NYISO Business Issues Committee Meeting Minutes
Aug. 9, 2006
The New York State Nurses Association
11 Cornell Road
Latham, NY 12110

1. Welcome and Chairman's Report: 10:12 a.m.
Mr. Ray Kinney (NYSEG/RG&E), Chair of the Business Issues Committee (BIC), called the meeting to order at 10:06 a.m. and welcomed the members of BIC. Meeting participants introduced themselves and their affiliations.

2. Approval of minutes for May 17, 2006:
Mr. Frank Francis (NYISO) presented the packet of minutes from May 17, 2006 and asked for comments. No additional comments were provided by the Committee.

<u>Motion #1</u>
Motion to approve the minutes of the May 17, 2006 BIC meetings.
Motion passed unanimously by show of hands.

3. Market Operations Report
Mr. Rana Mukerji (NYISO) provided the following overview of the Market Operations Report:

- The NYISO hit a peak load of 32,644 megawatts (MW) on July 17, passing a record set in July 2005.
- LPMP for July was up from June, and the average monthly cost was also higher. This is consistent with seasonal variations in LBMP.
- Fuel prices across the board in July were slightly higher than in June. Uplift increased in July compared to June, primarily due to an increase in balancing residuals.
- Price corrections through July 30 were slightly lower than in June.

4. Northeast Seams Report
Mr. Mukerji gave the report.

- On the proposed capacity market settlement agreement for ISO-NE: The interim transition period begins on Dec. 1, 2006.
- On the PJM/Reliability Pricing Model issue: There were RPM settlement discussions on June 7-8. The discussions have led to an agreement in principal with MPs, in a confidential settlement terms sheet. A settlement will be filed shortly.
- On Cross-Border Controllable Line Scheduling: ISO-NE has committed to schedule work on the 1385 line (Northport to Norwalk Harbor) no later than June 1, 2007.

- On coordination of interregional planning: The NYISO, ISO-NE and PJM will continue working to improve planning coordination for the Northeast region.
- On the ISO NE Phase II HVDC Evaluation: the NYISO, ISO-NE, PJM and HQ are preparing a data sharing agreement. There have also been discussions regarding limitations due to loss of a large generating source. ISO-NE will review the limit origins, report on current practices and provide a project to address identified solutions.

Dr. Kevin Jones (LIPA) said that the NYISO's position on the interregional planning issue was very troubling. There was an attempt to close the planning item on the quarterly FERC report. He also raised concerns about rate pancaking with PJM. He was concerned that the NYISO is not taking a leadership role with rate pancaking with PJM. Hopefully, the NYISO will continue to play a leadership role to resolve outstanding issues between the regions.

Mr. Bill Heinrich (NYSDPS) said the FERC quarterly report shows that NYSDPS had requested transactional data from PJM. He asked Mr. Mukerji if he had followed up on that.

Mr. Mukerji said a July meeting was held involving NYISO President & CEO Mark Lynch and PJM President and CEO Phillip Harris on planning and rate pancaking issues. The NYISO is following up on the meeting.

Mr. Heinrich said he was not surprised that PJM didn't have much support for the rate pancaking issue. He thought that the NYISO should get the data.

Mr. Mukerji agreed.

Mr. Jim Schreidrich (Select Energy Inc.) via phone asked Mr. Mukerji if there is completion date on the limitation due to loss of large source issue.

Mr. Mukerji said the issue was pending for discussion. There are no hard dates set.

Mr. Paul Norris (HQ Energy Services US) asked if the increase in 7040 transfer limit, in real time, is still on schedule for Oct. 1.

5. June 1, 2006 Uplift Analysis

Nicole Bouchez (NYISO) gave the report. She presented a number of uplift charts, with different ways of looking at uplift and the Schedule One charges.

- There are three DAM schedule components in the Schedule One charges. Thunderstorms are real-time events that aren't included in the DAM.
- Energy and loss residuals are overcollected in the DAM.
- Not all bid production costs in the DAM are bad. The DAM optimizes over the 24 hours, optimizing and minimizing the total dispatch cost over all costs. It is sometimes more efficient or cheaper to dispatch and pay it in the DAM than to dispatch a new unit or unit up and not incur bid production cost guarantees.

