

NYISO Business Issues Committee Meeting Minutes

Nov.7, 2007

New York Independent System Operator
10 Krey Boulevard
Rensselaer, NY

1. Welcome and Chairman's Report:

Glen McCartney (Constellation), Chair of the Business Issues Committee (BIC), called the meeting to order at 10:01 a.m. and welcomed the members of BIC. Meeting participants introduced themselves and their affiliations.

2. Approval of minutes for Oct. 10, 2007

Frank Francis (NYISO) offered the minutes for approval and noted that Brad Kranz of NRG had provided comments to the draft minutes that were circulated.

Motion #1:

Motion to approve the Minutes of the October 10, 2007 BIC meeting.

(Motion passed unanimously)

3. Market Operations Report

Rana Mukerji (NYISO) reviewed the market performance highlights for October 2007. The highlights were part of the Market Operations Report, included in the BIC meeting materials folder.

LBMP was \$74.26/MWh; average monthly cost was \$78.87/MWh; Day-Ahead and Real Time LBMPs were up from September. Fuel prices were up, as was uplift. Price corrections continue to be at low levels.

4. Regional Market Enhancements

Mr. Mukerji (NYISO) reviewed the Northeast Seams Report for the BIC, which was included in the meeting materials folder.

The presentation dealt with the following projects:

- Regional Resource Adequacy
- Cross-Border Controllable Line Scheduling
- Coordination of Interregional Planning
- Interregional Congestion Management
- Limitations Due to Loss of Large Source

5. Working Group Updates

A. Billing and Accounting (BAWG)

Dave Hall (NYSEG/RGE) submitted a summary of the BAWG's activities in writing and highlighted it for the BIC.

He reviewed the Oct. 23 meeting for the BIC. Topics included a Grid Accounting Report, a Finance Product Management Update, the NYISO proposal to automate the Ramapo PAR and Station 80 Cap Bank charges, the NYISO

Customer Relations proposals to replace the CRITaR ticket system, possible modifications to the new Consolidated Invoice format, breaking down the NYISO-posted TCC Excel file into segments, and possible recommendation to modify the tariff to credit/charge DACs to the appropriate MPs/market segment.

B. ICAP Working Group (ICAPWG)

Glenn Haake (IPPNY) reported on the ICAPWG's meeting on Sept. 12. The ICAPWG discussed the Proposed Forward Capacity Market, the Forward Capacity Preliminary Concept; Review of the Attachment A of the ICAP Manual – Winter 2007-2008 Capability Period; and the Demand Curve Report.

Mr. Haake said the next meeting was scheduled for Nov. 8 regarding the in-City mitigation. The NYISO agreed to have this meeting for Market Participants so they can ask questions about how the in-City ICAP mitigation filing is intended to work.

He said the Installed Capacity Subcommittee of the NYS Reliability Council wanted to discuss the updated approach to modeling gas turbines and derates in the MARS model that is used to set the IRM with the ICAP WG.

DISCUSSION

Howard Fromer (PSEG) asked what the current schedule for Reliability Council approval of next year's IRM.

Mr. Haake said there is a schedule to vote on the IRM in December. The Locational Capacity requirements are approved by the NYISO in February.

C. Interconnection Issues Task Force (IITF)

Mr. Haake provided an update of IITF activity. He said the NYISO made a conceptual filing in early October. He said the IITF is waiting on FERC for an answer on the conceptual approach and the NYISO is about to start drafting tariff language in expectation that FERC will approve the conceptual approach.

No future IITF meetings are scheduled. But Mr. Haake said he believes the NYISO will set some meetings soon to discuss the highways-byways definition and how the Deliverability Test will be conducted.

DISCUSSION

Mr. Mukerji said the NYISO wants to do the Deliverability Test and set the definitions of highways and byways. The NYISO wants to schedule IITF meetings in November and December to button down those issues by year's end.

Mr. Fromer asked if everything is on schedule to implement this methodology, consistent with the 2007 Class Year work schedule.

