

**NYISO Business Issues Committee Meeting Minutes
January 11 2012**

10:00 a.m. – 12:00 p.m.

DRAFT

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

The chair of the Business Issues Committee (BIC), Mr. Alan Ackerman (Customized Energy Solutions), called the meeting to order at 10:05 a.m. by welcoming the members of the BIC. The members of the BIC identified themselves and attendance was recorded. A quorum was determined.

2. Meeting Minutes – November 9, 2011

The draft meeting minutes from November 9, 2011 were presented for approval.

Motion 1:

Motion to approve the meeting minutes from November 9, 2011

Motion passed unanimously with an abstention.

3. Market Operations/Seams Report

Mr. Rana Mukerji (NYISO) reviewed the Market Operations and Seams reports.

Michigan-Ontario PAR cost allocation settlement discussions have concluded without resolution. The proceeding has been set for a hearing before a FERC administrative law judge. Mr. Mager noted that NYISO moved to dismiss the case and asked if any update on when the case would be decided. Mr. Alex Schnell (NYISO) said FERC has refused to rule on dispositive pleadings and has issued a tolling order addressing the many rehearing request that are pending in the docket. MISO and ITC have supported FERC action on the rehearing request. MISO and ITC appear to assume that FERC will rule consistent with Order 1000 that FERC possess the authority to permit MISO to impose costs on noncustomers. If that happens, the NYISO will take FERC's order up on appeal.

On December 30, 2011, NYISO and PJM jointly filed revisions to their JOA, including the proposed Market-to-Market Coordination Procedures. NYISO and PJM continue to work together on several open topics discussed in the filing letter including the establishment of appropriate levels of entitlements, which the NYISO plans to review with its stakeholders. The RTOs anticipate addressing most of the open topics by the end of April 2012. The joint filing requested a flexible effective date to implement M2M by the end of 2012. Ms. Saia (GenOn) asked how reasonable is it that entitlements would get resolved by April. Mr. Mukerji said the numbers are being scrutinized and validated before they are shared with stakeholders and, ultimately, with FERC. The entitlements need to be set correctly based on expected flows (historic and current). Ms. Saia agreed and asked that the ISO present at a future MIWG a schedule of how the ISO expects to timely resolve the outstanding issues.

Mr. Howard Fromer (PSEG) noted that the ISO previously expected the entitlement numbers to be small. He asked if the numbers exceeded the ISO's initial expectation. Mr. Schnell noted that the numbers are rough and need validation by PJM and the NYISO. Mr. Dave Clarke (LIPA) asked how the ISO would conceptually treat the recognition of the Michigan PARs if they are in their regulating range.

Mr. Mukerji said if they are within 200 MW, the ISO would consider them to be holding flow. PJM wants the number to be smaller than 200 MW so the NYISO has to work with PJM to address the issue.

On December 28, 2011 NYISO filed tariff revisions necessary to implement CTS with ISO-NE. ISO-NE intends to seek stakeholder approval for CTS tariff amendments in January 2012 and to file these tariff amendments soon thereafter. Mr. Stu Nachmias (Con Ed) asked for clarification of the CTS implementation schedule. Mr. Mukerji said CTS would be implemented with ISO-NE by end of 2013 and with PJM by the end of 2014.

4. Planning Update/ EIPC Report

Mr. Henry Chao (NYISO) provided a verbal update on planning activities and reviewed the EIPC presentation included with the meeting material.

Mr. Fromer asked how far in the future was the EIPC studying the scenarios. Mr. Chao said 20 years from now. In response to a question, Mr. Chao said all of the regional entities provided their assumptions for supplies in the system and their demand forecasts for this timeframe.

Mr. Richard Bolbrock (NYMPA) asked why didn't the carbon pricing lead to more offshore wind for the Combined Federal Climate and Energy Policy scenario. Mr. Stu Nachmias (Con Ed) said that it didn't lead to more off shore wind because offshore wind doesn't cut it when transmission increases weren't built across the interconnection. Mr. Nachmias noted CO² pricing was a significant issue in the modeling, and while it is a 20 year study, CO² pricing was studied up to year 2050 assuming a 80% carbon reduction by 2050 and a 42% reduction by 2030. The consultant increased the carbon pricing significantly near the end of the time horizon and the price exceeded \$1,200/ton because they were pushing for the reduction in the electricity sector and not the whole economy. Carbon reductions in the electricity sector were reduced to 90%, which is unrealistic.

