

NYISO Management Committee Meeting

May 25, 2005

The Desmond Hotel

12:00 P.M – 3:45 p.m.

MINUTES OF THE MEETING

1. Introductions, Meeting Objectives & Chairman's Report

Chris Wentlent of AES, Chairman, called the meeting to order at 12:15 PM and welcomed the members of the Management Committee ("MC"). The meeting objective is to:

- Act on April 6, 2005 Minutes

Mr. Wentlent alerted the members of the MC regarding the material in the Chair's Report of the upcoming joint Board and MC meeting on June 20th and 21st. He encouraged members to review the material in advance. Mr. Wentlent also noted:

- A special teleconference is scheduled for Friday, May 27, 2005 to vote on the NYISO proposed modification to RTD in the way 10 minutes GTs are treated.
- Sector meetings have been scheduled for all sectors beginning June 2, 2005.
- Larry Dewitt will chair next MC meeting.
- Mr. Wentlent thanked the members of the MC for their support and assistance over the past six months. In addition he conveyed a special thanks to Leigh Bullock, Debbie Eckels, Ray Stalter and Brad Kranz for their outstanding support in providing the necessary information, over the past six months, to help prepare for the meetings.

2. Approval of the Minutes

Motion #1:

Motion to approve the Minutes from the April 6, 2005 MC meeting.

(Motion passed unanimously by show of hands)

3. President's Report

Mark Lynch, President and CEO of the NYISO, welcomed the Members of the MC.

- **Market Performance Highlights**

Mr. Lynch stated that the NYISO Average Cost and LBMPs have increased this month relative to March. Average cost is \$73.58/MWh, up from \$71.26/MWh in March. Most fuel prices have increased this month relative to March with the exception of No. 2 fuel oil. Evidence to date continues to suggest that some costs previously captured in uplift are reflected directly in the LBMP. However, uplift has increased somewhat compared to March. Volatility in Real Time prices (RTD) has continued to increase and the standard deviation, as percent of price, is 10% higher than in March 2005. Some factors attributing to the volatility are the inability to comment the 10-minute GTs with RTD and unexpected transmission outages. There is a shift in MWh positions into the DAM: 99.6% of MWh were transacted in the day ahead market for May 2005 compared to 97.5% in March 2005 and 98.0% in April 2004.

William Polazzo of the New York Power Authority ("NYPA") commented that there has been an increase in marginal losses over the past several months and would be interested in knowing if the NYISO has looked into the cause. Mr. Lynch responded that he not aware of this issue at but stated that the NYISO would investigate the cause and report back to the MC.

- **New Facility Update**

The NYISO received final approval from East Greenbush, and expects to receive final approval from North Greenbush in early June. The PSC has approved the NYISO's new facility financing proposal with HSBC on May 18th. PILOT agreement approval expected mid-June from Rensselaer County IDA. The June 30th closing is still on target. The NYISO expects to complete the transition of staff and the ACC by first quarter 2007.

- **Focus on Excellence in Execution**

Mr. Lynch noted that as part of NYISO's ongoing objective to improve its "Excellence in Execution", the NYISO will be implementing a new internal quality assurance program based upon "Lean Six Sigma" principals. The mechanics of the program will be discussed as the upcoming sector meetings and at the joint Board and MC meeting in June.

- **Price Correction/Billing Correction Meetings**

Mr. Lynch commented on the billing and price correction meeting that was held the previous week. He stated that given the tariff language that's currently in place, the NYISO is administering the billing and price corrections correctly. Mr. Lynch also stated

the would be interested in hearing each sector's opinion on the price/billing corrections issues and their inputs on possible tariff recommendations on ways to more efficiently administer these issues. Mr. Lynch suggested that Market Participants provide their input on this matter during the upcoming sector meetings.

4. Billing Issues Update

Randy Bowers, Manager of NYISO Settlements, presented the Billing Issues Update and reported on the progress of the issues that were reported on in April meeting by Charles Garber, NYISO CFO.