Mr. Mukerji said he believed so. If there is a timely FERC decision, the 2007 Class Year schedule will not be impacted.

Mr. Fromer asked about the clarification the NYISO has sought on the applicability of the conceptual deliverability filing to UDR projects that have not requested UDRs.

Mr. Mukerji said the NYISO is awaiting FERC's clarification on that matter.

D. Market Issues Working Group (MIWG)

Norman Mah (ConEd) reported on MIWG meetings held on Oct. 17 and Nov. 5. The Oct. 19 meeting dealt with Wind Rules forecasting proposal follow up; TCC settlement recovery update; TCC Auction schedule proposal; proposed changes to the Ancillary Services manual; PJM Proxy Bus Changes – Post Implementation Review; price corrections update; and Real-Time rules assessment.

On Nov. 5, the MIWG discussed the NYISO draft Transmission and Dispatch manual.

DISCUSSION

Bruce Bleiweis (DC Energy) asked about disaggregating virtual trading, inquiring about the parameters, the issues and work plan.

Mr. Mukerji said the issue will be brought through the MIWG as concepts. The NYISO will get Market Participants' feedback before deciding on the actual straw proposal for the disaggregated trading of virtuals.

Mr. Bleiweis asked if there was a time frame to bring it to the MIWG.

Mr. Mukerji said it will be in 2008. In January, the NYISO will announce its 2008 projects schedule. The design for the disaggregated trading of virtuals project should be completed in 2008 with implementation some time in 2009.

E. Price Responsive Load Working Group (PRLWG)

Rick Mancini (Customized Energy Solutions) provided a report on a meeting held on Nov. 2. At that meeting, the group discussed the DSASP Tariff Language, Supplier Response to NYISO/ConEdison FCM Proposal; Distributed Generation Emissions Regulations; Desired Features of a Notification/Data Collection System; Resource Performance Calculation revisions; a review of APMD vs. CBL methodologies; and Summer 2007 Targeted Demand Response events.

DISCUSSION

Mr. McCartney expressed his thanks to all BIC working group chairs for their hard work. He announced that Mr. Hall will be stepping down as chair of the BAWG. Kathy Logan (U.S. Power Generating) will become BAWG chair in December. He also said that Mr. Mancini will step down as chair of the PRLWG. Stephen Lynch (Energy Curtailment Specialist "ECS") will take over as PRLWG chair in December.

6. Proposed Tariff Changes re Ramapo PAR/Station 80 Capacitor Bank/Local Black Start

Tim Duffy (NYISO) gave the presentation, which was included in the BIC meeting packet.

DISCUSSION

Barry Huddleston (Dynergy Power Marketing) remarked that the other Transmission Owners that used to have Black Start now have restoration plans that the ISO has approved that don't include local Black Start.

Ray Kinney (NYSEG/RG&E) said he believed statewide Black Start is largely driven off of the NYPA hydro units and most of the rest of the state utilities energize off of backbone cross-state.

Mr. Huddleston said he understood that there is no longer local Black Start for the two rest-of-state utilities that used to include local Black Start in their restoration plans. To terminate the prior local Black Start arrangements, they had to get NYISO approval for a restoration plan that was sufficiently robust and show they could restore without local Black Start.

Mr. Duffy said the NYISO can verify that.

Mr. Kinney said he was "pretty confident" that statewide restoration plans are in place.

Mr. Huddleston said he wasn't so sanguine about that. He said it has always struck him as a bit unplanned that the NYISO is responsible for the backbone and distributed TOs are responsible for local restoration. But there is no NYISO requirement to have a reasonably prudent plan to accomplish local restoration.

Mr. Haake said he believed that the NYSRC developed a Black Start/system restoration rule last year.

Motion #2:

The Business Issues Committee ("BIC") hereby recommends that the Management Committee ("MC") approve revisions to Rate Schedule 1, 5 and 6 of the NYISO Open Access Transmission Tariff ("OATT") to convert the collection of monthly charges relating to the operation of the Ramapo PAR, Station 80 Capacitor Bank and Local Black Start to an hourly amount to be applied to the hourly load ratio shares for each load as presented to the Business Issues Committee on November 7, 2007.

