

NYISO Business Issues Committee Meeting Minutes**August 31, 2011****Teleconference****11:30 a.m. – 1:00 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 11:30 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. Proposal to Resolve the Choice of Interface Market Rules under IRIS

Mr. Robb Pike (NYISO) reviewed the presentation included with the meeting material.

To resolve the split in approvals between CTS (approved in NY) and Tie Optimization (approved in NE), the ISOs propose additional action for stakeholder consideration and vote in each region. Action in New York precedes action in New England. If New York fails to act, or if New York approves but New England does not, the additional actions proposed in this presentation become moot. New England members would be voting on the motion in September.

Mr. Pike provided clarification on the timeframe of the proposal. An evaluation would begin after the second full year of CTS. Following an evaluation of year two alone, an opportunity to improve CTS and a one year period of continued operation under CTS would begin. Edits to the motion were made to clarify that the one year cure period follows FERC approval and the implementation of the CTS improvement. Mr. Pike clarified that CTS would still be active and not suspended during the improvement period.

Mr. Mike Kramek (Edison Mission) asked if the 2 year trigger period passes and CTS is working, would NYISO still monitor its performance? Mr. Pike said that if CTS is meeting expectations and the evaluation does not trigger, this process ends. Dr. Patton would continue monitoring the performance in the years after and may make recommendations as part of the normal market review. Mr. Pike said any future evolutions of the design would go through the stakeholder process.

Dr. David Patton (Potomac Economics) reviewed the proposal on the potential trigger to evaluate CTS performance.

Mr. Bruce Bleiweis (DC Energy) said the Tie Optimization mechanism has the ability for operator intervention; and it's not just a simple algorithm. He asked how the NYISO would take into account operator intervention and the level of variance that would result. Dr. Patton said his conception of Tie Optimization would have little to no intervention by the ISOs, except in cases where there is a declared emergency or shortage. Dr. Patton noted additional specification would be needed to address various emergency situations that might occur – if there is coordination of the interchange between the ISOs, there needs to be coordination of reliability events. Dr. Patton said there would be levels of variance if the procedures are unclear.

Mr. Younger (Slater Consulting) expressed a concern that if people are going to have financial consequences because they were scheduled to flow in a wrong direction, or if it was blocked by the ISOs, that will create a risk to other time periods. He stated the need for a rule that if ISO overrides the scheduling system for reliability reasons, then that causes a scheduling guarantee payment to be put in place for that period they are overriding. As a result, the ISO that overrode the process should be allocated the uplift costs associated with that. Dr. Patton said those circumstances needed further review to clarify, if there is a guarantee payment, how it would be invoked.

Mr. David Clarke (LIPA) cautioned against charging these uplift payments, especially in a situation where the local Transmission Owner might call for an SRE, and therefore affect the schedule.

Ms. Deidre Altobell (Consolidated Edison) said Con Ed appreciates NYISO's response to MPs concerns about how the proposal would move through the governance process and since the proposal needs to be agreed upon by both regions, supported using the compliance filing approach to allow the ISO to move forward with scheduling improvements that will produce market efficiencies and benefit our consumers.

Ms. Saia noted that GenOn was originally planning to vote against the proposal, but based on revisions made, would instead be abstaining, and expressed appreciation for the changes that were made. She asked that the minutes reflect that this type of process is being driven by the need to reach consensus with additional areas and doesn't see this in any way as precedence for any future changes

Motion:

WHEREAS: There is a split in approvals for improving the exchange of energy across the ISO-NE /NYISO Interface between CTS (approved in NY) and Tie Optimization (approved in NE);

WHEREAS: The NYISO and its stakeholders have reviewed a proposal to include in the CTS filing under Section 205 of the Federal Power Act to bridge this split in approvals;

WHEREAS: The Market Participants in ISO/NE would also need to review and approve this proposal. If New York fails to act, or if the Business Issues Committee approves the concept but New England does not, the additional actions proposed in this motion become moot;

BE IT RESOLVED THAT: The Business Issues Committee approves the concept of including in the CTS filing the following five phase process:

1. A required two-year review by the MMU, Dr. Patton, of interface scheduling under CTS;
2. A threshold and trigger to test the efficiency of CTS as an interface scheduling tool as described by the MMU, Dr. Patton, in a separate presentation made to the Business Issues Committee this day, August 31, 2011;
3. The adoption of appropriate CTS improvements, including the filing of tariff amendments, as necessary, using a compliance filing approach, if the threshold triggers in year two;
4. A one-year cure period to improve CTS which shall begin to run upon FERC approval and NYISO implementation of the CTS improvement ; and
5. The filing of tariff amendments to implement Tie Optimization, after appropriate thresholds have triggered, as a compliance filing in the CTS docket or such other market modification identified as a superior alternative, recommended by D. Patton, and approved by the NYISO Market Participants and the NYISO Board, with sufficient votes to support a Section 205 filing under NYISO's shared governance process and presented by ISO-NE to the NEPOOL Participants for their advisory vote. The CTS filing would include a request that the Commission direct amendments to improve CTS and / or implement Tie Optimization be made as compliance filings. Such compliance filing process to

include traditional stakeholder review and comment on the proposed tariff amendments with their comments and issues shared with the Board for use in its deliberations.

Motion passed with 88.27% affirmative votes.

3. Other Business

No other business.