In terms of seasonality:

- There tends to be seasonality, with losses scaled to the reference bus price. There tends to be higher residuals in absolute values in summer than in winter.

- Residuals are the difference in what is paid by the loads and what is paid to generators. Loads pay based on sub-zonal prices and generators pay on nodal prices, which can lead to unequal credits and debits. The difference goes into residuals.

Regarding balancing markets:

- Contract balancing are make-whole payments relative to DAM contracts.
- Local reliability in the balancing market is units dispatched out of economic order for local reliability issues (under 138kv).
- Bid production cost guarantee is fairly small in the balancing market. It is fairly small in the NYISO markets.
- Residuals in the balancing market are the largest category in the summer. It is very seasonal. These are congestion residuals primarily due to differences between the operating conditions solved in the DAM and seen in the Real-Time Market, caused primarily by thunderstorm alerts in the summer. Thunderstorm alerts that lead to unsolvable constraints are what cause this to happen.

She explained that make-whole payments are bid production cost guarantees, contract balancing and local reliability DAM and balancing markets. It is between $20 million and $30 million per month, low compared to neighbors.

Mr. Bruce Bleiweis (DC Energy) said the residuals are negative on the uplift, yet it could be as high as $20/MWh an hour on a daily basis. He asked for an explanation.

Ms. Bouchez said the DAM residuals are usually still credits to Schedule One. Balancing market residuals are a charge not a credit.

Tim Bush (Navigant) asked if the NYISO has ever considered doing these after the four-month True-Up for a true picture of the state uplift compared to local uplift.

Ms. Bouchez said the NYISO never has but will follow up on the request.

Mr. Bart Franey (National Grid) said it seems like there are other balancing market components besides TSAs and he'd like to see what those are.

Ms. Bouchez said the NYISO will look into the request.

Mr. Bleiweis asked for a more accurate description that showed charges to loads and charges to TOs after the four-month True-Up.

Howard Fromer (PSEG Energy) asked if there was an easy-to-understand summary with examples for each category.

Ms. Bouchez said she will look into the request.

Mr. Mark Younger (Slater Consulting) said that he didn't think the bid production cost guarantee DAM necessarily represents efficiency.

Ms. Bouchez said there is a potential for some inefficiencies, which is stated in the State of the Market report.

Mr. Younger said that the report identifies it as inefficiency and not a slight inefficiency.

Mr. Kinney said there is a lot of interest among MPs regarding June 1.

Ms. Bouchez said the issues will be discussed at an upcoming working group meeting.

Mr. Bush expressed two major concerns. One is the allocation of TSA costs. He said he is not convinced that all the costs for TSAs are being allocated to the local area. All costs associated with TSAs should be allocated. The second is the

line items that get rolled into Schedule One. Allocating all of those to load is not appropriate.
Mr. Kinney said this issue should be placed on the next Scheduling & Pricing Work Group agenda.

