
DRAFT**NYISO Business Issues Committee Meeting Minutes****December 17, 2008****10:05 a.m. – 1:00 p.m.**

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

Mr. Stuart Nachmias (Con Edison), the Chair of the Business Issues Committee (BIC) called the meeting to order 10:05 a.m. and welcomed the members of the BIC. Meeting participants introduced themselves and their affiliations.

2. Approval of September 17, 2008 Meeting Minutes

Motion #1: To approve the September 17, 2008 minutes

Motion passed unanimously

3. Market Operations Report

Mr. Rana Mukerji presented the Market Operations Report. Highlights included: Reduction in the LBMP from October to November. Total uplift (Schedule 1 components including NYISO cost of Operations) is significantly lower compared to \$16.3 million in October 2008 to \$9.9 million in November 2008.

Mr. Rana Mukerji announced a new report, Monthly Implied Heat Rate, paged 4AH was added to the Market Operations Report.

4. Seams Report

Mr. Mukerji provided an update on the Seams Report. The presentation was included as part of the meeting material and posted on the NYISO website. Mr. Mukerji indicated a follow up presentation would be given at the January BIC meeting concerning the inter-hour scheduling and reserve sharing with New England. He also stated that Resource adequacy on the Forward capacity design discussions will continue throughout the beginning of the year in ICAP working group. Mr. Mukerji stated that further discussions will be held with Market Participants regarding the Interregional Congestion Management joint project with PJM. Information can be reviewed per the presentation by Emilie Nelson given at this month's MIWG. Further analysis will be performed and more discussion will be had early this year.

Mr. Mukerji announced three new NYISO appointments: Director of Product and Project Management, Janet Joyce, Director of Market Design, Robb Pike, and Director of Research and Design, Dejan Sobajic.

A market participant asked if the Director of Research and Design, Dejan Sobajic, planned on coordinating with the PSC about their efforts to pass along the savings with respect to SMART GRID technology to the end users. Mr. Mukerji indicated that the NYISO plans to work with all entities to support smart grid initiatives in NY State. Mr. Mukerji asked for suggestions on ways to enhance our efforts for SMART GRID technology.

5. Transmission Capacity Reassignment

Ms. Mollie Lampi (NYISO) gave the Transmission Capacity Reassignment presentation. The presentation was included in the meeting materials and was posted to the NYISO website. Ms. Lampi stated that the NYISO would like to remove section 23 from the OATT because it governs the transfer of point to point transmission rights from one market participant to another. It applies to “physical” transmission rights and NYISO does not offer physical transmission. There were no transmission agreements moved into the ISO world which did not fall into one of the current buckets of rights: grandfather rights, grandfathered TCCs, or termination of rights. Since there are no existing grandfathered transmission agreements that have transmission rights that are capable of being transferred pursuant to Section 23 of the OATT, its removal would not impact any activity of Market Participants in New York. The NY system provides transmission service on a financial basis. Attachment K governs the transfer of grandfathered rights. Ms. Lampi noted that there are physical rights over Scheduled Lines that are outside the NYCA. The NYISO’s tariff addresses the coordination of scheduling over those lines. Eliminating Section 23 of the OATT would not compromise those opportunities. Ms. Lampi stated that the removal of this section of the OATT would comply with the on going Tariff compliance efforts mandated by FERC and NASB per the waiver filing regarding 676 FERC adopting OASIS standards effective January 29th.

Several Market Participants requested that the cover letter accompanying the NYISO’s filing state that physical rights over some facilities coming into New York are addressed in the NYISO’s tariffs and that the elimination of Section 23 of the OATT does not impact those rights.

Motion #2

The Business Issues Committee (BIC) hereby recommends that the Management Committee (MC) approve the elimination of transmission capacity assignment provisions in Section 23 and Attachment A-1 of NYISO OATT as presented to the Business Issues Committee meeting held on December 17, 2008.

Motion passed unanimously with abstentions.

