

DRAFT

NYISO Management Committee Meeting Minutes

October 28, 2015

10:00 a.m. –11:15 a.m.

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

The chair of the Management Committee (MC), Ms. Deidre Altobell (Con Edison) called the meeting to order at 10:00 a.m. by welcoming the members of the MC. Members identified themselves and attendance was recorded. A quorum was determined.

Ms. Altobell announced that the meeting was Mr. Steve Whitley's last one prior to retiring, and on behalf of all the Market Participants, thanked him for his leadership. She said Mr. Whitley leaves behind a legacy that won't be forgotten, most notably his outstanding efforts on the new state of the art control center, the broader regional markets improvements including Coordinated Transaction Scheduling and Market to Market, and also the Order 1000 compliance filing on public policy planning. Ms. Altobell wished Mr. Whitley the best in his retirement.

Mr. Whitley thanked all the MC members and said he enjoyed working with everyone. He expressed his appreciation for all of the chairs past and present. He spoke highly of the NYISO governance process and how stakeholders worked together to solve controversial issues in NY, instead of in Washington D.C. before the FERC. He introduced the new CEO, Mr. Brad Jones, to the MC members. Mr. Jones has extensive experience in the industry; most notably his many accomplishments and responsibilities in ERCOT. Mr. Whitley pointed out that Mr. Jones has a lot of energy, great ideas and a passion to get things done.

Mr. Jones thanked everyone and commented that Mr. Whitley has left a great legacy to follow. He said the organization is in fantastic shape and NYISO staff will continue to work together with stakeholders on market issues. Mr. Jones said he had a great opportunity to talk with the employees on his first day at the NYISO and share his vision for the organization with them. He shared the vision which is threefold with the MC members: 1) Customer Focused. On his first day at the NYISO he asked the staff to talk to the customers to get an understanding on what they need, what they struggle with, the hurdles they have, and ways to assist in removing them to help the NYISO's customers achieve their overall goals. In addition to his discussion with staff, he will be meeting with Market Participants and asking for their input on changes they would like to see to help them succeed. 2) Vision. Mr. Jones would like the NYISO to be innovative, embrace change and continue to move forward on the platform Mr. Whitley has already set up. 3) Transparency. It's important that Market Participants understand how and why decisions are made. It's important that the good be shared along with the bad. Mr. Jones concluded his remarks by stating that he is looking forward to future conversations with the NYISO's customers.

Ms. Altobell announced there will be a Board vacancy in 2016, with Tom Ryan stepping down, and that the process for re-initiating the Board Selection Subcommittee (BSSC) is underway. She asked each sector to select two representatives by November 6 to serve on the BSSC. The group will be looking at search firms and soliciting potential candidates to fill the vacancy. Mr. Ryan had extensive financial market experience, and the new candidate will need to have the same. Further information will be sent out shortly.

2. Approval of Meeting Minutes

The September 30 meeting minutes were presented for approval.

Motion #1:

The Management Committee (MC) approves the September 30, 2015 meeting minutes.

The motion passed by show of hands

3. President/COO Report

Mr. Rick Gonzales (NYISO) reviewed the market operations and operations performance highlights. In response to stakeholder request, actual NY savings has been added to the added to the Broader Regional Markets information slide.

Mr. Gonzales reported that on Nov 4, comprehensive shortage pricing will be activated. He added that stakeholders and NYISO have spent a significant amount of time over the last few years working on this. Ms. Doreen Saia thanked the Market Structures group, led by Mr. Mike DeSocio for their efforts.

Also reported was that the Coopers Corner shunt reactor is now in service. Mr. Gonzales thanked NYSEG and NYPA for their work.

Lastly, Mr. Gonzales discussed the two major reliability initiatives: increasing the 30 min reserve requirement from 1910 MWs to 2620 MWs, and introducing the SENY 30 min reserve requirement in the NY market model, which will be a requirement in SENY of 1300 MWs. Mr. Bruce Bleiweis asked that in the future, these types of changes be included in the operations report.