6. In-city Capacity Mitigation Proposal
Mr. Stuart Nachmias (ConEd) presented the proposal.
Mr. Nachmias said the majority of the proposal discusses mitigation and longer-term capacity market items that need to be addressed. The existing price caps were approved and implemented before the current demand curve structure existed. With the advent of the demand curve, additional mitigation measures are necessary.
James D'Andrea (Key-Span Ravenswood LLC) asked what the slope of the curve was and whether it was steeper before the demand curve was put in place.
Mr. Nachmias said he didn't believe there was a specific demand curve proposal before the demand curve structure existed. A specific demand curve model was put in effect in 2002. Before the demand curve, there was a set of minimum reserve requirements in-city, set at 80 percent. The price could fall with excess. The demand curve concept was that with excess, prices would be set with different amounts of excess and buyers would buy all excess that cleared the demand curve. With shortages, there would be a continuation of the slope.
Mr. D'Andrea said his interpretation was the curve's slope was not as steep as it used to be, yet was still too steep.
Mr. Nachmias said there are two differences: with the old demand curve, the amount, or cliff, purchased was never more than 80 percent or whatever the reserve requirement would be. Under the new structure, excess is purchased at a pre-determined price depending on the amount.
Chris O'Hara (NRG) asked what the basis was for making the change now and asked for documentation that supported ConEd's position.
Mr. Nachmias responded by saying there is no incentive to withhold. All supply would be bid in and there would be a clearing price. That doesn't always happen with a demand curve, that additional mitigation measures are required.
Mr. O'Hara questioned whether new entry would set the clearing price when the existing structure was approved.
Mr. Nachmias said the clearing price would be set by the total amount of capacity that cleared the demand curve. If it was in excess of the minimum requirement, it would be less than the cost of new entry. If it was at the minimum requirement, it would be at the cost of new entry. If it was less than the minimum requirement it would be higher than the cost of new entry.
Mr. O'Hara asked if when the demand curve structure was adopted, that parties anticipated the clearing price would incent new entry.
Mr. Nachmias said the demand curve was the monthly spot market and would reflect the supply and demand balance in the market at that time. If the amount of supply in the market was closer to minimum requirement, the price would approach the cost of new entry, incenting new entry.

Mr. O'Hara asked again if there was any factual evidence to support this change.
Mr. Nachmias said there has been information provided by the NYISO and through the ICAP Working Group.
Morgan Parke (Multiple Interveners) said he thought Mr. Nachmias' comments did not reflect ConEd's position. The ISO's tariff and FERC's orders speak for themselves regarding the demand curve and how it works. He said Mr. O'Hara's questions were not productive to the presentation.
Mr. Neil Butterklee (ConEd) stated that additional information was presented at the working group and that cross-examination is not part of the BIC process. He requested that Mr. O'Hara move off his line of questioning.
Mr. Glenn Haake (IPPNY) said the proposal should have been put through a more reasoned and timely working group process. The proposal was offered only eight days before in the ICAP Working Group (ICAPWG) meeting, as one of a series of alternatives. He asked Mr. Nachmias if he thought that FERC was unaware of the regime regarding mitigation of in-city capacity, or failed to understand the implications when it approved the demand curve.
Mr. Nachmias declined to comment on FERC's actions. The demand curve structure was put into effect subsequent to the initial mitigation. The demand structure presumes a sloped demand curve when more supply is in the market; In the demand curve order, it was understood that it would be beneficial because costs would go down with additional marketplace supply.
Mr. Haake said a better way to address the situation would be to make the slope more gradual in New York City.
Mr. Nachmias said the proposal's intent is to get the current markets working as intended. Long-term changes can be addressed in the near future.
Mr. Haake asked if Mr. Nachmias considered two hours of discussion at a working group enough to consider a proposal of this magnitude.
Mr. Nachmias said that the proposal was one of a variety of proposals discussed in working groups for a couple of months. It was presented at the ICAPWG before going to the BIC.
Mr. Fromer asked how the potential problem of an out-of-market contract by a major load entity – such as ConEd – making the market dramatically long and bringing the price down while the out-of-market entity is made whole separately would be addressed.
Mr. Nachmias said there are differences in this market design compared to others. This is a month-to-month market design where the amount of capacity that exists is cleared. Bilateral contracts were allowed for. The price of the contracts was not considered.
Mr. Fromer said that a conclusion could be made that the issue wasn't reasonably addressed. He questioned whether it would be inappropriate behavior to enter into contract pre-demand curve and caused the market to be long for in-city people to bid the price cap at that time.
Mr. Butterklee said the market structure is set up to include bilateral contracts. ConEd's rates, costs and behavior are regulated by the PSC and FERC.

Mr. Fromer said it is not inappropriate to look at whether other issues pertain to the potential for inappropriate behavior by a significant load and subsequent market impact.

Mr. Nachmias reiterated that the market structure allows for bilateral contracts.

Mr. Fromer said the market allows for bidding at the bid cap. He asked why one problem is appropriate to talk about and one is not.

Mr. Kinney said that even with lumpiness, someone contemplating new entry would want to see market price rise to at least the cost of new entry and likely above that price.