6. NYISO Liabilities and NERC Penalties

Mr. Carl Patka (NYISO) presented the NYISO Liabilities and NERC Penalties item. The presentation is included in the meeting materials and posted to the NYISO website. Mr. Patka explained the NYISO may incur penalties from NERC and other regulator bodies resulting from its own actions or the actions of a third party. As a non profit organization the NYISO lacks resources to pay penalty assessments. Thus, the NYISO needs to have a tariff mechanism in place to pay for penalties incurred. Mr. Patka said that the tariff revisions were necessary to provide indemnification of the NYISO, protect market participants by having the ability to directly assign penalties, identify cost allocation methodologies, and clarify the process of cost allocations in the context of NERC penalties. Mr. Patka further stated that the NYISO’s response to the March 20th FERC Order is to identify entities that may put the NYISO at risk of violation, and to include provisions in contracts and tariffs to protect itself from liability. Mr. Patka indicated that an item would be placed on a future SOAS agenda to discuss a matrix of operational responsibilities between the NYISO and Market Participants, including Transmission Owners, which potentially could be drafted into a Technical Bulletin. The NYISO has already committed to the establishment of a compliance program to prevent violations from occurring in accordance with

FERC requirements. After discussion, it was agreed to change the motion language to include the following: MWh injection and MWh withdrawal will be the basis for cost allocation and billing of penalty costs.

NYISO staff also agreed to present the analysis of the potential inclusion of the TCC and Virtual Trade MWh in the upcoming year. Ms. Mary McGarvey (NYISO) added that this analysis would have to be placed in the project prioritization queue along with the rest the software initiatives. Kevin Jones (LIPA), Eric Abend (Epic) and Bruce Bleiweis (DC energy) all agreed that including TCC and VT participants in the cost allocation would not be appropriate , as the penalties are a result of reliability issues. It did not seem appropriate to tax a derivative product.

Motion #3

The Business Issues Committee (BIC) hereby recommends that the Management Committee (MC) approve changes to the NYISO's Open Access Transmission Tariff and the Market Administration and Control Area Services Tariff to adopt procedure in its tariffs for the assignment and collection of the cost of penalties levied against the NYISO by NERC and other regulatory authorities, pursuant to the presentation made and revised at the Business Issues Committee meeting held on December 17, 2008 to provide that the allocation method for a penalty that is allocated pro rata to all customers shall be based upon 50% to MWh injections and 50% to MWh withdrawals.

Motion passed with abstentions.

7. Strategic Tariff Review Billing and Payment

Mr. Timothy Duffy (NYISO) presented the Strategic Tariff Review Billing and Payment item. The presentation was included in the meeting material posted to the NYISO website. Mr. Duffy indicated the changes mentioned in the presentation would not affect any current billing or payment practices, but were intended to align the billing and payment provisions of the Market Services and OATT tariffs , among our purposes.

Motion #4

The Business Issues Committee hereby recommends that the Management Committee approve revisions to improve and clarify the billing and payment provisions of the NYISO tariffs as is more fully described in the presentation made to the Business Issues Committee meeting on December 17, 2008.

Motion passed unanimously.

8. IPSAC Meeting Update

Mr. Henry Chao (NYISO) reviewed the topics of the December 11th IPSAC (Interior Planning Stakeholder Advisory Committee) meeting were to discuss interregional coordination and planning. NYISO is currently developing a cross border type of planning study with PJM and would include the issues stakeholders want addressed. In addition, an initiative taken on by Midwest ISO, TVA , SPP, and PJM is a joint system wide plan focusing on studying the effects 5% and 20% of wind energy penetration would have on the eastern interconnection. The Midwest ISO, which performed the wind study, addressed issues raised by NYSIO regarding local reliability concerns while using an economic dispatch. In addition, a study is being performed between southeastern NY and the eastern part of PJM which will be thoroughly discussed in the

working groups, primarily ESPWG, to address the projects that impact these regions. Mr. Chao agreed that he, or someone designated by him, would regularly update BIC on the joint planning efforts.

9. Working Group Updates

A. Billing & Accounting Working Group - Ms. Patti Caletka (NYSEG) stated there were several presentations given at the last BAWG meeting. The first presentation described the redistricting of the north zone to address metering concerns. The zones impacted were NIMO north and NIMO Mohawk Valley. There were challenges being submitted for February 2008 final settlement data due to Lake Erie Loop flow issue. Ms. Caletka also discussed the upgrade to the CRITaR (now Service Center) system which enables Market participants to view tickets from their entire organization. This feature would aid in coordination within the market participant's company.

