

DRAFT

NYISO Management Committee Meeting

May 10, 2001

Con Edison

New York City

10:00 – 3:00

Minutes of Meeting

1. Introduction and Meeting Objectives

Harvey Reed called the meeting to order and welcomed the members of the MC. Mr. Reed indicated the meeting's objectives included acting on changes to the ISO Agreement and Committee Bylaws, acting on proposed tariff changes previously approved by the BIC, and receiving a number of reports including a report on the ICAP deficiency auction.

2. Approval of Minutes

The MC minutes of the January 9th & 10th, March 12th and April 12th meetings were approved, as distributed, unanimously by a show of hands. The MC minutes of the April 18th meeting were approved, as modified, unanimously by a show of hands.

3. Chairperson's Report

Mr. Reed gave a report on the work of the Project Priority Team at its meeting May 9th. He thanked the market participants (MPs) for their comments. . The Team is putting together a list of anchor projects for next year's schedule. The MC will be given an update in June and the Team plans to finalize the list in July.

4. President's Report

Bill Museler presented the President's Report to the MC.

Reliability: Mr. Museler reported that control performance as measured by CPS 2 remained very high (98.41%) in April. Mr. Museler cautioned that the greatest challenges to maintaining CPS2 compliance occur in the hot weather months.

Market Performance: Mr. Museler reported the following highlights for April:

- The beginning of May was the cusp of the upturn in gas and energy prices last year. The NYISO does not have a prediction for the trend in gas prices this year. The gas market has become more complex than in the past and, therefore, harder to predict.

- Ancillary services have remained fairly stable with no significant trends to report.
- Price corrections are staying well under 1%. In response to MP questions about the number of hours being reserved, Mr. Museler explained that due to MP concerns the NYISO had been reserving prices for price spikes. LECG is investigating whether to continue this practice and the NYISO will report back to the BIC on this question.
- The NYISO has added a new chart showing the magnitude and count of price corrections. The average absolute value of changes has been approximately \$30. At the request of a MP, the NYISO agreed to also provide price change as a percentage of either the original price or the resulting price, if possible.

NY/NE/PJM Price Comparisons:

The NYISO has introduced new graphs of external zone comparisons. They include both day-ahead and real-time comparisons of the NYISO to ISO-NE and to PJM. The PJM comparisons show the NYISO view of the PJM proxy bus, the NYISO reference bus, the PJM view of NYPP and the PJM zone. The PJM real-time prices closely match the NYISO prices. The ISO-NE comparisons include the NYISO view of the NE proxy bus, the NYISO reference bus, the ISO-NE day-ahead forecast and the ISO-NE real-time actual. The NYSIO is considering further changes in the ISO-NE comparisons.

Reserve Sharing Status and Schedule:

The NYSIO has been continuing its efforts to expand reserve sharing with New England. Proposed revisions to NE/NY procedures have been presented to the Task Force on Coordinated Operations (TFCO) for information and concurrence on NPCC A-6 Reserve Criteria Compliance. New England and the NYISO will be finalizing procedures, discussing them with stakeholders and with the TFCO. The NYISO plans to put the new procedures into effect June 1, 2001. This will permit dropping the east of central-east operating reserves requirement to 1000 MW, permitting 200 MW to be acquired from the west.

Summer Preparations Schedule:

Mr. Museler reviewed the schedules for certain major Summer 2001 projects:

- The NYISO Board will meet on May 15, 2001 to determine what action to take in response to FERC's order requiring a FPA Section 205 filing concerning the AMP.
- The June 27, 2001 schedule for generator supply issues is in jeopardy. The NYISO expects to know by June 1st whether or not the June 27th date can be made. The NYISO may deploy the various generator projects at different times, but will provide a detailed schedule of when each is to be put into effect.
- Changes for thunderstorm alerts are ready to go. The NYISO hopes to implement changes on May 14th. However, the NYISO will not institute mitigation until Market Monitoring review is completed. In response to a MP request, the NYISO will provide a written explanation of how the storm watch mitigation works.
- The NYISO anticipates implementing price-capped load bidding May 15th.
- The extension of the \$1000 bid cap and the TEPs went into effect May 1st.
- The Emergency Demand Response Program is expected to be deployed June 1st.