Mr. Nachmias said given the demand curve structure, the price varies over time. He returned to the presentation, outlining the proposal's conduct and impact test, the reference price, alternate reference price calculation and a longer term capacity market proposal.

Mr. Tim Foxen (NRG Power Marketing) said under the proposal, an existing DGO never gets paid more than its cap. The proposal sets up a new conduct and impact-based reference price and doesn't give that generator a chance to capture the higher price when it passes the conduct and impact test. Price caps should be lifted to match the conduct and impact test requirement. He asked why there is a need for the existing price cap and bid cap.

Mr. Nachmias said that doing away with the caps could be a future consideration. The caps should remain in place because more experience is needed with the new methodology.

Ms. Doreen Saia (Mirant New York) questioned the 3 percent bandwidth figure. She said it seemed pretty tight.

Mr. Nachmias said the 3 percent figure was intended as a proxy to allow leeway for some cost adjustments that could happen before the generator has opportunity to rework reference prices with the NYISO. It is an approximation based on inflation amounts running at 2-3 percent.

Ms. Saia asked if David Patton has seen and weighed in on the proposal. She said it was critical that he do so. The Management Committee should not vote on this proposal without Mr. Patton's analysis.

Mr. Bill Young (NYISO) said that Mr. Patton has seen the presentation but has not had an opportunity to provide comments yet because he is on vacation.

Mr. D'Andrea said if the market is to be mitigated, both purchasers and suppliers should be mitigated.

Mr. Nachmias said the issue is with the demand curve model. There was to be an incentive to bid everything in.

Mr. Tariq Niazi (NYS Consumer Protection Board) said the proposal has been an issue at the ICAPWG for almost two months. There were solutions, one by DPS and three by ConEd.

Mr. O'Hara said the proposal should not be considered at the MC without more detail and analysis.

Mr. Nachmias said LSEs buy more capacity than the Installed Reserve Margin (IRM). He stated that all the capacity that clears the market is required to be purchased by LSEs. He said the concern is that the price seems to be determined through what appears to be market power.

Mr. Tom Canino (Central Hudson Gas & Electric Corp.) said he felt there was a rush to mitigate without looking more closely at the issues, including market design. He was concerned that false signals will be sent to developers, dissuading them to build and to instead rely on regulated backstop solutions

Mr. Rajendra Addepalli (PSC) said that implementing additional mitigation components will not solve all problems. But to assert that false signals will be sent because of the proposal may not be accurate.

Mr. Kinney asked if the price in New York City would decrease compared to today's price. He asked if a drop in prices would signal to merchants that their projects aren't needed at this time.

Mr. Nachmias said the proposal attempts to make the current market work; it is not intended as a signal for what's needed in the future. He said the curve is known for the next two years. It provides more stability than in the past.

Mr. Younger said he didn't support the 3 percent bandwidth figure. David Patton should do a complete review of the process, which requires active independent market and NYISO Market Monitoring Unit participation. He was concerned that the proposal is one-sided; there has been no consideration of potential market manipulation acts on the load side.

Mr. Mukerji said the NYISO has not had the time to fully evaluate all aspects of market design, basic equity issues and what MMU practice should be. Those issues must be addressed in detail, which will take a significant amount of time. This is a fundamental market change that must be fully evaluated.

Mr. Butterklee disagreed. The NYISO has been aware of the situation for a long time. To say that more time is needed for review is disingenuous.

Mr. Mukerji said the proposal came eight days ago. The aspect of having a reference price for the capacity market, the implementation and merits and market implications overall haven't been reviewed.

Mr. Nachmias said the proposal was one of eight options that have been around for a while.

Mr. Niazi said the MMU was specifically asked to review the proposal at an ICAPWG meeting several weeks ago. It was pointed out that no one from the MMU was there.

Mr. Fromer said the proposal must be approved by the NYISO Board of Directors to become a NYISO filing. He questioned how the Board can consider the proposal without benefit of its staff or advisors. A flaw in the proposal is that it is not being looked at comprehensively.

Mr. Nachmias said ConEd is not looking to ratchet down prices, but is trying to address an issue with respect to the potential exercise of market power.