(Motion passed by majority)

7. Demand Side Ancillary Services Program Update

Robb Pike (NYISO) gave the presentation, which was included in the BIC meeting packet.

Mr. Fromer commented that the idea that you could end up with 100 percent of Ancillary Service providers being in this new service form without any

demonstration was disconcerting. He suggested starting with some sort of percentage cap and get a track record set.

Mr. Pike said there are a number of markets where this is occurring; it is not entirely a new process. The NYISO believes this process will provide better monitoring visibility and review by doing a one-by-one qualification process, rather than setting a megawatt limit.

Kim Harriman (Couch White LLP) said the NYISO has proposed a reasonable compromise to an arbitrary MW threshold by proposing a demonstration and verification process.

Brad Kranz (NRG Power Marketing) inquired in regard to SCRs. He asked if the NYISO is changing the requirement that they bid in to the Day-Ahead market.

Mr. Pike said the NYISO is not proposing to change the SCR program.

Mr. Kranz asked if RTD will limit the Real-Time reserve schedule, to the lesser of their bid or their Real-Time metered load.

Mr. Pike said that is not in the provisions right now.

Mr. Mah requested that the performance of the units be tracked for at least a year and compared to the performance of normal generators.

Mr. Pike agreed.

Tim Bush (Navigant) said he was “troubled” by the treatment of this proposal under Rate Schedule #1 to the extent that one of these providers is called on and backs down. While it doesn’t receive an explicit energy payment, it avoids buying energy either at LBMP, or it will receive a balancing payment if it has a Day-Ahead schedule. Effectively, it is getting paid for the energy and the service, and avoiding the 80 percent piece of the Rate Schedule #1 charge based on system withdrawals.

It would be appropriate when called upon to supply reserves, to track those “pseudo” injections and apply those to the supply side of the equation and Rate Schedule # 1. To make it fair, the charge must be applied.

Mr. Pike said the NYISO considered the question and feels there isn’t a need to apply Rate Schedule #1 charges to suppliers as if they are energy providers.

8. Proposed Changes to the Ancillary Services Manual

Mr. Carl Patka (NYISO) gave the presentation, which was included in the BIC meeting packet.

DISCUSSION

Mr. Mah said the exemptions would allow generators to collect continued payments beyond October, even with the AVR device broken. His concern was that it is not a balanced result. Currently, not only will they get payments beyond October, they could continue to get payments for next year.

Doreen Saia (Greenberg Traurig, representing Mirant, Inc.) said that is not correct. Under the current NYISO Manual provisions, testing is done the year before. That test provides payment for the full following year.

Mr. Mah asked what Section 3.54 means. It talks about “if it fails a timely repair, it won’t collect a payment.” He said that’s how he reads it. The result seems to be that type of unit will always receive a payment and never get a penalty.

Ms. Saia said that is not accurate. The concern that ConEd raised previously was that the phrase “commenced timely repairs” is not clear enough to establish what the requirements are for fossil-fueled generators, nuclear generators, or any particular generator. She said there was a willingness to go to MIWG and discuss those issues, which are separate and apart from the issues that involve this proposal.

Mr. Patka said the NYISO is willing to take a discussion on Section 3.54 back to the MIWG.

Mr. Mah said it is the AVR that provides the dynamic level of voltage support that may be needed when there is a failure.

Mr. Kinney said the use of last year’s DMNC, combined with this year’s testing requirements, provide opportunities for units that have been derated due to environmental restrictions and are unable to get to the 90 percent required level of last year’s DMNC. They are being disqualified from providing voltage support at lower output levels, where they have more VSS capabilities than at the higher levels. He said this issue needs to be addressed very soon because the NYISO has notified NYSEG/RG&E that its VSS payments will end Dec. 31. The unit that is being disqualified has more VSS capability than it had last year.

