously by a show of hands with abstentions**

**8. ICAP Manual/Tariff Revision – Treatment of Solar Resources in the Capacity Market**

Mr. Will Dong (NYISO) reviewed the proposal for treatment of solar resources in the capacity market. The tariff and ICAP Manual do not specifically address ICAP market provisions for solar resources. Solar resources are expected to enter the NYISO's market in late 2011.

In response to a question on if there is a size limit of the installation of solar resources, Mr. Dong said NYISO doesn't have a restriction on the size of solar resources.

Mr. Franey asked if this proposal went through the Operating Committee or its working groups. Ms. Kavanah said it only went to the ICAPWG. Mr. Franey asked if there will be metering and curtailment requirements of the developer for dispatch purposes for transmission security; similar to what applies to wind. Ms. Lampi said the same kind of evolution that affected wind will likely apply to solar.

With regard to how solar resources will be treated in the reliability pass, Mr. Dong said NYISO is looking to take a similar approach for solar resources as it did for wind, once more solar projects connect. Mr. Younger said it would be useful for stakeholders to discuss a forecasting method before the solar resources interconnect in large quantities of megawatts.

Mr. Clarke noted that solar resources have a significantly higher output mid-day. He noted that LIPA had discussed in the working groups that on two occasions since 1994, the actual system coincident peak occurred during HB 13, outside of the current HB 14 through HB 17 window. He noted two concerns – that the default value correctly reflect the reliability contribution of solar given that the actual peak may have and has occasionally occurred earlier in the day, and that the actual contribution is correctly measured given the possibility of an earlier peak. Mr. Clarke requested that the NYISO review historic data and report back to the ICAP Working Group on the NYCA coincident peaks in relation to the performance measures for capacity resources. Ms. Kavanah said the NYISO will conduct a review and report at the ICAPWG within a year.

Mr. Miller said Con Ed wanted to thank the NYISO for being proactive on this issue and will be happy to move the motion.

Motion 4:

The Business Issues Committee (BIC) hereby approves the changes to the ICAP Manual described in the presentation entitled "Treatment of Solar Resources in the Capacity Market" at the September 14, 2011 BIC meeting. The BIC also recommends that the Management Committee (MC) approve

revisions to Sections 5.12.1.6 and 5.12.11.4 of the Market Administration and Control Area Services Tariff as described in the presentation made to the BIC at the September 14, 2011 meeting.

***The motion passed unanimously by a show of hands with abstentions***

#### **9. Customer Support Focus Group Update**

Mr. Roger Kirkpatrick (NYISO) gave an update on the Customer Support Focus Group. The CSFG has focused on improving the interface with customer relations, the website, and the stakeholder process. The NYISO is working on action items and the next CSFG meeting will be held in October or November. The CSFG will likely meet quarterly after the next meeting. The NYISO is encouraging members to participate and offer suggestions to help the NYISO improve customer interactions and experiences.

Mr. Matt Darcangelo (NYISO) noted that the CSFG action item for the search engine improvement on the NYISO website is actually on the proposed project lists for next year. If an MP supports that project, this action item can be resolved. Mr. Fromer noted the difficulty of finding presentations that evolve through the committee process. He asked if NYISO had a way of tracking presentations by topic. Mr. Miller said that PJM, on their website, has a link called issue tracking that lists all the presentations at the different PJM working groups and committees. PJM offers this service for major issues and MPs can request an issue to be added. Mr. Miller noted that in the NYISO annual customer survey, Con Ed suggested the NYISO to consider adoption of a similar issue tracking system for the NYISO website. He requested that it be an action item if it's not already one. Mr. Fromer said PSEG agreed with Con Ed.

Mr. Frank Francis (Brookfield) commented that PJM also has a feature called Livechat that is helpful to find documents efficiently.

#### **10. Working Group Updates**

There were no working group updates.

#### **11. New Business**

Ms. Janet Joyce (NYISO) introduced the new manager of capacity markets products, Randy Wyatt, to stakeholders. His predecessor, Mr. David Lawrence (NYISO), announced his retirement plans several months ago and will retire at the end of the year.

Mr. Frank Francis asked if NYISO will respond at an ICAPWG meeting to open discussion about the FERC response to the new capacity zones criteria. Ms. Lampi said NYISO will get back to stakeholders.