Mr. Haake said he had not seen the detailed ConEd proposal until eight days ago at an ICAPWG meeting. He asked if the proposal is consistent with NYISO software and procedures.

Scott Maves (NYISO) said the proposal would require substantial changes to the automated system and existing IT systems.

Lunch was called at 1:06 p.m. The meeting reconvened at 1:36 p.m.

Matt Picardi (Coral Power, LLC) was concerned about making a rule change to the whole market for the potential bad behavior of one MP. He said he needs to be convinced that it's a systematic process instead of an isolated incident.

Mr. Nachmias said ConEd considered it an issue related to the in-city market. The best way to address it was through the NYISO's MP process.

Mr. Young said he had two concerns with the proposal: implementation and whether it is consistent in principal with the conduct and impact approach and mitigation generally used in the NYISO markets. It will be difficult for the NYISO to support a 205 filing on market mitigation without the full support of David Patton as independent market advisor. The justification for the 3 percent threshold has not been fully explained. The NYISO must consider if the proposal is consistent in principal with how reference prices are done. The Board would be concerned about having full support from David Patton for any kind of filing.

Mr. Nachmias said that further adjustments to the proposal can be discussed at any time.

Mr. Mukerji said David Patten needs to weigh in on market mitigation, broader market implications, market design and software implementation. The specific ConEd proposal came to the NYISO's attention eight days ago and needs review before the Board can be advised.

Mr. Buterklee said the NYISO has known about problems in the capacity market for some time.

Mr. Young said economic and policy issues have been raised with FERC and the Commission will have to act on them.

Mr. D'Andrea said he wanted to know why there wasn't a reciprocal rule where suppliers can't push prices above a specific level and purchasers can't push prices below appropriate levels.

Mr. Nachmias said it wouldn't be consistent with the demand curve model to disallow bilateral contracts.

Mr. D'Andrea said there should not be an unbalanced mitigation in the wholesale market where supply and demand are not treated the same. He questioned why a second bid-in price cap was needed.

Mr. Nachmias said the second bid-in cap gives customers protection against market power so reference prices can be calculated.

Dr. Jones said something needs to be done to ensure clearing prices are based on available supply and that companies with market power cannot use it to their benefit. But prices shouldn't be set inappropriately because of a belief that the current market design doesn't work.

Mr. Kinney said there appears to be a growing list of potential problematic aspects to the NY ICAP markets. There is an immediate need to examine how markets should be designed and function in the future. He strongly encouraged the committee process to immediately embark on a more robust effort to examine other market structures and fixes on grander scale.

Mr. Bush said that his clients have been severely harmed through the implementation of the demand curve. There is no interest in pursuing a longer term capacity market. An overhaul of the ICAP market now is not appropriate.

Motion #2:

The Business Issues Committee ("BIC") hereby approves the capacity market monitoring and mitigation measures presented at its August 9, 2006 meeting. The BIC hereby recommends that the MC adopt, at its August 30, 2006 meeting, the capacity market monitoring and mitigation measures approved today.

The capacity market monitoring and mitigation measures establish a conduct and impact test that compares the capacity bid of an In-City generator, in the demand curve spot auction, with that of its reference price to determine if the bid of such generator is inconsistent with competitive market design. The proposal provides standards to be used to develop individualized reference prices for each generator in the In-City market. The proposal contains an alternate plan, which applies the conduct and impact test to the In-city generation specified in Section 4.5B of Attachment H of the Market Services Tariff.
Motion was moved and seconded.

<u>**Motion #2.a:**</u>
Motion to table motion #2.
Motion failed with 46.80% affirmative votes.

<u>**Motion #2:**</u>
The Business Issues Committee ("BIC") hereby approves the capacity market monitoring and mitigation measures presented at its August 9, 2006 meeting. The BIC hereby recommends that the MC adopt, at its August 30, 2006 meeting, the capacity market monitoring and mitigation measures approved today.

