

NYISO Management Committee Meeting

**May 4, 2000
Con Edison
New York City**

Minutes of Meeting

1. INTRODUCTION AND MEETING OBJECTIVES

Mr. Lou Rana, Chairman of the Management Committee (MC), called the meeting to order and welcomed the members of the Management Committee (MC).

Mr. Rana suggested the following objectives for the meeting:

- ▲ Action concerning By-laws of Operating and Business Issues Committees
- ▲ Action concerning NYSRC funding mechanism
- ▲ Receive reports from NYISO staff and Committee and WG Chairpersons

In addition to the items above, Mr. Rana suggested that the MC consider the possibility of forming a small group during the sector caucuses to address the issues raised by NYSEG in their recent filing before the FERC.

2. APPROVAL OF 4/5 & 4/6 MINUTES

The Minutes of the April 6th MC Meeting were approved as amended. The minutes of the April 5th meeting were distributed and will be addressed at the next MC meeting.

3. CHAIRPERSON'S REPORT

Mr. Rana reported on the following topics:

Scheduled Maintenance on Bulk Power Facilities: Mr. Rana indicated that in response to congestion costs observed during recent scheduled transmission outages, the Operating Committee has been assigned the task of reviewing the policies for scheduling transmission outages in view of past practice, good utility practice, additional costs incurred by TOs for shifting work to off-peak periods, and potential cost impacts on NYCA transmission and load customers. Mr. Rana requested that Mr. Masti, Chairman of the Operating Committee, report the progress of the OC in this regard at the June MC meeting. Mr. Rana also requested the NYISO to consider developing a "Morning Report" that will show the status of lines on a daily basis. This report would be in addition to the daily OASIS posting of line outages.

Budget & Performance Subcommittee: Mr. Rana indicated that Mr. Marty Amati has been selected to chair the Budget and Performance Subcommittee. Mr. Rana indicated that Mr. Amati brings considerable experience from both NMPC and ISO-NE to this position. Mr. Rana added that the group should convene and select a Vice Chair shortly.

Annual Meeting with the Board: Mr. Rana reported on the 1st Annual Meeting with the NYISO Board which was conducted on April 18th. He indicated that all who participated viewed the meeting as a success and that the Board found the exchange with the individual sectors to be very valuable. Mr. Rana thanked the MC members for the excellent presentations and preparations which contributed to the success of the meeting.

Mr. Rana noted that the group that he appointed to address the roles and responsibilities of the Board, Committees and Staff has made progress addressing a number of policy issues. While the group does not have a final recommendation to bring before the MC, this has not hampered the ISO or the functioning marketplace. The group will make monthly progress reports to the MC. Ms. Marjorie Philips noted that while she supports the work effort of this group and her sector representatives, she strongly urges that all working groups be populated through sector selection rather than by appointment of the Chairperson.

Electric Reliability Summit: Mr. Rana reported on his participation at the recent Electric Reliability Summit held on April 24, 2000, at the New Jersey Institute of Technology, Newark, New Jersey, convened by DOE Secretary Bill Richardson. Mr. Rana indicated that a number of the panelists expressed concern for reliability given the recent trends in which loads in various parts of the nation were increasing faster than new generation could be built. Mr. Rana emphasized the need for the MC to be vigilant regarding the development and refinement of interconnection processes to insure that they do not become overly burdensome to generation developers. In addition, Mr. Rana cited the importance of promoting demand-side resources.

4. REPORT ON REGIONAL ISO WORKING GROUPS

Mr. Charles King, Vice President of NYISO Market Services, reviewed the progress of the MOU Business Practices Working Group (BPWG) and noted that a document summarizing the issues and concerns raised by Market Participants at both the FERC workshop in Philadelphia and the working group meeting held in March will be posted on the MOU website (www.ISOMOU.com) by Friday, May 5th. The ISO representatives of the BPWG request that interested parties review the descriptions of the issues and provide feedback to the ISO representatives as soon as possible.