4. 2016 Vice Chair Election

Ms. Altobell presented the 2016 Vice-Chair candidates, Ms. Patti Caletka (NYSEG) and Mr. Scott Leuthauser (HQ US). A voting deadlock was determined after neither candidate was able to achieve 58% majority vote. Mr. Andy Antinori (NYPA) made a motion that the Management Committee approve a Co-Chair proposal.

Motion #2:

Motion to consider a co-chair proposal for the 2016 Management Committee (MC) Vice-Chair candidates, Patti Caletka and Scott Leuthauser, whereas Scott Leuthauser will serve as the MC Vice-Chair for the first six-months and Patti Caletka will serve as the MC Vice-Chair for the second six months.

The motion passed unanimously by show of hands

Mr. Scott Leuthauser (HQUS) and Ms. Patti Caletka (NYSEG) were elected co-vice chairs of the Management Committee for 2016.

5. NYISO 2016 Budget Overview

Mr. Rich Miller (Con Edison) reviewed the presentation included with the meeting material. Additional changes from the original presentation made at the September MC were highlighted. He thanked the NYISO staff and stakeholders for their work and participation, in particular Mr. Ryan Smith (NYISO) for his work on the new project prioritization process. Mr. Miller stated that to the extent there is a budget surplus, there will be discussion at the BPWG in 2016 to determine the final disposition of the surplus.

With respect to the motion language on under-runs, Mr. Kevin Lang stated that in the past there was always an understanding that the funds would be used to pay down debt and it's important that this carry forward. Mr. Lang said that if this requires the motion language to be changed from

a “should” to a “must” then maybe we should do this. Ms. Patti Caletka (NYSEG) stated that it’s her understanding that the over collection could also be refunded to market participants so the term “should” is in there to provide an option. Ms. Hussey stated the motion language has remained consistent over the last several years and that the NYISO acknowledges that the NYISO ordinarily follows the stakeholder’s preference for the use of any under runs or over collection. The language provides flexibility and NYISO staff will discuss with stakeholders the ultimate disposition of these funds. Ms. Deidre Altobell thanked Mr. Rich Miller for his leadership in chairing the group.

Motion #3:

The Management Committee hereby recommends that the Board of Directors approve the proposed Rate Schedule #1 Revenue Requirement for the 2016 budget year as described in the presentation materials for the October 28, 2015 Management Committee meeting, subject to the following provisions:

- **Revenue Requirement** – The Revenue Requirement is \$148.1 million.
- **Rate Schedule #1** – The budgeted Rate Schedule #1 is \$0.928/MWh.
- **Spending Under-runs** – If a spending under-run occurs, the related funds should be utilized to pay down the principal amount of outstanding debt or reduce anticipated debt borrowings.
- **Volume Over-collections** – If an over-collection on Rate Schedule #1 occurs, the related funds should be utilized to pay down the principal amount of outstanding debt or reduce anticipated debt borrowings.

The motion passed unanimously by show of hands with one abstention

6. Comprehensive Scarcity Pricing

Mr. Ethan Avallone (NYISO) reviewed the presentation included with the meeting material.

Mr. Mike Cadwalader (Atlantic Economics) explained the rationale behind why the analysis referenced in the second paragraph of the motion language is desirable. A full explanation was provided to BIC members at the October meeting. Mr. Cadwalader stated that MIWG considered two different approaches for Scarcity Pricing: Option 1 and Option 2. Option 2 would have produced the right scarcity pricing with the least cost dispatch, but the downside is it would have required the creation of an additional product, which would have been time consuming and would have cost more money than was budgeted to develop and implement. Option 1 modifies the 30 minute reserve requirement in order to try to produce the same outcome as Option 2. Modifying the 30 minute reserve requirement is a lot less expensive, quicker and much of the time it produces the same outcome as Option 2. However, it still has its weaknesses; there is the potential that under certain conditions it could produce a less efficient dispatch. RTC and RTD will attempt to create additional 30-minute reserve through dispatching down less expensive generation and dispatching up more expensive generation. There is also the potential that in some cases there could be scarcity level prices even in circumstances where there would have been enough reserves on the system absent the demand response resource load reduction. Mr. Cadwalader said that when the NYTOs were assessing the proposal at MIWG, they asked what the potential impact of the inefficiency of the dispatch would be and the frequency with which prices might reflect scarcity when they shouldn’t. The NYISO’s analysis indicated there may be the potential for some inefficiencies but the magnitude of those inefficiencies did not justify proceeding with the more extensive software effort that would be entailed in developing Option 2. This analysis considered how the proposal would have worked if it had been applied to scarcity pricing events in 2013. The intent of the second paragraph of the motion is to reassess the results of the assessment of 2103 events to make sure they remain accurate and determine, after gaining experience running the improved scarcity pricing mechanism that the NYISO will implement, whether any adjustments or revisions thereto may be warranted.