The capacity market monitoring and mitigation measures establish a conduct and impact test that compares the capacity bid of an In-City generator, in the demand curve spot auction, with that of its reference price to determine if the bid of such generator is inconsistent with competitive market design. The proposal provides standards to be used to develop individualized reference prices for each generator in the In-City market. The proposal contains an alternate plan, which applies the conduct and impact test to the In-city generation specified in Section 4.5B of Attachment H of the Market Services Tariff.
Motion was moved and seconded.

Mr. O'Hara moved to amend the original proposal (Motion #2) with his own proposal (Motion #2.b)
Mr. Nachmias considered the amendment as an unfriendly motion.
Mr. O'Hara said NRG agreed that there is problem with the NYC capacity market, particularly that it is not sending the correct price signal to incent new generation. There is a lack of regulatory certainty surrounding the ICAP market in NY. There is no evidence for the need of ConEd's proposal or that the proposal is the best solution. The NYISO has not weighed in, and there been no cost evaluation of implementing the proposal.
Mr. D'Andrea asked if NRG would consider removing language that said "new interim reference prices have to be at or less than the existing DGO bid-in price caps.

Mr. O'Hara agreed to remove the wording.

Motion #2.b:

The Business Issues Committee (BIC) has reviewed and considered market monitoring measures presented at its August 9, 2006 meeting. The BIC hereby recommends that the Management Committee ("MC") adopt, at its August 30, 2006 meeting, the following resolution:

The ICAP Working Group is directed to recommend changes to the existing ICAP market structure that will improve the ability of the ICAP market to send the price signals needed to attract and sustain sufficient competitive investment to meet reliability needs, especially in New York City and Long Island. The Working Group will provide a timely report by December 31, 2006 in order to accommodate such changes for the May, 2008 ICAP revisions. Recommendations shall address:

- Market Structure that provides for reliable long run price signals that reflect the cost of competitive new resources;
- Supply stability that avoids both shortages, with attendant price spikes and reliability threats, and surplus, with attendant price suppression and excessive investment;
- A long term forward procurement auction for delivery periods four or more years in the future, with multi-year commitment periods, to allow new entry to compete with existing resources;
- Additional effective measures to prevent the exercise of market power by both buyers and sellers, whether the impact of sustaining prices above or below the competitive level, including particularly the impact of bilateral contracts and reliability must run arrangements; and
- Permitting divested generation owners ("DGO") units to engage in bilateral contracting with Load Serving Entities ("LSEs").

The Joint Con Edison and DPS Proposal for In-City Capacity Mitigation shall be adopted effective upon FERC approval. These measures shall include conduct and impact tests to ensure prices that reflect the cost of competitive new and existing resources as follows:

- <u>Conduct and Impact Tests</u>. Conduct and impact tests will apply for all generation bid into the in-city ICAP market. Such tests will review all bids that may lead to artificially increasing or decreasing generation capacity prices. Such tests will apply to DGO units and to new generation units (those units constructed since divestiture) under long term contracts.
- <u>Reference Prices</u>. Reference prices will be developed for each of the DGOs and for new generation under long term contracts. For new generation under long term contracts, reference prices will be established at price levels that reflect the long run costs for the contracted generation, including but not limited to lease payments, taxes, and debt payments.

- Conduct. Any offer or bid that is 10% more or less than the reference price for the subject supply will be subject to mitigation.
- Impact. Any offer or bid that causes prices to be 10% more or less than the price that would result had the reference price been submitted will be mitigated down or up to its reference price.
- Slope. The slope of the In-City Demand Curve will be reduced by extending the zero crossing point to 125%.

Motion failed with 38.70% affirmative votes.

Motion #2:
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The capacity market monitoring and mitigation measures establish a conduct and impact test that compares the capacity bid of an In-City generator, in the demand curve spot auction, with that of its reference price to determine if the bid of such generator is inconsistent with competitive market design. The proposal provides standards to be used to develop individualized reference prices for each generator in the In-City market. The proposal contains an alternate plan, which applies the conduct and impact test to the In-city generation specified in Section 4.5B of Attachment H of the Market Services Tariff.
Motion passed with 60.31% affirmative votes.