Mr. King indicated that he gave a presentation at the PJM Energy Market Committee meeting, held on May 3rd at BWI Airport in Baltimore, in which he described a number of software and staffing changes that were being implemented to address the day-ahead scheduling issues raised earlier in the year by PJM. Mr. King indicated that the establishment of “must-run” status for transactions scheduled in the DAM would

reduce the volatility of the HAM transaction evaluation process, reducing the probability of spurious transaction curtailments in the hourly check-out process.

Mr. King also described the staffing and function of the 5th Operator position at the NYISO and noted that the principle focus of the 5th position will be to interact directly with the generation plant operators. This in turn will allow the Transmission Desk Operator to address questions and concerns raised by transmission customers relative to specific transactions. Mr. Alan Foster of Citizens Power inquired as to whether notification, by phone, of all transmission curtailments would be performed by one of these two operator positions. Mr. Museler responded that the 5th position would not be providing direct notification of transaction curtailments and that the NYISO does intend to provide that service but has not as yet determined the most effective way to do so.

5. NYISO MARKET MONITORING UNIT

Mr. Andrew Ragona, Chief Finance & Compliance Officer of the NYISO, reported that effective this month, the NYISO would be attempting to stabilize the Schedule 1 charge at \$.44 for each month going forward. Mr. Ragona indicated that the NYISO working capital would be used to help balance the charge and emphasized that there may be occasions through the remainder of the year that may require a change in the Schedule 1 rate.

Mr. Ragona, gave a presentation describing the structure, duties and functions of the NYISO Market Monitoring and Performance unit. Mr. Ragona noted that Mr. Steve Balsler, formerly of Power Technologies, Inc, has been hired to direct the activities of the Market Monitoring unit and that the unit has been restructured into two groups. One group focuses on the competitiveness of the markets while the other group focuses on the efficiency of the market. This reorganization is intended to improve the responsiveness of the MMU with respect to detecting and taking action relative to market power issues.

6. NYISO MARKET OPERATIONS REPORT

Mr. William Museler, CEO of the NYISO, reported on the following topics:

May 3rd Equipment Failure at Leeds Substation: Mr. Museler indicated that a major equipment failure occurred on the evening of May 3rd in which a number of bulk power facilities were taken out of service. Mr. Museler noted that the incident involved a failure at the Leeds substation and that the extent and severity of the outage was minimized due to the quick response, coordination, and cooperation of the NYISO, TO, and market participant staff. Mr. Museler congratulated all those involved with the timely and efficient restoration of the system from the Major Emergency State to the Normal State. Mr. Museler added that the Operating Committee has been requested to review the circumstances surrounding the incident.

NYCA Control Performance: Mr. Museler reported that the control performance for April achieved a CPS1/CPS2 performance level of 170%/95.3%.

Market Performance: Mr. Museler reviewed several charts illustrating the performance of the DAM, HAM, and real-time results. Mr. Museler noted that with the exception of two weeks in April, the markets continue to converge. Mr. Museler added that the NYISO Staff will be issuing a white paper on or about May 17th which will provide staff's research into the causes of differences between BME and real-time calculated prices.

Proposed Generation Projects: Mr. Museler discussed the increase in proposed generation projects as illustrated on the exhibit contained in the monthly report. Mr. Museler noted that TPAS has made excellent progress on certain procedures required for interconnection studies. The NYISO is soliciting proposals from vendors to assist the NYISO in the completion of the generation expansion studies.

Preparations for Summer 2000 Operation: Mr. Museler reviewed a number of the projects and tasks being pursued by the NYISO in preparation for the Summer operating period. Mr. Museler indicated that a summary of the NYISO's Summer 2000 preparations will be posted on the NYISO web-site by Friday May 5th.

7. NYISO 2000 BUSINESS PLAN

Mr. Museler reviewed the major topics to be presented in the NYISO 2000 Business Plan. He noted that the latest draft of the NYISO 2000 Business Plan will be posted on the NYISO web-site on Monday, May 8th in addition to individual copies that will be distributed to MC representatives and alternates by e-mail. He requested that Market Participants review the draft and provide comments back to Ms. Jean Matson of the NYISO Staff (jmatson@nyiso.com) by May 19th. Following revision, the final draft business plan will be presented to the NYSIO Board at the June Board meeting. Mr. Museler added that shortly, the NYSIO Staff will be soliciting input from the Market Participants for the development of the business plan for 2001.