- The NYISO is fine-tuning the coding for ECA A&B and expects to deploy on July 31st.

NE Short Schedule Rule for Hydro & Quick Start Units:

This rule is pre-existing, but seldom used. The rule allows 10-minute quick start units to self-schedule and sell to adjacent markets. Units that self-schedule do not directly affect the NE market clearing price. Utilizing this rule addresses part of the problem with the NE Short Notice transactions. It is not expected that further resolution of this problem can be achieved before summer.

PJM has also made a number of changes to their ramp rate rules that will help both systems to keep transactions.

ICAP Deficiency Auction:

The NYISO staff discussed the results of the ICAP deficiency auction. . For New York City, there were insufficient supplies offered to satisfy the May deficiency, but supplies were sufficient to meet requirements for June through October. For Long Island, there were insufficient supplies to meet requirements for all months, May through October. For the rest of the state, there were also insufficient supplies to meet requirements for all months, May through October.

Fewer than 200 MW of in-state resources were not offered into the auction but fewer external suppliers provided offers than last year. The NYISO has spoken with both in-state and out-of-state suppliers. One in-state supplier didn't make an offer because it was negotiating with a PJM LSE; others had operational problems. External suppliers explained that PJM is tight, there is uncertainty in the New York markets and many changes are still pending for this summer (i.e. NY has a higher risk profile). The NYISO is trying to obtain additional resources from previously unqualified suppliers, but may not get enough to cover the rest of the state for all months. The NYISO's preliminary evaluation does not indicate any market power problems, the lack of supply offers looks like short supply, but the NYISO is still investigating.

In response to various MP questions, the NYISO staff provided the following additional information:

- Based on the NYISO's discussions with ISO-NE, the NYISO cannot get the needed capacity from NE. The principle issue is NE to NY deliverability. ISO-NE will file, possibly by early June, to amend their recall provisions if they can obtain a mutual reciprocal agreement with NY. NE's ICAP requirements are tied to deliverability.
- There was a shortage of capacity at the end of the deficiency auction, but the amount of the deficiency is confidential.
- The NYISO does not currently have 18% installed capacity reserves, but hopes to acquire enough capacity to meet the minimum requirement.
- NYC ICAP buyers will not be getting any refunds; the prices from the auction stand.

Stephen Fernands, representing AES NewEnergy, discussed a number of proposed measures NewEnergy recommends to deal with the ICAP situation. These proposals were distributed to

MC members prior to the meeting. Harvey Reed indicated that these market issues should be taken to the BIC, that the MC could not resolve them at this meeting. Bill Museler indicated there was no reason to hold prices as tentative, and Ira Freilicher stated that the NYISO had no choice but to proceed under the tariff rules unless market abuse was found. Mark Younger, representing Indeck Energy Services, agreed that the auction was performed in accordance with the tariff and can't be changed – going short is an LSE's business risk. Doreen Saia, representing Mirant New York, indicated that parties had already expressed concerns about the uncertainties in New York as a reason for not bidding and that further changing the rules would only make suppliers even less willing to participate in the NY markets.

5. Report from Budget, Standards & Performance Subcommittee

Marty Amati provided a status report on the BS&P Subcommittee activities. The Subcommittee has been making positive, but slow, progress on credit issues and plans to have a credit report for the June MC meeting.

The BS&P reported that the NYISO through a combination of being under budget in 2000, with a corresponding over-collection on Rate Schedule 1 and interest income, has a total carryover of \$3.9 million. The BSP is recommending a revision to the 2001 budget that includes utilizing the previous \$3.7 million contingency and adding \$1.9 million of the 2000 carryover, for a total of \$103.7 million. The increase is primarily attributable to a net increase for IS projects needed to upgrade hardware, provide redundancy and provide for disaster recovery. Bill Museler stated that the NYISO staff (IS) would issue a report to MPs on what projects had been cut and added. Harvey Reed indicated the MC did not have to act on the recommendation. The MC's reaction to the proposed budget change was favorable.