The NYISO's Thunder Storm Alerts (TSA) Lean Six Sigma project was credited to be a success by eliminating to date \$1.4 million in interest by settling the TSA's on the initial invoice. The final review of the first installment of the Billing and Accounting manual is to be held tomorrow via teleconference with hopes to bring it to the January BIC meeting for approval.

B. Electric System Planning Working Group (Joint BIC/OC Working Group) – Ms. Deidre Altobell stated that the NYISO reviewed two procedures regarding the economics of planning criteria for selection of CARIS studies which outlined the metrics and methodology to prioritize the elements of a study, and the second, how to perform a process for additional studies. These procedures will be discussed at the upcoming meeting. A flowchart of the CARIS process was reviewed at the meeting, as well as a project schedule including dates for the first CARIS study. The group agreed to accelerate the 2009 CRP since there are no reliability needs identified in the draft 2009 RNA. Ms. Altobell stated that the NYISO reported on the 890 Compliance filing update and the TO's reviewed their 890 Compliance Filing regarding the local planning process. In addition the group would need to finalize their thoughts regarding the NYISO proposal to the track the finances for proposed system planning solutions.

C. Installed Capacity Working Group – Mr. Bob Boyle (NYPA) reported the NYISO proposed to change the testing time period for SCR's for the summer and winter periods, allowing two more test periods to cover late registrants; in addition, NYISO proposed to apply penalties for failure to meet sales that RIPs made. Mr. Boyle noted that discussions were on going. The proposal to pay for SCR tests is being reconsidered by the NYISO given that only one test is proposed. Mr. Boyle noted he was trying to organize a guest speaker from Con Edison to present the findings reported in the Rider U distribution plan. This report recommends the CBL (Customer Base Line) methodology to APMD method of developing a base line to determine load reduction with respect to special case resources. The Forward Capacity Market Design remains the main topic of ICAPWG. The NYISO did not want to create a discriminatory practice by eliminating multiple year awards based on one single auction. The group still needs to discuss the boom bust issue if the demand curve is not used, and further discussion needs to occur on how to handle UDRs.

D. Interconnection Issues Task Force - Mr. Glenn Haake (Dynergy) reported that discussions regarded improvements to the queuing process for the interconnection studies carried over to the next meeting which also addressed deliverability assessments. Queue improvements

included a revision to the base case and what constitutes a base case. The proposed changes to the SRIS studies was to identify the projects that need to be studied in an SRIS, which are those that are electrically proximate to the proposed interconnections and to require the projects that need to be studied are found later in the queue but received an approved SRIS need to be incorporated in the study scope of the project. Mr. Bob Waldele (NYISO) presented a conceptual deliverability plan where external resources will be considered in the annual process in setting deliverability rights. This also includes the preservation of emergency assistance benefits that exist. A recent FERC filing from NYSEG requesting its Homer City capacity to be included in the grandfather deliverability rights.

E. Market Issues Working Group - Mr. Ray Stalter (Edison Mission) noted that two of the issues discussed at the BIC today were discussed at the last MIWG meeting: the NERC Liability presentation and the Transmission Capacity reassignment topic. Other topics discussed included Virtual Trading Hub credit issues, which require more discussion, energy storage and Wind Reserve management which would also be carried to a second meeting. Two topics centered around PJM with one focusing on developing a project with PJM to manage congestion, and the second distinct topic, is to seek better price convergence between the two interfaces. Finally, the Loop flow issue and alternative strategies going forward was discussed. The next MIWG meeting is January 5.

F. Price Responsive Load Working Group – Mr. Steve Lynch (ECS) reported the NYISO was proposing to change attachment G of the Service Tariff. It appears there was a discrepancy between how EDRP and SCR participants report their data. This would be presented at the January 2009 BIC.

Data standards for Demand Response and SCR participants are being drafted by NAESB. Currently data requirements are being defined with the goal to develop a data warehouse for all of the SCR/DADRP information. In addition to establishing standards, NAESB is also identifying areas to grow demand response products. January 29th is the next meeting.

10. New Business

Mr. Scott Brown (NYPA) requested the ICAPWG to bring forth the language on Out-of-Management Control (OMC) events NYPA proposed at the June 17, 2008 ICAP meeting to be included to the ICAP manual. The NYISO will discuss this item at the January 26 ICAPWG meeting.