Mr. Mark Younger (Slater Consulting) asked for clarification if there are 272 GW of coal capacity in 2010, and if that number is down to 10 GW in 2030. Mr. Chao said that is correct to achieve 80% carbon reduction by 2050, with a 42% reduction by 2030. Mr. Younger asked if the scenarios have an accurate representation of the generation additions and transmission additions that are currently happening in NY. Mr. Chao said the NYISO provided data from the RNA with recent additional capacity in NYC. Other regional planning authorities did provide their resource inputs. The transmission was not modeled in detail in phase 1, but will be modeled in phase 2. Mr. Nachmias noted that the Business as Usual (BAU) included the existing system and plans for next 10 years and criteria was established in increments of five years. This was done to prevent regions from "stacking the deck" with projects in the BAU baseline that didn't exist in their planning processes.

Mr. Clarke mentioned the joint coordinated system plan (JCSP) which was discussed previously. He noted It had total estimates of a high voltage overlay system in the \$80 billion range. He asked about the difference between the high cost in the JCSP and the lower cost from this study. Mr. Nachmias commented that this presentation highlights the miles of transmission, but doesn't note the megawatts of transfer capability increase. Scenario 2, Future 6 has 3,100 MW of an increase for the eastern interconnection and the Future 8 region wide increase is 37,000 MW. He pointed out the top three interfaces associated with the 37,000 MW increase: 19,000 MW is between MISO and PJM; 5,500 MW is between SPP North and Entergy; and 3,400 MW is between SPP South and Entergy. The EIPC learned that meeting a national carbon future results in transmission upgrades in the Midwest,

but not bringing the energy to the Northeast. Mr. Fromer added that this is consistent with the findings because the generation fleet in the Midwest is eliminated and lines are added to move energy.

Mr. Fromer asked if phase 2 will analyze energy prices with implementation of the three futures. Mr. Chao said the consultant will do production cost simulations and assume costs, emission costs, and heat rates. Stakeholders will have input before the consultants run the simulation. Mr. Bolbrock noted it would be helpful if the report analyzed the common elements in each of the futures. Mr. Chao said that is one of the goals.

Mr. Mike Mager (Multiple Intervenors) noted that consumers are concerned that entities would use this study to justify transmission buildout from the Midwest to the Northeast and costs being passed to NY consumers. He believed that the study doesn't show such a buildout in the Northeast. Mr. Chao said the macro economic studies show buildout in the Midwest, but the EIPC is still studying this. Mr. Bart Franey (National Grid) asked if there are reduced production costs, would this be measured for the planning regions or eastern interconnection-wide. Mr. Chao said he was not certain how EIPC would measure this, but encouraged MPs to bring this up through the EIPC stakeholder process. Mr. Tom Paynter (NYS Department of Public Service) asked if capital costs for wind would be included in production costs. Mr. Chao said only marginal costs. Mr. Fromer expressed a concern that EIPC is not evaluating who pays for transmission buildout and noted stakeholders should continue to monitor this. Mr. Younger noted that the CARIS study is not identifying transmission upgrades for NY and he asked if any of the EIPC scenarios are identifying any transmission upgrades for NY. Mr. Chao said the EIPC will be evaluating potential transmission upgrades in Phase 2.

Mr. Franey asked if the DOE provided additional funding to proceed with phase 2 or was phase 2 part of the initial grant. Mr. Chao said it was part of the initial grant.

5. Spring 2012 Centralized TCC Auction Update

Mr. Gregory Williams (NYISO) provided the update. Mr. Williams said NYISO presented the results of the TCC survey and proposals of the structure of the spring auction at the December MIWG. MPs expressed interest in an auction structure with fewer than 8 rounds and limited interest was expressed in the two year TCC product included in the ISO's proposal. The NYISO reached out to the NYTOs and the TOs unanimously agreed to waive the tariff requirement for 4 rounds, enabling the NYISO to conduct 3 rounds for the TCC spring auction and permitting the NYISO to move forward with a 7 round structure. This structure will consist of NYISO offering 25% of system capability of 1 year TCCs, spread over 3 auction rounds. The NYISO will also offer 45% of capacity as 6 month TCCs over 4 auction rounds, and the remaining 30% of capability sold as 1 year and 2 year TCCs in the Autumn auction. The 7 round structure begins the week of February 6, 2012, with bids and offers accepted on February 10. The ISO will post the 2012 auction timeline (Att D of TCC Manual) no later than January 12.

6. Day Ahead Margin Assurance Payments (DAMAP) for GTs

Mr. Paul Edmundson (NYISO) reviewed the presentation included with the meeting material. The NYISO is seeking to clarify the tariff language to specifically permit GTs that have DAM schedules but that are not committed by RTC to be eligible for the DAMAP settlement. The NYISO is seeking to file with the FERC a tariff amendment to specify the eligibility of these units with an effective date of January 1, 2012.