6. Proposal Addressing Assignment of Import Capacity Rights

Mrs. Kathy Whitaker (NYISO) presented the proposal.

- In June, a FERC order gave the NYISO two directives: to propose improvements to import rights allocation process; and to consider import rights for external capacity should be awarded on a pro rata basis.
- The NYISO is implementing a new software-driven FAX system that cues from NYISO network time to begin Receive mode.
- IT is working to show NYISO time on the NYISO Web site.
- The NYISO will incorporate clarifications and new processes for the Winter 2006-07 Capability Period into the ICAP manual. The process is scheduled to begin by Aug. 30.
- From spring 2005 to February 2006, The NYISO and the ICAP Working Group worked to review new proposals for allocating import rights for external capacity. There was no significant support to change the current first-come, first-served allocation method at that time.
- On Aug. 1, the NYISO and the ICAPWG confirmed the decision to stay with the first-come, first-served allocation method. Pro-rata allocation was specifically considered.

Mr. William Roberts (Edison Mission Marketing & Trading Inc.) suggested the NYISO have back-up means for the Web site and software.

Ms. Whitaker said the NYISO will base the FAX machine start time on official network time. That is not dependent on the Web site; it is based on U.S. government time. The NYISO will be testing the software and there are plans to test the day before each allocation process.

Mr. Roberts said that should be in the manual.

Mr. Joseph Langan (PPL EnergyPlus) said a request was made in the ICAPWG for prompt notification – via e-mail or phone – that the FAX was received. He asked if it will be incorporated.

Ms. Whitaker said the NYISO is looking into the matter. A procedure hasn't been worked out yet. The NYISO will let the marketplace know if a more immediate notification is possible.

Mr. Langan asked if the technical bulletin is still in the works.

Ms. Whitaker said that assuming the manual is not changed in time for the allocation process, the change doesn't have to go through the governance process because it is a compliance filing. The NYISO wants to bring it through the governance process if possible. A technical bulletin would be issued before the allocation process. The plan is to have the technical bulletin and draft language manual out before the end of August.

Mr. David Yannarell (PPL EnergyPlus) commented that the NYISO is missing the intent of the FERC request. PPL believes the FAX system is an outdated system and shouldn't be used for the allocation of import rights. The NYISO needs to look at ways to improve the FAX system; the pro rata and the auction are ways to do that. The FAX-driven system must go, and the first-come, first-served system must be replaced. The motion should not be passed until alternatives have been studied.

Mr. Younger disagreed. He said it was important to adopt the proposal now to clarify the process so this fall's allocation is not impacted. Further discussions could start now for later allocations if people believe it is worthwhile.

Ms. Whitaker said the NYISO is willing to enter into discussions. Nothing in the motion indicates that the NYISO is unwilling to change the process in the future. The ICAPWG was clear that while future changes may occur, the February decision was valid. It would be worthwhile to let changes in the neighboring capacity markets play out to gauge the demand for exporting capacity once those changes are implemented.

Dr. Jones said LIPA wants the option to further consider comments made by PPL and FERC's order. LIPA probably won't support the motion, but not because LIPA opposes the initiative. LIPA would like the ICAPWG study this further.

Mr. Matt Milhous (KeySpan Ravenswood) said the BIC needs to move forward with something. He offered a wording change for the motion.

Bob Grassi (PPL EnergyPlus) said PPL's opinion is that FERC has directed the NYISO to make a compliance filing within 60 days. PPL does not believe the motion alone will satisfy that requirement.

<u>Motion #3:</u>

Pursuant to Ordering Paragraph B of the Commission's June 29, 2006 Order in Docket EL06-72-000, the Business Issues Committee concurs with the recommendation of the Installed Capacity Working Group that the NYISO not amend its external ICAP import rights allocation process at this time. The BIC has considered the Commission's suggestion to allocate such import rights on a pro rata basis among all market participants requesting such rights for any single capability period and has determined to continue with the current process that is described in Section 4.9.2 of the ICAP Manual, with the clarifications described in the presentation to the BIC. The Business Issues Committee recommends that the Management Committee concur in this recommendation not to change the external ICAP import rights allocation methodology.
Motion passed by majority show of hands with abstentions.