Marty Amati also reported the BS&P had prepared and issued to the MPs a draft proposal for 2002 goals. He requested comments by May 15th so that MP comments could be factored into the NYISO Business Planning schedule.

6. Report from BIC on Proposal to Amend Tariff

Upper Operating Limit: Mark Younger made a motion to modify the Upper Operating Limit (UOL) provisions of previously approved generator issues proposals. The modification had been passed by the BIC on April 27, 2001:

It is hereby Moved that:

- (1) SCUC will be allowed to schedule units above their UOL limits.
- (2) The Unit Reference price for a unit's operating area above the Normal UOL will recognize the additional cost associated with operating at those levels.
- (3) If a unit is scheduled day ahead above the Normal UOL, the NYISO will reset their UOL to the original bid value, in day, at the request of the generator.
- (4) If the unit is scheduled in the DAM to operate at a level above the UOL, but is not called upon to operate at that level in real time, the replacement energy costs for the amount by

which that unit's DAM schedule exceeds the greater of that unit's UOL or its real-time dispatch level will be capped at the DAM clearing price.

- (5) The NYISO will inform market participants periodically as to the extent of SCUC scheduling of ELR and CLR energy above the bid UOL. This information will include amount, location, duration, frequency, and time of occurrence but will be done in a manner to assure non-disclosure of the resources that were scheduled above their UOL levels.
- (6) If any unit consistently shows a pattern of bidding a price for operation above its UOL level that results in the SCUC scheduling that operation and then relieving the unit of the obligation in real-time, the bidding of that unit above its UOL will be subject to mitigation by the MMU.
- (7) A more permanent solution to this issue needs to be viewed as a high priority by the project prioritization team.

Subsequent to the discussion summarized below, the motion passed by a majority show of hands with 2 opposed and 2 abstentions.

It was clarified that this change would require a tariff amendment. Garry Brown, representing Sithe Energies, explained that the MC vote was for conceptual approval and that specific tariff language would need to be drafted. It was agreed that the actual tariff language would go to the Generation Issues Working Groups as well as the Chairs and Vice Chairs of the Committees prior to filing.

Paul Savage, representing NRG Energy, expressed concern with the application in conjunction with in-city mitigation since the full range of prices are mitigated, even those above the UOL. Howard Fromer, representing Enron, expressed the need to have the information referred to in item (5) of the motion posted with the posting of the LBMP prices. Mark Younger explained that whether a unit is relieved from operating above their URL cannot be know until after the fact. The NYISO staff indicated they would have Market Monitoring, Operations, and Legal determine what could be posted and when. Other MPs indicated that the BIC had passed the motion being presented and could deal with this level of implementation details.

Close and Posting Times: Mark Younger also made a motion to remove the BME close and posting times from the tariff and have BIC include these times in the NYISO Manual. This would permit more flexibility to reduce the time below 90 minutes. The motion was:

It is hereby moved that:

- (1) The NYISO file with FERC to allow the Business Issues Committee to decide, in consultation with ISO staff, BME's timing such that the closing time is no more than 90 minutes before the hour and the posting time remains at least 30 minutes before the hour.
- (2) The procedures and timing adopted by the BIC be published in the appropriate ISO manual.

The motion passed by a majority show of hands with 1 abstention.

7. Report from Bylaws Committee

Peter Brown reported that the Bylaws Committee was recommending changing the 7 business day notice requirements in the ISO Agreement and the MC, BIC and OC Bylaws to 5 business days. The Committee had also previously distributed proposed changes regarding authorization for the Board to call for emergency MC meeting, but these were being pulled for further review.