- The February 2005 price corrections will be processed in the 4-month settlement adjustments.
- DAM Margin Preservation that was not being provided to regulation and reserve providers during February and March 2005 has been fixed. The associated quarantine payments will be corrected up rebilling.
- The February 2005 sub-zonal load non-profiling has been fixed and will also be processed in the upcoming February true up.
- Item still under review: NTAC not being applied to Station Power. The fix will be in the June release of the software.

The billing issues list has been updated to include:

- Under-generation penalty forgiveness is being pursued to enhance GT Management . The Issue is pending a FERC filing and response.
- 30-minute GTs' energy payments limited by Energy Payment Limit when already at schedule at beginning of the hour. Code should recognize they are already at schedule and not base reasonableness of output on a ramped performance metric. Due to the limited number of occurrences , issue will likely be resolved via invoiced-level adjustment versus a software rewrite.
- 10-minute GTs not having their start-up costs included in their RT BPCG calculation. The issue is currently under investigation.
- DAM Margin Preservation calculation is not using DAM adjusted schedule when a unit is derated. A fix will be deployed on June 23.

5. SMD2 Status Report

Rich Dewey, Director of NYISO Product and Project Management, stated that the SMD2 production operation, both the performance of the markets and the energy management system continued to be closely monitored on a regular basis by NYISO staff to analyze any market results that may appear questionable. The NYISO successfully tested the Alternate Control Center ("ACC") on May 18th which included a fail over of the billing system. The bill generated during the test was generated from the ACC. A number of minor procedural issues were identified and corrected during the test.

The new NYISO website was deployed on May 24, 2005 with positive feedback from Market Participants on the format and the usability enhancement.

An integrated software release is scheduled for May 31, 2005 to implement the Controllable TIE Line ("CTL") and to allow secondary scheduling on the Cross Sound Cable ("CSC").

In June there will be another integrated software release to include some enhancement to the E-Tagging system, additional ABB software changes that could not fit in the May release and billing software changes to correct billing issues. The 15 minutes scheduling software, which was originally scheduled for deployment in late June will be delayed and will not be included in the integrated software release scheduled for June.

6. RTD Treatment of 10 Minute Resources

Ricardo Gonzales, Manager of NYISO Market Operations, presented for discussion purposes the treatment of 10 minute GT's by RTD. Mr. Gonzales notes that increased price volatility is occurring regularly in the Real-Time Market. This volatility manifests itself in unpredictable and significant positive and negative Real-Time Market prices that are inconsistent with prevailing system conditions. The ISO Real-Time Market scheduling objective is to meet RTD demand by minimizing bid production cost through the efficient use of all available resources. The SMD2 software was designed to achieve this objective through the optimal commitment of all available resources. In practice, the NYISO has observed that the SMD2 software may result in the sub-optimal commitment of available resources in RTD due to uncertainties between the commitment (RTC) and dispatch (RTD) scheduling horizons. Some Real-Time Market modeling uncertainties that exemplify the need for the commitment of quick start resources includes:

- The load forecast variances will affect commitment of locational resources.
- PAR schedule changes significantly affect transmission-constrained areas.
- External transaction (DNI) changes following the hourly checkout process or as a result of NERC TLR actions.
- Inconsistency between expected unit availability (commitment or dispatch) and actual unit performance.
- Unexpected loss of transmission capability due to contingency events.

Based on these findings, it was determined that additional resources are needed for RTD to address the consequences of a commitment decision made in RTC that does not align with actual conditions in RTD. The proposed new RTD functionality would allow the scheduling of eligible 10-minute resources in both the Ideal and Physical dispatch to reflect the availability of these resources in real-time. System Operator actions will be required to facilitate the resulting GT commitment by means of modified operations procedures. The operations procedures may result in the commitment of specific 10-minute resources via Fast-Start Management (FSM). The 10-minute resources schedules developed by RTD will not be passed to AGC, ICCP or OISR until the units are actually committed by FSM.

