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**DRAFT****NYISO Management Committee Meeting Minutes****November 29, 2011****10:05 a.m. – 12:00 p.m.**

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

Mr. Stuart Nachmias (Consolidated Edison), the Chair of the Management Committee (MC), called the meeting to order at 10:05 a.m. and welcomed the members of the MC. Meeting participants introduced themselves and their affiliations. There was a quorum.

**2. Approval of MC Minutes – September 27, 2011 and October 26, 2011**

Motion to approve the Minutes of the September and October MC meetings. Revisions to the October minutes as amended by Mr. David Clarke (LIPA) were accepted.

*Motion passed unanimously with abstentions.*

**3. President and CEO Report**

Mr. Stephen Whitley (NYISO) reported on the activities from the November Board of Directors meeting. The Board approved the 2012-2016 Strategic Plan, the 2012 Budget, and the 2012 Business Plan. The latter will be presented at the next MC meeting.

**Smart Grid Investment Grant Update:**

Mr. Bryan Zink (NYISO) reviewed the presentation included with the meeting material.

Mr. Howard Fromer (PSEG) asked for clarification of net overrun responsibility. Mr. Zink said there was a budget that was submitted to DOE. Each organization is responsible for its budget and that is the PMC 1-2-3 budget that was submitted, which is what NYISO is tracking against. Mr. Fromer asked about the tracking of the ISO line items. Mr. Zink said the NYISO is tracking well under. Mr. Mark Younger noted that if it turns out the NYISO portion comes under budget, Market Participants should reap the benefits. Mr. Whitley said NYISO will have to go through a stakeholder process and determine what to do with it. One option is to not spend the money, another option is to put in more capacitors. Mr. Fromer commented that it is inappropriate if NYISO benefitted from proper management and came under budget, but the savings would go to offset another entity that went over budget. Mr. Heinrich (NYS Department of Public Service) said the NYISO received half price money from the DOE. The benefits go to the state to optimize DOE money and not leave any money on the table. Mr. Fromer said if the opposite were true and the NYISO went over budget, it wouldn't be fair for utilities to assess their rate payers. Mr. Whitley said the NYISO will take these comments under advisement.

**Dynegy Bankruptcy**

Mr. Rob Fernandez (NYISO) informed stakeholders of the Dynegy bankruptcy. Early this month, several Dynegy entities filed for protection under chapter 11. Five entities filed, but none of them are NY market participants. However, two of them – Dynegy Danskammer, LLC and Dynegy Roseton, LLC – own a number of plants in NY. Those plants do business with the ISO through Dynegy Power Marketing. As part of the filing, Dynegy made a motion to continue operating in NY through Dynegy Power Marketing, which was granted by the bankruptcy court. They have indicated an intent to shut down at some point

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as a winding up of their business to set aside lease arrangements. The NYISO has retained bankruptcy counsel to advise the ISO to monitor the proceeding. Once the bankruptcy proceedings were filed, the NYISO's credit department took action to protect the market to ensure sufficient security although no NYISO entity filed for bankruptcy protection. The NYISO will keep stakeholders apprised if the bankruptcy affects any market participants. Mr. Dean Ellis (Dynegy) clarified that he didn't believe there wasn't anything in the filing that explicitly stated an intent to retire the assets. To clarify there was a lease rejection filing. The lease rejection was a means for Dynegy to get out of the lease and revert the assets back to the original owner, PSEG. Dynegy can't retire facilities that it doesn't own.

#### **Update on Refinancing of Infrastructure Master Plan (IMP):**

Ms. Mary McGarvey (NYISO) said she previously reported that due to limited availability of interest rate swaps and hedging mechanisms, that the NYISO was pursuing a private placement of an advantageous fixed interest rate to support the 20 year loan for IMP activities. The NYISO's original plan was to lock in a rate, and then file with the Public Service Commission (PSC) seeking approval of the private placement and target a closing in March 2012. However, investors have expressed a concern on whether the NYISO would ultimately gain regulatory approval. The NYISO would have to work on this approval before closing. The NYISO has discussed this with NYS Department of Public Service and the NYISO will file a petition in mid-December, targeting the March PSC session, which would put us in the same timeline as we originally had. The NYISO is looking for stakeholder support of this petition. Mr. Nachmias asked if NYISO has requested the PSC for expedited action to achieve the current favorable rates. Ms. McGarvey said the NYISO has discussed this with PSC and its staff, but the mid-December filing is the option to take. Mr. Fernandez agreed that there doesn't appear to be a quicker path.

#### **Market and Operations Reports**

Mr. Rick Gonzales (NYISO) reviewed the market performance highlights and operations performance highlights from October. Mr. Gonzales reminded stakeholders of the three week Beck-Niagara and Beck-Packard outages that will significantly impact western NY-Ontario interface scheduling. He noted that the Beck-Packard outage was inadvertently deleted from the NYISO's outage reports for one hour in October and that this issue was brought to the attention to the NYISO by market participants. The NYISO has put a manual process in place until a permanent software change is made to address the issue and. Mr. Joe Wadsworth (Vitol) thanked the NYISO for its actions.

Mr. Gonzales reported that the NYISO plans on bringing the draft scope of the Gas/Electric Coordination Working Group to the Operating Committee (OC) in December for discussion. Items under the proposed scope include: improved understanding by the NYISO of operational flow orders and other gas pipeline operations; improved knowledge of scheduled and forced pipeline outages; improved understanding of gas nomination process; and stakeholder discussion of studies related to future gas supply and pipeline operations .