8. LUNCH AND SECTOR CAUCUSES

9. ACTION ON BIC AND OC BY-LAWS

Motion:

Mr. James Schmidt of Hunton & Williams reviewed the differences between the By-Laws developed for the BIC and OC, with those presently in place for the Management Committee. Following a brief discussion, a motion was made to approve the BIC & OC By-Laws, as presented. The motion was approved by a unanimous show of hands.

10. ACTION ON NYSRC FUNDING MOTION

Mr. Rana, speaking on behalf of Mr. Rudebusch, indicated that the proposed motion has been withdrawn from consideration at this meeting.

11. PROGRESS REPORT - ROLES AND RESPONSIBILITIES OF BOARD, STAFF AND COMMITTEES

Mr. Gioia of LeBoeuf, Lamb, Greene & MacRae, counsel to the Transmission Owners, reported on the progress of the working group formed to define and clarify the roles and responsibilities of the Board, Staff and Committees. The working group consists of Paul Gioia, Bob Hiney, Peter Brown, Jace Cochrane, Len Singer, Harvey Reed, John Reese, Ira Freilicher and Gina Fedele. Mr. Gioia was asked to chair the working group. Mr. Gioia reported that the working group met via conference call, and that the meeting was very productive. Based on the results of the meeting, it appears likely that the working group will be able to reach consensus on areas of responsibility of the ISO Board, Staff and Committees. In addition, Mr. Gioia has proposed drafting a conception statement with regard to these governance matters, which statement would be presented to the Management Committee for its consideration.

Mr. Gioia reported that Mr. Freilicher identified specific areas in which he believed it was appropriate for the ISO staff to act independently and outside the committee process. These include:

- matters related to the hiring and oversight of ISO personnel and ISO staff organization.
- ISO administrative matters; and
- the handling of individual customer issues (except to the extent the resolution of an issue would require a change in ISO policy or procedures).

Mr. Freilicher also stated that it is necessary for ISO staff to act independently in the administration of Market Power Monitoring and the implementation of the Temporary Extraordinary Procedures. Mr. Freilicher agreed that, to the extent that ISO action in these areas required a revision to an ISO tariff or the ISO Agreement, the provisions of the ISO Agreement related to §205 filings would apply. Members of the working group agreed with this assessment while noting that these areas are the subject of FERC orders and that the relative responsibilities of the Board, Staff and Committees in these areas should be carefully considered. Harvey Reed suggested that in reviewing these areas adjudicatory and enforcement functions would be assigned to the ISO Board and Staff, and legislative (or policy making) functions would be the primary responsibility of the ISO Committees, Board and Staff.

There also appeared to be a consensus that ISO policy and procedures come under the purview of the ISO Committees, including the approval of all ISO manuals. Mr. Freilicher suggested, however, that there is

a need for the ISO President and Staff to be able to vary from existing policies and procedures in a situation related to either reliability or an ISO market that requires immediate action, subject to subsequent ratification by the appropriate ISO Committee.

Mr. Gioia undertook to develop a draft statement on governance, based upon the foregoing discussion, and to circulate the draft to the working group for its further consideration.

12. RESERVES MARKET WORKING GROUP STATUS REPORT

Mr. John Reese of IPPNY reported on the progress of the Reserve Working Group in addressing the issues pertaining to the NYISO 10 minute & 30 minute reserve markets. Mr. Reese indicated that the working group has met twice and has made a number of data requests of NYISO staff to assist with their assessment. Mr. Reese noted that as of the second meeting on May 1st, the Working Group had not received all of the data that it felt would be necessary to complete its assessment of the reserve markets. He added that the data requests have been clarified and that the NYISO has committed to providing the data by May 13th. Mr. Museler noted that the NYISO will provide the requested data and in addition will propose a number of strawman solutions for consideration. The strawman proposals will be provided via e-mail on Monday, May 8th. He indicated that the information to be provided on Monday represents a spectrum of proposals developed by NYISO staff and that they are not intended to be the only proposals the Working Group is to consider. Others are more than welcome to provide their own proposals for consideration by the Working Group.