Motion #4:

The Management Committee (MC) hereby approves revisions to the NYISO's Market Administration and Control Area Services Tariff (MST) and Open Access Transmission Tariff (OATT) related to the Comprehensive Scarcity Pricing proposal, as more fully described in the presentation entitled "Comprehensive Scarcity Pricing," made to the MC on October 28, 2015 and recommends that the NYISO Board of Directors authorize NYISO staff to file such revisions under Section 205 of the Federal Power Act.

The MC also requests that the NYISO and/or its Market Monitoring Unit (MMU) monitor the effects of these changes on real-time market outcomes during EDRP/SCR activations. After sufficient experience has been gained with these revised procedures, the MC requests that the NYISO and/or the MMU report to stakeholders regarding: (1) whether these revised procedures had any significant effects on dispatch efficiency and (2) whether changes to the definition of Available Operating Capacity would have significantly affected the frequency with which scarcity pricing would have been applied.

The motion passed unanimously by show of hands with one abstention

7. Enhancements to Submitting Risk Management Policies and Procedures

Ms. Sheri Prevratil (NYISO) reviewed the presentation included with the meeting material. Mr. Bruce Bleiweis (DC Energy) stated that we have made progress on FERC Order No. 741 requirements. Mr. Bleiweis said that the customers have been asking the ISOs and RTOs if we could get to the point where all of the ISOs and RTOs use the same reporting form. We have talked about this before and would like to know if there have been any discussions on this at the IRC or other forums to make our lives and the NYISO's less cumbersome. Mr. Brad Jones stated that the NYISO will take the lead on coordinating this effort with the IRC and will report back on progress.

Motion #5:

The Management Committee (MC) hereby approves, and recommends to the NYISO Board for filing under Section 205 of the Federal Power Act, revisions to Attachment K of the Market Administration and Control Area Services Tariff as described in the presentation entitled "Enhancements to Submitting Risk Management Policies and Procedures," made at the October 28, 2015 MC meeting.

The motion passed by show of hands with an opposition

8. NY Generation Attribute Tracking System Data Feed and Code of Conduct Change

Mr. John Bub (NYISO) reviewed the presentation included with the meeting material. Mr. Bub explained the NYISO produces reports to support NYSERDA's Renewable Portfolio Standard (RPS), and the PSC's Environmental Disclosure Program (EDP).

NYSERDA, through a contractor (APX), is creating a Generation Attribute Tracking System (NYGATS) that will support RPS and EDP, and permit creation of a voluntary trading market for Renewable Energy Credits (RECs). This project has been discussed since 2004.

Several Market Participants inquired about protecting the confidentiality of the data. Mr. Sharp explained the NYISO has drafted the tariff language to keep the data as confidential as possible. NYSERDA will be responsible to notify the NYISO if there are any Freedom of Information Law (FOIL) requests for the data. There is no way to preclude the possibility of a FOIL request for the data; however, NYSERDA, who was in attendance at BIC, indicated that they believe the confidential data NYISO is providing is commercially sensitive and therefore should be exempt from disclosure under FOIL should a request be received.

Motion #6

The Management Committee (MC) approves and recommends that the Board of Directors authorize the NYISO staff to file with the Federal Energy Regulatory Commission changes to the NYISO's Open Access Transmission Tariff as described in the presentation titled "NY Generation Attribute Tracking System Data Feed and Code of Conduct Change" made to the MC on October 28, 2015.