Mr. Paul Gioia (representing TOs) asked if the scope will be presented to the MC. He noted that some of these topics are business issues and the MC should be involved in developing the scope, and that it may be appropriate for the working group to report to the MC, as opposed to the OC.. Mr. Nachmias requested the scope be presented at the MC after the NYISO receives comments at the Business Issues Committee and OC and the NYISO agreed..

Mr. Glen Haake wanted to applaud the NYISO for this initiative stating that it is a step in the right direction. He noted a similar group existed in New England where there seemed to be good participation from the gas industry who gave a good perspective that is not often heard, but weren't active in ISO-

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New England stakeholder meetings. He asked how the NYISO would seek similar broad representation from the gas industry.. Mr. Whitley noted that this working group discussion originated from the summer joint MC-Board meeting and the NYISO has made this a major issue in its strategic plan. He said the NYISO expects the gas industry to attend this working group and he encouraged stakeholders to participate in the formation of this working group. Mr. Heinrich noted that the PSC has regular scheduled meetings with the gas industry participants, including the pipeline companies, and will reach out to them to participate in the NYISO's new working group.

#### **4. Coordinated Transaction Scheduling Impact Analysis**

Mr. Tariq Niazi (NYISO) reviewed the presentation included with the meeting material.

Mr. Rich Bolbrock (NYMPA) asked if NYISO included the cost of developing and administering the project in its analysis. Mr. Bolbrock said it would be good to include all of the costs. Mr. Niazi said he will take his comments back, but all projects have a net benefit. Mr. Mukerji said production costs are minor, the annual savings are of a higher magnitude. Going forward the NYISO can include the software costs. Mr. Fromer asked if the analysis examines the changes in overall environmental emissions. He noted that the NYISO flags the savings side, but doesn't note if those savings come with environmental costs. Mr. Niazi said in this particular case, there were no examples, but the NYISO will absolutely look into indirect costs.

#### **5. Coordinated Transaction Scheduling Tariff Language**

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

Mr. Frank Francis (Brookfield) asked where does CTS stand with wheel through transactions. Mr. Pike said the ISO expects wheel throughs to operate much like they do today. Mr. Francis suggested this could present a problem if they continue to schedule hourly, while imports and exports are 15 minutes. Mr. Pike said CTS will have no trouble scheduling and recognizing wheel throughs and that is why they will retain the same construct.

Mr. Fromer asked how will CTS interact with Market to Market Coordination. Mr. Whitley said these two elements of Broader Regional Markets will impact each other and provide more resource flexibility for the system to react faster to market conditions.

Mr. Nachmias asked about the removal of the dispute resolution fee. Mr. Pike said the goal was to eliminate fees otherwise imposed on transactions on the border. These are fees that the NYISO has proposed to eliminate in recognition of trying to get economically efficient interchange schedules which are reciprocal to fees on the New England side that are also proposed for elimination. Ms. Mollie Lampi (NYISO) said dispute resolution settlements would be managed independently by the ISOs. Mr. Nachmias noted that as the NYISO implements this, it would be worth monitoring what CTS-related dispute costs may be going into uplift incrementally because if the cost is bigger than expected, stakeholders may want to revisit this allocation adjustment.

Mr. Clarke asked if Northport Norwalk is not addressed, would the ISO address it even after implementation of CTS. Mr. Pike said yes - absolutely the NYISO would work with New England to build representative cost curves for this proxy bus as well. Our objective is to do it in one phase, but if it takes a second phase, the NYISO would work on it. Mr. Clarke thanked the NYISO for committing to this.

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In response to a Market Participant question, Mr. Pike said ISO-NE intends to take to its proposed tariff amendments to the Markets Committee in December and Participants Committee in January.

Mr. Mike Kramek (Edison Mission) requested that when the NYISO develops the credit rules for CTS that the ISO coordinate with New England so that the policies are as consistent as possible.

Mr. Haake asked if it was premature for NYISO to vote on this now without NE Participants decision. Ms. Lampi said the lawyers for both NYISO and ISO-NE are coordinating the tariff language. The tariff language reflects the design documentation. If needed, amendments can be made after the tariff filing. Mr. Whitley said that the NYISO's plans to lead the way and to file with FERC in December. It is to the NYISO's advantage to get this filed first and for New England to follow.

Mr. Fromer noted that PSEG opposes this motion largely from concerns with the Attachment P provisions, which in PSEG's view ties the hand of a future NYISO Board of Directors. PSEG is neutral on the CTS concept; it strongly disagrees with the Tie Optimization concept.

The Management Committee ("MC") hereby recommends that the NYISO Board of Directors approve revisions to the NYISO's Tariffs with regard to Coordinated Transaction Scheduling as more fully described in the presentation made to the MC on November 29, 2011 and direct that these tariff revisions be filed with the Commission pursuant to Section 205 of the Federal Power Act. In considering the timing of the filing, the MC suggests the BOD consider whether or not to take into consideration the actions of the ISO-New England Committees on the companion Tariff changes and any associated impact on the timing of the companion filing with FERC by ISO-New England.

*Motion passed by majority with abstentions.*

## **6. New Business**

Mr. Younger asked when will the market participant survey findings be reported to stakeholders. Mr. Tom Rumsey (NYISO) said the intent is to present the survey results to the Board of Directors in December, and then to present the results to stakeholders in January.

Mr. Whitley thanked Mr. Nachmias for his outstanding job during his term as chair of the MC.