13. LIAISON COMMITTEE REPORT

Mr. Gary Brown of Sithe Energies congratulated the sector representatives for the excellent preparations and presentations provided at the Annual Board and MC meeting on April 18. Mr. Brown indicated that the Board had found the meeting very valuable and was considering whether to increase the frequency of these meetings.

Mr. Brown reported that he has received a number of comments and concerns regarding the monthly liaison meetings. Despite a concern that they may be held too frequently, Mr. Brown advocated that they continue at least through the Summer operating period. However Mr. Brown urged MC representatives to contact him with any suggestions or ideas regarding how to make the meetings more efficient and productive. Comments may be forwarded by e-mail to Gary Brown (gbrown@sithe.com), Scott Weiner (sweiner@sithe.com) or to Gina Fedele (gfedele@hunton.com).

14. NEW BUSINESS

Mr. Rana queried the sector representatives regarding the proposal to establish a working group to address the concerns raised by NYSEG in the FERC filing. The following responses were obtained from the

sectors:

Generator Sector: Mr. Reese indicated that the generator sector would neither support the formation of the proposed working group nor participate in the group if it is formed.

Other Suppliers Sector: Mr. Howard Fromer indicated that a majority of the Other Suppliers sector were not in favor of creating the proposed group.

Public Power & Environmental: Mr. Bob Hiney of NYPA indicated that the sector would participate if the working group was formed.

Transmission Owners: Mr. Paul Gioia advised that it would likely be less costly and time consuming to attempt to reach a consensus among the MC members, rather than pursue through the FERC process. Consequently, the TO sector would participate on the proposed working group.

End Use Sector: Mr. Tariq Niazi of the NYS Consumer Protection Board expressed concern that NYSEG circumvented the ISO governmental process and indicated that if NYSEG withdrew the FERC complaint, the End-use sector would participate in the proposed working group.

15. ADJOURNMENT

A motion was proposed and seconded to adjourn the meeting. The meeting adjourned at approximately 2:25 PM.

New York Independent System Operator - Committee Membership

Management Committee - May 4, 2000 Meeting in NYC - Members Checked in Attendance