The following motion was made:

Motion to amend the ISO Agreement and the Bylaws of the Management Committee, and to pre-approve amendments to the Operating Committee and Business Issues Committee Bylaws, to revise the meeting notice period from 7 business days to 5 business days. Explanatory text regarding the calculation of the 5 business day time period and the listing of legal holidays will be set forth in the Bylaws of the Operating and Business Issues Committees.

The relevant Sections of the ISO Agreement and Bylaws include:

Items 1) and 2) below are approved in this motion by the Management Committee.

Items 3) and 4) are pre-approved by this Committee for action by the Operating and Business Issues Committees.

- 1) ISO Agreement: § 7.11 (c) Management Committee, § 8.01 Operating Committee, § 9.01 Business Issues Committee
- 2) Bylaws of the Management Committee: § 4.07
- 3) Bylaws of the Operating Committee: § 4.07
- 4) Bylaws of the Business Issues Committee: § 4.07

The motion passed by a majority show of hands with 3 abstentions.

Lunch The MC recessed at 12:40 PM and reconvened at 1:35 PM.

8. Interregional ISO MOU Report

Charles King reported on the Interregional ISO MOU Business Practices WG meeting. Topics discussed included:

- Reserve and regulation sharing;
- Congestion management;
- A pre-scheduling and ramp management proposal that has been given to the Market Structures WG;

- The ATC/TTC calculation process – Each ISO is picking a day and reviewing exactly what changes occurred and why;
- Guiding principles for ICAP – ISOs’ are getting close to common protocols so that ICAP can be sold to all three ISOs;
- Issuance of the first draft transmission “products” matrix;
- The Common Interface Tool (CIT);
- The Best Practices Document. – Document has been approved by the NYISO and PJM, is awaiting official approval in NE. It was agreed that each ISO would look at “Best Practices” projects, milestones and schedules. A draft of the NYISO’s version will be presented to the BIC.

Stuart Caplan, representing NYSEG, described a NYSEG proposal to formalize the MOU process. He emphasized that all the ISOs need to take the MOU process seriously and that there was a need to create a greater sense of urgency and productivity to the process. Under the proposed process, the MOU would pass resolutions that the ISO’s would commit to take through their individual Committee processes within 30 days. Mr. Caplan indicated he would take comments on the NYSEG proposal and would like each ISO Market committee to look at the proposal and present the results at the next MOU meeting.

The NYISO staff discussed the CIT, explaining concerns with the end-state. The existing PJM developed CIT is built off a proprietary program; the NYISO wants a more open architecture so all ISOs can participate. Mr. Museler explained that PJM had developed a pilot program that permits PJM’s MPs to input information that can then flow to NY, but the system is not useable for NY MPs to initially input information because the front-end input is different than that required for NY. The PJM pilot was a test to see if a tool could be developed, but PJM’s black box is not a “common” software/interface tool. Mr. Museler explained that the initial premise of the CIT was that it could be done for very little money and have no Summer 2001 schedule impact for the NYISO – these premises did not hold up. PJM developed their system to be in place by this summer for their MPs – they couldn’t make a system that also works in NY in that time frame.

The NYISO staff indicated they would provide, for the next MC meeting, the status of projects scheduled for this summer.

Stephen Fernands requested the status of the inter-ISO congestion management pilot. Mr. King explained that discussions between the affected parties have been proceeding, but there are a number of issues that must be addressed including PARs schedules, and the need to coordinate day-ahead commitments between the ISO to avoid cost shifting. In parallel with these discussions, each ISO is reviewing their tariffs for required changes and need to exchange and review empirical data on unit commitment, PARs, scheduling, etc. No milestones have yet been set.

9. New Business

Harvey Reed asked the MPs to hold May 23, 2001 open for a special meeting of the MC to address the AMP. Due to the prior scheduling of the OC meeting for that day, it was agreed the meeting would be held in Albany.

10. Adjourn

The meeting adjourned at 2:45 PM.