Ms. Saia said it may be appropriate to talk at the next MIWG meeting about working out an out-of-period type test arrangement. She suggested this issue be taken “off-line” for today. She said she fully supported any kind of change for an out-of-period test for these units if the NYISO “can’t make the numbers work.” The last thing she would like to have happen is to have the testing rules prohibit access to voltage support on the system.

Mr. Mah asked if the NYISO has ever forfeited a payment to any generator under these rules. He asked if someone from the NYISO would be available to discuss these issues at the November 26 MIWG meeting.

Mr. Patka said yes.

Mr. Huddleston raised concerns about the manual not addressing situations in which the NYISO cancels a test in the middle of a test. He asked whether the NYISO will require units to re-test in that situation.

Mr. Patka said that issue is beyond the scope of the manual changes being offered today, but that this issue could be discussed further at the MIWG in the context of whether further VSS testing procedure changes should be made.

Mr. Patka changed the motion to say that the manual was approved “as discussed as the Operating Committee on Nov. 6 and as further revised at the BIC on Nov. 7, 2007.”

Motion #3:

The Business Issues Committee (“BIC”) hereby approves revisions to the NYISO Ancillary Services Manual, as discussed at the Market Issues Working Group on October 17, 2007 and as discussed at the Operating Committee on November 6, 2007, and as presented and further revised at the BIC on November 7, 2007.

(Motion passed unanimously with abstentions)

9. Administrative Matters

Mr. Francis reviewed the open action items.

He said some progress has been made on an action item concerning uplift associated with shared reserves.

Mr. Francis said that MPs could send questions about the impact of the implementation of the new pricing rules at the PJM proxy bus, or the implementation of additional proxy buses to him. The issue will be closed out.

DISCUSSION

Stuart Nachmias (ConEd) asked that the NYISO report on the impact of the PJM bus on power flow between New York and PJM as a result of the June 6 implementation.

Mr. Fromer questioned closing out the issue. He said there was discussion about a further meeting that the parties wanted. ConEd asked that there be some discussion among PJM, NYISO and the two utilities that were party to the various inter-control area operating protocols. He said he wouldn’t characterize the issue as being closed out.

Mr. Francis said he received an e-mail from ConEd that raised a question and stated that ConEd was satisfied with the response. He invited MPs to call or e-mail him with questions.

10. New Business

Mr. Mukerji, commenting on why the November 8 ICAPWG meeting was postponed, said one of the ICAPWG issues to be discussed at the meeting was

the in-city mitigation clarifying questions. The NYISO wants to structure that differently. There will be a notice going out today asking MPs for written clarifying questions; those questions should be submitted by Nov. 9. On Nov. 14, the NYISO will have the answers to the questions, as well as Dr. David Patton.

DISCUSSION

Ms. Saia asked why the conference call was being rescheduled. Rescheduling the call for Nov. 14 with pleadings due the following Monday doesn't leave enough time. She also asked why the meeting can't be held on Nov. 9 or Nov. 12.

Mr. Mukerji said this is a topic under litigation so NYISO responses would be clarifying responses. The NYISO would like questions in writing by Nov. 9. Mr. Patton is available only on Nov. 12 or Nov. 14.

Mr. Fromer asked why the process has to be so formal. He said it's not like there's litigation against the NYISO. The NYISO was asked to respond to a FERC requirement and has done so.

Mr. Stalter said that having the written questions ahead of the discussion will allow the NYISO to address the questions more easily at the meeting. This will prevent delays.

Mr. Mukerji said the NYISO would like a more structured framework. The NYISO would like written questions and will answer clarifying questions.

Ms. Saia suggested that MPs commit to get the NYISO questions by close of business on Nov. 8, which would allow the discussion date to be moved up. She said there should be an hour or two between Nov. 9 and Nov. 12 to have these discussions.

The meeting was adjourned at 12:30 p.m.

Respectfully Submitted,
Michael A. Lisi
Recording BIC Secretary