Organization	Sector	Representative	Proxy	Alternate1	Alternate2	Alternate3	Guest
NYS Energy Research & Develop. Auth.	End Use - Gov. Agency/Aggr.	Peter Smith		✓ Charles Kowalski	Jeffrey Gerber		
The City of New York	End Use - Gov. Agency/Aggr.	Jay Kooper	Jonathan Wallach	Richard Miller			✓ Scott Butler
ATCO Management Co.	End Use - Large Consumers	Peter DiCapua		Scott Petersen			
IBM Corporation	End Use - Large Consumers	Leonard Singer		✓ Jim King			
Occidental Chemical Corp.	End Use - Large Consumers	Leonard Singer		✓ Jim King			
Praxair Inc.	End Use - Large Consumers						
Reynolds Metals Company	End Use - Large Consumers	Leonard Singer		✓ Jim King			
Xerox Corporation	End Use - Large Consumers	Leonard Singer		✓ Jim King			
Metropolitan Transportation Authority	End Use - Large Cons. Gov.	✓ Robin Stevens		✓ Walter McCarroll	Ken Lewaine		
Aaron Breidenbaugh	End Use - Small Consumers	✓ Aaron Breidenbaugh					
Association for Energy Affordability, Inc.	End Use - Small Consumers	✓ David Hepinstall		✓ Mollie Lampi			
Building and Realty Institute	End Use - Small Consumers	✓ Herb Rose		Jeff Hanley			
Citizens Advisory Panel	End Use - Small Consumers	Gordian Raacke					
CNYC Inc. (Council of NY Coop & Condo	End Use - Small Consumers	✓ Herb Rose		MaryAnn Rothman			
New York Energy Buyers Forum	End Use - Small Consumers	Catherine Luthin		John Dowling			
NY State Consumer Protection Board	End Use - State Agency	✓ Tariq Niazi					
AES NY	Generation Owners	✓ Christopher Wentlent		Rick Santoroski			
CH Resources	Generation Owners	Gary Thorn		✓ Gary Miller	Diane Seitz		
Columbia Electric	Generation Owners	Jennifer Painter		Bob Svendsen			
East Coast Power	Generation Owners	Gary Keevill		Asavari Alvarez			
Edison Mission Marketing & Trading	Generation Owners	Kenneth Lackey		LouAnn Basham	Tom Green	Don Vawter	
Indeck Energy Services	Generation Owners	✓ Mike Janczak		Mike Ferguson			
KeySpan Ravenswood, Inc	Generation Owners	Howard Kosel		James Brennan	✓ Dick Ackerson		
NRG Energy	Generation Owners	Marc Dworkin	✓ Ruben Brown	Nancy Jones			
Orion Power New York	Generation Owners	Mark Sudbey		✓ Janet Audunson			
PG&E Generating	Generation Owners	✓ Daniel DuBois		Scott Miller	Steve McDonald		✓ Leah Gibbons
Sithe Energies, Inc.	Generation Owners	Scott Weiner		✓ Timothy Bush	✓ Garry Brown		✓ John Reese
Southern Energy of NY	Generation Owners	Craig Lesser	✓ Joe Holtman	Mark Petro			
TransCanada Power Marketing	Generation Owners	William Taylor		Elaine Beaudry			
NYS Department of Public Service	Non-voting	✓ Saul Rigberg		Joel Brainard			
1st Rochdale Cooperative NYC	Other Suppliers	✓ Phyllis Kessler		Gregory Wortham			
Aquila Energy Marketing Corp.	Other Suppliers	Jason Stever	Paul Savage	✓ Peter Brown			
Automated Power Exchange (APX)	Other Suppliers	Jim Verna					
Cinergy Capital and Trading	Other Suppliers	Walt Yeager		Jan Bagnall			
Cinergy Services	Other Suppliers	Walt Yeager		Jan Bagnall			
Citizens Power Sales LLC	Other Suppliers	William Roberts		✓ Alan Foster			
Con Edison Energy	Other Suppliers	Ken Bekman		Ivan Kimball			
Con Edison Solutions	Other Suppliers	Ken Bekman		✓ Stephen Wemple			
Constellation Power Source	Other Suppliers	✓ Harvey Reed		David Taylor			
Dynegy	Other Suppliers	Chris Moser					
Energetix, Inc.	Other Suppliers	Byron Farnsworth					
Enron Power Marketing Inc.	Other Suppliers	✓ Howard Fromer					
HQ Energy Services	Other Suppliers	Matthew LaRocque		✓ Johane Meagher			
KeySpan Energy Services	Other Suppliers	✓ Ruben Brown		Angela Schorr	Ellen Shaw	John Smith	
Niagara Mohawk Energy Marketing	Other Suppliers	Jim Cifaratta		✓ Sam Moreton			
NU / Select Energy	Other Suppliers	Gunnar Jorgensen		✓ James Scheiderich			
Ontario Power Generation Inc.	Other Suppliers	✓ Barry Green		Tasos Karatsoreos	Ken Lacivita		
PECO Energy Company	Other Suppliers	✓ Marjorie Philips		✓ Regina Carrado	Jack Crowley		
PP&L Energy Plus	Other Suppliers	✓ John Brodbeck		Glen McCartney	Roger Dolan	Garreth Kirkner	
PP&L Inc.	Other Suppliers	Garreth Kirkner					