Based on the above description of the treatment of 10 minute resources by RTD, the NYISO proposes that the RTD dispatch be modified to allow 10-minute resources not committed by RTC or RTDCAM, and not under a minimum downtime constraint, to be

scheduled and participate in real-time market price setting. The 10-minute resources that are scheduled by RTD will be completely flexible in both the Ideal and Physical dispatches and will not be forced to meet minimum run time constraints. The ISO System Operators would have a display that shows the available GTs Ideal schedule from RTD for the forward periods of RTD. These 10-minute resources will only be committed (i.e. started) by Power System operations if it is determined that the units are needed for a sufficient period of time as indicated by the forward look-ahead of RTD.

7. State of the Market Report

Dr. David B. Patton, NYISO Independent Market Advisor presented the 2004 State of the Market Report. The presentation provides highlights from the State-of-the-Market Report on the New York electricity markets for 2004. The market assessment addresses the following areas:

- Energy market prices and outcomes
- Market participant bid and offer patterns
- External transactions scheduling
- Capacity market
- Ancillary services
- Demand response program

Dr. Patton discussed the conclusions and major findings of the study as well as his recommendations for further improvements. The complete version of the 2004 State of the Market Report has been posted on the NYISO website.

8. New Business

Howard Fromer of PSEG requested that the NYISO provide a response on the status of the LECG rebilling analysis and when the NYISO expects to have the results of the analysis. Mr. Fromer also requested that the NYISO provides a response on what they intend to report to FERC in their refund report that's due in June.

9. Adjourn

The meeting was adjourned at approximately 15:15

Management Committee Meeting

May 25, 2005
The Desmond Hotel, Albany

SUMMARY OF MOTIONS

Motion #1:

Motion to approve the Minutes from the April 6, 2005 MC meeting.

(Motion passed unanimously by show of hands)

New York Independent System Operator - Committee Membership

Management Committee - Attendance May 25, 2005 - Albany, NY - Parties Checked in Attendance