Motion #2:

The Business Issues Committee (BIC) recommends that the Management Committee approve, and recommend to the NYISO Board for filing under Section 205 of the Federal Power Act, amendments to the Market Services Tariff, Attachment J, Day-Ahead Margin Assurance generator eligibility as described in the presentation made to the BIC on this date, January 11, 2012.

The motion passed unanimously by a show of hands with an abstention

7. Electric Gas Coordination Working Group

Mr. Wesley Yeomans (NYISO) provided an update. He noted that the NYISO received comments on the draft scope in December and the NYISO decided to keep the scope limited and not include too much detail. The objective of the scope remains the same: get the two industries together so that each understands one another and their existing protocols. The NYISO strongly supports discussing those topics that were removed from the scope at the meetings. The BIC and Operating Committee chairs, Mr. Ackerman and Mr. Bill Palazzo (NYPA), announced that Brad Kranz of NRG Energy would chair this new working group and the first meeting would be scheduled on February 3, 2012.

Mr. Matt Picardi (Shell Energy) noted that other organizations are looking forward to participating, such as the NGSA. Mr. Ting Chan (Central Hudson) said the NYISO may want to contact the Northeast Gas Association in its outreach to the gas industry.

8. Working Group Updates

a. Billing and Accounting Working Group – Jim Muscatello

Mr. Jim Muscatello (NYPA) reviewed the BAWG meeting notes from 12/22/2011. BAWG has worked on a draft proposal for improving the weekly invoicing. The next BAWG meeting is on 01/18/2012.

b. Electric System Planning Working Group - Deidre Altobell

Mr. Aydemir Nehrozoglu (Con Ed) reported that ESPWG is finalizing CARIS phase 1 report for BIC approval. The ESPWG will have meetings in January to have page turners of the third draft. Market participants were requested for planning data for Gold Book and the RNA. ISO requested data by 02/15/2012.

c. Installed Capacity Working Group – Chris LaRoe

Mr. Chris LaRoe (IPPNY) reported that there has not been an ICAP meeting since the last BIC, but the next meeting is on 01/17/2012 to discuss DRIS.

d. Market Issues Working Group – Patti Caletka

Ms. Patti Caletka (NYSEG & RGE) reported that there were two meetings. At the 12/16/2011 MIWG received an updates of the spring 2012 TCC auction survey, the PJM penalty factor impact analysis, reference level consultation improvement process, and FERC Order 755: Frequency Regulation Compensation. At the 01/05/2012 meeting, MIWG reviewed the DAMAP for GTs proposal and discussion on VSS test validation.. The ISO heard concerns from MPs and will follow up at a future meeting. The next meeting is on 01/19/2012.

e. Price Responsive Load Working Group – Brett Feldman

No update.

f. Credit Policy Working Group - Norman Mah

No update.

g. Load Forecasting Task Force - Bryan Irrgang

Mr. Bryan Irrgang (LIPA) reported that the LFTF last met on 12/16/2012. Agenda topics included final review of load reconciliation, criteria 1, 2 & 3, and 2012 ICAP forecast .

There were questions about inconsistencies regarding econometric data provided to the NYISO by Moody's Analytics and the NYISO would follow up with Moody's. The next LFTF meeting is on 01/27/2012.

9. New Business

Mr. Robb Pike (NYISO) announced a new technical bulletin that will describe interface pricing and methods for modeling unscheduled power flows in NY. There was discussion in the past at MIWG on how to represent power distributions around Lake Erie so when there is an uncontrolled flow of power. The draft technical bulletin will be discussed at the 01/19/2012 MIWG. This relates to one of the NYISO's Broader Regional Markets obligations.

Mr. Fromer asked for clarification that the pricing method described in the new technical bulletin is not going into effect until stakeholders give the ISO input. Mr. Pike said it's not in place now; the ISO deployed software to represent the different modes in October 2011. The ISO has to provide stakeholders a two week notice before it engages either of the modes. This is explained in the technical bulletin. NYISO intends to move forward with the new rules, but if stakeholders are not receptive to them, then the ISO would take it back and consider the input it receives from stakeholders. Ms. Saia noted it would be helpful that the first presentation give background information on this topic.

Mr. Clarke noticed language in the technical bulletin about NYISO-IESO interface of plus/minus 200 MW of power. He noted this sounds like language similar to entitlements. Mr. Clarke didn't think the two standards needed to match, but asked if the pricing needed to match the entitlements. Mr. Schnell said the +/-200 MW bandwidth is consistent with representations that MISO and IESO made to DOE about when they will set the NERC IDC flag to "regulate" and "non regulate."