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Organization	Sector	Representative	Proxy	Alternate1	Alternate2	Alternate3	Guest
PSEG Energy Technologies Inc.	Other Suppliers	Patricia Esposito		Ken Lempicki			
Public Service Electric & Gas Company	Other Suppliers	✓ James Hebson		✓ Michael LaFalce			✓ Thomas Cleary
Sempra Energy Trading	Other Suppliers	Bill Winget		✓ Dana Volpe			
Southern Company Energy Marketing	Other Suppliers	Marty Matijasich		Vicki Lynch			
Strategic Energy Ltd.	Other Suppliers	John Molinda		✓ Jace Cochrane	James McCormick	Lara Prachar	
Strategic Power Management, Inc.	Other Suppliers	✓ Dan Duthie		✓ Mario DiValentino			
TransÉnergie U.S. Ltd.	Other Suppliers	José Rotger					
Long Island Power Authority	Public Power - Authorities	✓ Seth Hulkower		✓ Jim Parmelee	Alan Elberfield		
New York Power Authority	Public Power - Authorities	✓ Robert Hiney		William Palazzo	Kim Byham		
Adirondack Council	Public Power - Environmental	✓ Mollie Lampi		Bernard Melewski			
Environmental Advocates	Public Power - Environmental	Jason Babbie					
Nat'l Resources Defense Council	Public Power - Environmental	Dale Bryk		✓ Mollie Lampi			
Pace University	Public Power - Environmental	✓ Mollie Lampi					
Scenic Hudson	Public Power - Environmental	Cara Lee		✓ Mollie Lampi			
Sierra Club - Atlantic Chapter	Public Power - Environmental	Frank Morris		John Stouffer			
Bath Electric, Gas & Water Systems	Public Power - Munis & Co-ops	Neil Wrinkle	✓ Tom Rudebusch	✓ Paul Pallas	Jim Hamilton	Cliff Engstrom	
City of Jamestown Board of Pub. Util.	Public Power - Munis & Co-ops	✓ Michael Darroch		Wally Haase	✓ Tom Rudebusch		
Town of Massena	Public Power - Munis & Co-ops	Clifford Engstrom	✓ Tom Rudebusch	✓ Paul Pallas	Jim Hamilton	Neil Wrinkle	
Village of Fairport	Public Power - Munis & Co-ops	✓ Paul Pallas		✓ Tom Rudebusch	Ken Moore		
Village of Freeport	Public Power - Munis & Co-ops	✓ Hubert Bianco		Robert Kortright			
Village of Rockville Centre	Public Power - Munis & Co-ops	✓ Paul Pallas	✓ Tom Rudebusch	Jim Hamilton	Cliff Engstrom	Ken Moore	
Village of Westfield	Public Power - Munis & Co-ops	Jim Hamilton	✓ Tom Rudebusch	✓ Paul Pallas	Neil Wrinkle	Cliff Engstrom	
Central Hudson Gas & Electric	Transmission Owners	Ronald Brand	✓ Michael P. Hogan	Carl Meyer			✓ Paul Gioia
Consolidated Edison	Transmission Owners	✓ Lou Rana					✓ Bill Jaeger
Niagara Mohawk Power Company	Transmission Owners	Clement Nadeau		✓ Jerry Ancona	✓ Martin Amati		
NY State Electric Gas (NYSEG)	Transmission Owners	Denis Wickham		Raymond Kinney	✓ Hank Masti		
Orange & Rockland, Inc.	Transmission Owners	Phil Nannery					
Rochester Gas & Electric Co.	Transmission Owners	Clifton Olson		✓ Laurie King-Pirchner			
Hunton and Williams	Non-voting						
Hunton and Williams	Non-voting						✓ Ira Freilicher
Hunton and Williams	Non-voting						✓ James Schmidt
Hunton and Williams	Non-voting						✓ Gina Fedele
NYISO	Non-voting						✓ Chuck King
NYISO	Non-voting						✓ Bill Museler
NYISO	Non-voting						✓ Chuck King
NYISO	Non-voting						✓ Jonathan Mayo
NYISO	Non-voting						✓ Jane Lathrop
NYISO	Non-voting						✓ Kristen Kranz
NYISO	Non-voting						✓ Andy Ragogna
NYISO	Non-voting						Tom Garlock
NYISO	Non-voting						Ray Statler

Key:

✓ = In attendance

✓ = In attendance by teleconferencing

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