Organization	Sector	Representative	Alternate1	Alternate2	Alternate3	Alternate4	Alternate5	Proxy	Guest
NYS Energy Research & Develop. Auth.	End Use - Gov. Agency/Aggr.	Paul DeCotis	David Coup	Erin Hogan	Chris Hall	John Spath			
The City of New York	End Use - Gov. Agency/Aggr.	Michael Delaney	Gil Quiniones	Thomas Simpson	Jonathan Wallach	Tim Daniels			
Alcoa/Reynolds Metals Company	End Use - Large Consumer	Robert Loughney	Michael Mager	Morgan Parke					
Helmsley-Spear Inc.	End Use - Large Consumer	David Bonke	George Diamantopoulos	Edward Strauss	Herb Rose				
IBM Corporation	End Use - Large Consumer	Robert Loughney	Michael Mager	Morgan Parke					
Occidental Chemical Corp.	End Use - Large Consumer	Robert Loughney	Michael Mager	Morgan Parke					
Praxair Inc.	End Use - Large Consumer	Robert Loughney	Michael Mager	Morgan Parke					
Xerox Corporation	End Use - Large Consumer	Robert Loughney	Michael Mager	Morgan Parke					
Metropolitan Transportation Authority	End Use - Large Cons. Gov.	Jesse Samberg	Gary Caplan	Walter McCarroll					
American Sugar Refining, Inc.	End Use - Small Consumer	John Gebhard	Quintin George	Catherine Luthin	John Dowling	Jennifer Kearney			
Association for Energy Affordability, Inc.	End Use - Small Consumer	David Hepinstall	Larry DeWitt						
Beth Israel Health Care System	End Use - Small Consumer	Catherine Luthin	John Dowling	Jennifer Kearney	Tariq Niazi	Doug Elfner			
Building and Realty Institute	End Use - Small Consumer	Herb Rose	Judith Mondre	Ted Lee	Tariq Niazi				
Columbia University	End Use - Small Consumer	Catherine Luthin	John Dowling	Jennifer Kearney	Tariq Niazi	Doug Elfner			
Mount Sinai Medical Center	End Use - Small Consumer	Catherine Luthin	John Dowling	Jennifer Kearney	Tariq Niazi	Doug Elfner			
New York Presbyterian Hospital	End Use - Small Consumer	Catherine Luthin	John Dowling	Jennifer Kearney	Tariq Niazi	Doug Elfner			
New York University	End Use - Small Consumer	Catherine Luthin	John Dowling	Jennifer Kearney	Tariq Niazi	Doug Elfner			
NY State Consumer Protection Board	End Use - State Agency	Tariq Niazi	Doug Elfner						
AES NY	Generation Owners	Christopher Wentlent	Rick Santoroski	Charles Sjoberg					
American National Power, Inc.	Generation Owners	Dorothy Capra	Bill Henson						
Astoria Energy LLC	Generation Owners	Joseph Swift	Leonard Singer						
Calpine	Generation Owners	Thomas Kaslow	Tracee Bersani	Richard Felak					
East Coast Power Linden Holding LLC	Generation Owners	Thomas Hoatson	Robert Licato	Kathy Benini					
Edison Mission Marketing & Trading	Generation Owners	William Roberts	Jeffrey Ellis	Peter Brown	Rich Mooney				
Entergy Nuclear Northeast	Generation Owners	Marc Potkin	Angelo Vai	Ron Mackowiak					
Indeck Energy Services	Generation Owners	Mike Ferguson	John Schrage	Mark Younger					
KeySpan Ravenswood, LLC	Generation Owners	Jim Brennan	Rich Hohlman	Joe Vignola	Jim D'Andrea	Madison Milhous	Rich Rapp		