7. Proposed Changes to the Load Forecast Manual

Mr. John Pade (NYISO) presented.
Mr. Pade explainedthe new manual:

- Is a result and codification of the ICAP (or UCAP) Load Forecasting.
- Is a process adopted for the 2003-04 Capability Year.
- Was approved by the Load Forecasting Task Force and includes MPs' modifications.
- Was approved by the ICAPWG on Aug. 1.

He discussed how the new process contrasted with the older process. The new process has a different starting point and different treatment of losses. The ICAP Forecast process hasn't changed. The manual also includes discussion of the CRPP load forecasting process.
He said the manual describes a process that's been followed for the past several years, one that has generally gone smoothly and produced results that people are happy with.
Mr. Younger asked when the NYISO will review actual peaks – adjusted for SCR and EDRP – and how the review compares to what was expected.
Mr. Pade said a preliminary evaluation was requested for presentation to the Operating Committee. The official weather-normalized load is the sum of what the normalized loads of the transmission districts at the time of the NYCA peak. The NYISO is aiming for Oct. 1 to issue a forecast for use in the IRM and the Locational Requirements study. Regarding loads on Aug. 1 and Aug. 2, there were very extreme conditions; there are preliminary numbers for weather normalization and for adjustments for EDRP and SCRs.
Mr. Younger said he would like to see those numbers.
Mr. Pade said the schedule will be available by the end of the month. A forecast that the final ICAP obligations will be based on won't be released until November.

<u>Motion #4:</u>
The Business Issues Committee ("BIC") hereby approves revisions to the NYISO Load Forecast Manual, as discussed at the ICAP Working Group on July 21, 2006, and as presented to the BIC on August 9, 2006.
Motion passed unanimously by show of hands with abstentions.

8. Attachment M of the ICAP Manual

Mr. John Charlton (NYISO) presented.

He said Attachment M is an edited administrative addition to the ICAP manual, replacing Tech Bulletins 75 and 76 that deal with ELRs and CLRs. Several references have been added to Attachment M, as well as definition and language to reference the CLRs.

The manual has been posted since April. The new Attachment M to the manual makes it complete, subject to continual revisions.

Dr. Jones said that manual attachments are part of the manuals and must be voted on by the BIC.

Mr. Charlton the attachment essentially copies Tech Bulletins 75 and 76 into the ICAP Manual.

Mr. Jones said MPs don't approve Tech Bulletins. He said the attachments are new language. The measure should be noticed for a future BIC meeting for a vote.

Mr. Charlton said if a vote is necessary, he said he would rather put it off to a future BIC meeting. The manual has been posted for six months. Attachment M needs to be put in the manual.

Mr. Butterklee said the change requires a BIC vote.

Mr. D'Andrea asked if the language was different than what is in the tariff.

Mr. Charlton said that the NYISO intended to have Attachment M read into the minutes and be posted tomorrow.

Mr. Alex Schnell (NYISO) asked if Attachment M implements language that has been voted on and approved or has never been considered or presented to the BIC MPs.

Mr. Charlton said it implements language in the ICAP Manual.

Mr. Butterklee said Attachment M is new language to the ICAP Manual. He said he believed the Tech Bulletins had no legal standing. Attachment M needs to be voted on.

Mr. Schnell said the NYISO has been held to the terms of Tech Bulletins by FERC. The NYISO's position is that the manual has been voted on and the purpose of the attachment is to implement what the MPs have already voted on. The MPs can always say that the attachment doesn't implement their intent.

Mr. Butterklee reiterated that Attachment M is a part of the manual and must be voted on.

Mr. Fromer said attachments should be approved by MPs. Subsequent revisions to attachments don't require votes.

Dr. Jones suggested the attachment be posted next month and put up for a BIC vote.

9. Working group reports
There were no comments about written working group reports submitted to Mr. Kinney before the meeting.

9. New Business
There was no new business.

The meeting was adjourned at 3:53 p.m.

Respectfully Submitted,
Michael A. Lisi
Recording BIC Secretary