The motion passed unanimously by show of hands

9. 2015 CARIS Phase 1 Report

Mr. Timothy Duffy (NYISO) reviewed the presentation included with the meeting material. He noted that CARIS is the primary activity of the NYISO's economic planning process and that the NYISO staff and Market Participants have been working since last February on this study. Mr. Duffy commented that the MMU has reviewed the report and provided comments in a memo included with today's meeting material. Mr. Duffy noted that, while the MMU provides several recommendations with respect to market rule changes, the MMU's memo concludes that the overall methodology is appropriate and that the assumptions used in the base case are reasonably conservative.

Mr. Dave Clarke (LIPA) commented on the fact that the benefit-cost ratios were, in a number of instances, less than one and asked whether there were other project benefits not captured in the CARIS analysis. Mr. Duffy explained that, as noted in the presentation, the Tariff restricts project benefits (for the purpose of the benefit-cost ratio) to production cost savings; however, there are a number of other benefits that could be quantified and captured in the benefit-cost ratio in other studies or in the CARIS process, should it be modified. These additional benefits may include avoided refurbishment costs or capacity market benefits. Mr. Duffy noted that there would need to be a discussion about how these benefits would be calculated, but, yes, there are benefits that we are not bringing into the current calculation.

Mr. Whitley pointed out that the STARS study examined the aging transmission system in New York and did identify a number of benefits other than production cost savings, including the incremental value of upgrading the transmission system and environmental benefits going forward.

Mr. Bolbrock asked how the study of the Western 230 kV system is different from, is similar to, and how it fits into the Western NY public policy planning effort. Mr. Bolbrock explained that there is a problem when the NYISO has three separate types of planning efforts and treats them as if they are all independent. He noted that, if the CARIS study does not show that there is economic value in these western system reinforcements, one might conclude that those reinforcements are not economic and not necessary. Mr. Duffy stated that the CARIS process has a narrow focus; and that the Public Policy Transmission Planning Process can address many needs and can incorporate many different benefits including reliability. Mr. Duffy added that there are a number of potential benefits that could result from a public policy initiative beyond economics. In terms of how the current CARIS study might differ from an analysis of projects proposed in response to the western system public policy need, Mr. Duffy indicated that it is his understanding that the western system public policy addresses, among other issues, transfer limits and requires an evaluation of how proposed projects impact those limits; an assessment not addressed in CARIS.

Mr. Bolbrock stated it is not reasonable to separate planning for economics, reliability and public policy. If we do not consciously recognize there are fairly significant shortcomings in the current planning process, we will never fix the problem. Mr. Bolbrock stated that the NYISO went down the route it did because it was fairly easy to do the cost allocation for reliability.

Mr. Whitley stated that he has talked to FERC a lot about the three legs of the stool – reliability, economics and now public policy. FERC’s intent with the Order 1000 public policy is to capture all three elements together and to not carve out the different pieces. He commented that the public policy planning process is broad enough to include factors other than just production cost savings, which is a very narrow metric and has not led to much expansion in NY. Mr. Whitley noted that there are a number of other benefits associated with transmission expansion: capacity savings, reduced losses and reserve requirements and huge differences in environmental performance and reliability. He commented that there is a sense that perhaps the Public Policy Transmission Planning Process (PPTPP) will ultimately replace the CARIS process, which has not led to much transmission expansion in NY. He described the PPTPP as a much broader planning tool that could be utilized to replace older transmission systems and indicated that the PPTPP is a better tool that could result in long-overdue transmission projects being built.

Mr. Butler (Con Edison) noted that the issue of sequencing the economic, reliability and public policy processes is important since they are all going to be in full swing next year. Mr. Butler stated that the NYISO has promised to get back to stakeholders with further thoughts on how the procedures will be coordinated next year.

Motion #7

The Management Committee (MC) approves and recommends that the Board of Directors approve the NYISO 2015 Congestion Assessment and Resource Integration Study Phase 1 Report (2015 CARIS Phase 1 Report) as presented by the NYISO to the MC at its October 28, 2015 meeting.

The motion passed unanimously by show of hands with abstentions

10. New Business

There was no new business