Mirant New York, Inc.	Generation Owners	James Mayhew	Doreen Saia	Vicki Lynch					
Orion Power New York	Generation Owners	Liam Baker	Bill Berg						
Selkirk Cogen Partners, L.P.	Generation Owners	Tim Biittig	Steve Kampilla						
Sithe Energies, Inc.	Generation Owners	Scott Silverstein	Joe Klimaszewski	Jim Verna					
TransCanada Power Marketing	Generation Owners	William Taylor	Elaine Beaudry						
Advantage Energy, Inc.	Other Suppliers	Kyle Storie							
Amerada Hess Corporation	Other Suppliers	Hemant Jain	Kevin Laguardia	Blas Hernandez	George Braulke				
Brascan Energy Marketing Inc.	Other Suppliers	Robert Ricketts	Daniel Whyte						
Cinergy Capital and Trading	Other Suppliers	Jason Barker	Walt Yeager						
Con Edison Energy	Other Suppliers	Ken Bekman	Ivan Kimball						
Con Edison Solutions	Other Suppliers	Ken Bekman	Stephen Wemple						
Conectiv	Other Suppliers	Bill Fehr	John Foreman						
Constellation New Energy Inc.	Other Suppliers	Peter Duprey	Carrie CullenHitt	Sara O'Neill	Susan Chamberlin				
Constellation Power Source	Other Suppliers	Daniel Allegretti	Glen McCartney	Mary Lynch	Carrie CullenHitt				
Coral Power, LLC	Other Suppliers	Matt Picardi	Marc Overdyk	Dave French					
DC Energy	Other Suppliers	Bruce Bleiweis	Dean Wilde	Andrew Stevens					
Dominion Energy Marketing, Inc.	Other Suppliers	Wes Walker	Lou Oberski	Michael Bekker					
Duke Energy North America, LLC	Other Suppliers	Stacy Dimou	Del Disher						
Dynegy	Other Suppliers	Barry Huddleston	Jason Cox	Kevin White					
ECONergy	Other Suppliers	Saul Horowitz	Tom Halleran						
Epic Merchant Energy	Other Suppliers	Mike Kinsey	Erik Abend	Wade Sullivan					
Exelon Generation - Power Team	Other Suppliers	Scott Silverstein	Joe Klimaszewski	Jim Verna					
Fortistar/Lockport Energy Associates, L.P.	Other Suppliers	Roger Kelley	Tom Gesicki	Mark Younger	Glenn Haake				
FPL Energy	Other Suppliers	David Applebaum	Fernando DaSilva	Ron Scheirer					
HQ Energy Services	Other Suppliers	Michel Prevost	Paul Norris	Benoit Goyette					
KeySpan Energy Services	Other Suppliers	Terrence Kain	Jim D'Andrea	Edwin Kichline	James Cross	John Vaughn			
Morgan Stanley Capital Group	Other Suppliers	Patrick Murray	Karen Kochonies	Levon Kazarian	Doron Ezickson	Nikolai Markarian			
NRG Power Marketing	Other Suppliers	Tim Foxen	Katie Sullivan	Peter Chamberlain					
NU / Select Energy	Other Suppliers	Gunnar Jorgensen	Jim Scheiderich						
Ontario Power Generation Inc.	Other Suppliers	Barry Green	Dave Barr	Ken Lacivita	Scott McArthur	David Barr	Glenn Haake		
PPM Energy	Other Suppliers	Donald Winslow	Murray O'Neil						
PP&L Energy Plus	Other Suppliers	Tom Hyzinski	John Brodbeck	Joseph Langan	Sharon Weber				
PSEG Energy Resources & Trade	Other Suppliers	Howard Fromer	Michael LaFalce						
Reliant Energy Services, Inc.	Other Suppliers	Liam Baker	Mark Sudbey	John Orr					

New York Independent System Operator - Committee Membership

Management Committee - Attendance May 25, 2005 - Albany, NY - Parties Checked in Attendance

Organization	Sector	Representative	Alternate1	Alternate2	Alternate3	Alternate4	Alternate5	Proxy	Guest
Sempra Energy Trading	Other Suppliers	Dan Staines	Maria Agovino	Scott Englander	Barry Trayers				
SESCO Enterprises, LLC	Other Suppliers	Mike Schubiger	Jim Thoresen						
Strategic Energy LLC	Other Suppliers	Francis Pullaro	Michael Swider	Jeffrey Knox	Brian Vayda				
Strategic Power Management, Inc.	Other Suppliers	Mario DiValentino	Thomas Folchi						
TransEnergie U.S. Ltd.	Other Suppliers	José Rotger	Michael Jacobs						
Williams Power Company	Other Suppliers	David Singer	Mark Lassman	Robert O'Connell					
Long Island Power Authority	Public Power - Authorities	Jim Parmelee	Kevin Jones	Jim Wittine					
New York Power Authority	Public Power - Authorities	Robert Hiney	William Palazzo	Kim Byham					
American Wind Energy Association	Public Power - Environmental	Valerie Strauss	Larry DeWitt	Douglas Ward	Mike Jacobs				
Environmental Advocates	Public Power - Environmental	Anne Reynolds	Larry DeWitt						
Nat'l Resources Defense Council	Public Power - Environmental	Dale Bryk	Larry DeWitt						
Pace University	Public Power - Environmental	Edward Smeloff	Larry DeWitt						
Scenic Hudson	Public Power - Environmental	Larry DeWitt							
Bath Electric, Gas & Water Systems	Public Power - Munis & Co-ops	Tim Bush	Jim Hamilton	Matthew Benesh	Ken Moore	Jack Brown			
City of Jamestown Board of Pub. Util.	Public Power - Munis & Co-ops	David Gustafson	Wally Haase	Tom Rudebusch					
Lake Placid Village	Public Power - Munis & Co-ops	Peter Kroha	Tim Bush						
Municipal Commission of Boonville	Public Power - Munis & Co-ops	Kenneth Stabb	Tim Bush						
Plattsburgh Municipal Lighting Dept.	Public Power - Munis & Co-ops	Jack Brown	Tim Bush						
Village of Arcade	Public Power - Munis & Co-ops	Larry Kilburn	Tim Bush						
Village of Fairport	Public Power - Munis & Co-ops	Ken Moore	Tim Bush	Paul Pallas					
Village of Freeport	Public Power - Munis & Co-ops	Hubert Bianco	Anthony Fiore	Tom Rudebusch					
Village of Rockville Centre	Public Power - Munis & Co-ops	Paul Pallas	Jim Hamilton	Matthew Benesh	Jim Hamilton	Jack Brown	Ken Moore	Tom Rudebusch	
Village of Solvay	Public Power - Munis & Co-ops	Anthony Modafferi	Tim Bush						
Village of Westfield	Public Power - Munis & Co-ops	Jim Hamilton	Tim Bush	Matthew Benesh	Jack Brown	Ken Moore			
Central Hudson Gas & Electric	Transmission Owners	Charles Freni	John Watzka						
Consolidated Edison	Transmission Owners	Terry Agriss	Stuart Nachmias	Neil Butterklee					
National Grid	Transmission Owners	Jerry Ancona	Wes Yeomans	Janet Gail Besser	Herb Schrayshuen	Bart Franey	Terron Hill		
NY State Electric Gas (NYSEG)	Transmission Owners	Ray Kinney	Patti Caletka	Hank Masti	Cliff Olson	Denis Wickham			
Orange & Rockland, Inc.	Transmission Owners	None Assigned							
Rochester Gas & Electric	Transmission Owners	Ray Kinney	Patti Caletka	Hank Masti	Cliff Olson	Denis Wickham			
Boundless Energy, L.L.C	Non-voting	John Tompkins	Brian Chernack	Chuck Gilbert					
Caithness Energy, L.L.C	Non-voting	Ross Ain	Jack Feinstein						
Cianbro	Non-voting	Chuck Hewitt	John Tompkins						
Customized Energy Solutions	Non-voting	Rick Mancini	Stephen Fernands	Bill Schofield					
Ecogen, L.L.C	Non-voting	Tom Hagner							
Energetix, Inc.	Non-voting	Barney Farnsworth							
Fluent Energy	Non-voting	Michael Mastroianni	David Koplas	Margie Miller					
Hudson River Energy Group	Non-voting	Frank Radigan	Richard Canfield						
Hydro-Quebec TransEnergie	Non-voting	Glenn Sylvain	Mario Boucher						
NYS Department of Public Service	Non-voting	Penny Rubin	Rajendra Addepalli						
Stealth Energy	Non-voting	Gad Cohen							
The Structure Group	Non-voting	Bob Furry	Alex Lago						
Tom Halleran	Non-voting	Tom Halleran							
William P. Short	Non-voting	William Short	Marc Schaefer	Joe DeVito	John Brodbeck	Ron Matlock	Paul Savage	Roberto Denis	
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting								
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zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting								
zNew Member	Non-voting	None Assigned							

NYISO and Hunton & Williams Members in Attendance:

Ira Freilicher	Hunton & Williams
Kevin Jones	Hunton & Williams
James Schmidt	Hunton & Williams
Rob Fernandez	NYISO
Bill Museler	NYISO
Chuck King	NYISO

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Mollie Lampi	NYISO								
Brad Kranz	NYISO								
Andy Ragogna	NYISO								
Elaine Robinson	NYISO								
✓ Kristen Kranz	NYISO								
✓ Leigh Bullock	NYISO								
✓ Ray Staller	NYISO								
✓ Debbie Eckels	NYISO								
Jim Savitt	NYISO								
Dave Evanoski	NYISO								
Frank Francis	NYISO								
John Cutting	NYISO								
Jane Lathrop	NYISO								
Ernie Cardone	NYISO								
John Charlton	NYISO								
Kathy Whitaker	NYISO								
Andrew Hartshorn	NYISO/LECG								
Mark Lynch	NYISO								

Key:

✓ = In attendance