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Electric System Planning Working Group

Meeting Notes

February 2, 2006

Pine West Plaza Conference Facility - Albany, NY

Of the 41st meeting of the New York Independent System Operator Electric System Planning Working Group held February 2, 2006 at Pine West Plaza in Albany, NY.

In attendance

Tariq Niazi - NYSCPB	John Adams - NYISO
Jerry Ancona – National Grid	John Watzka – Central Hudson
Ernie Cardone - NYISO	Leigh Bullock - NYISO
Tom Payntor - NYSDPS	Carl Patka - NYISO
Diane Barney – NYSDPS	Howard Fromer - PSEG
Audrey Capers - NYSDPS	Tim Foxen - NRG
Tim Bush – Navigant Consulting	Ed Kichline - Keyspan
Raj Addepalli - NYSDPS	Deidre Facendola – Con Edison
Doreen Saia – Mirant	Rick Mancini - CES
Bob Reed - NYSEG	Tom Rudebush - DWGP
Mike Colby - NYSDPS	Mike Mager – Multiple Intervenors
Paul Gioia – LeBoef, Lamb	Kevin Jones – LIPA
Jeff McKinney - NYSEG	Frank Murray – NYISO Env Adv Council
Laurie Oppel – Navigant Consulting	Liam Baker - Reliant
Bill Lamanna – NYISO	Joe Langan - PPL
Glenn Haake - IPPNY	Terron Hill – National Grid
Glenn McCartney - Constellation	Jim Scheiderich – Select Energy
Barry Huddleston - Dynegy	

Welcome and Introductions

Mr. Tariq Niazi, Chair of the Electric System Planning Working Group welcomed the ESPWG members to the meeting and stated the agenda.

Meeting Notes Approval

January 9, 2006 Meeting Notes

The meeting notes from January 9, 2006 were approved and will be posted on the NYISO website.

January 17, 2006 Meeting Notes

The meeting notes from January 17, 2006 were reviewed with additional comments from Market Participants and will be posted on the NYISO website.

Review of RNA by Market Advisor, David Patton

Dr. David Patton presented comments on the Reliability Needs Assessment.

- Reliability needs are predicted in downstate New York in 2008; this does not indicate market design flaws.
- Long term market signals:
 - Net revenue analysis shows that long-term economic signals in NYC are at levels in 2005 that are close to those that will justify new investments.
 - Net revenue levels increased significantly in 2005 due to (1) higher load/ tighter operating conditions in 2005 (2) instances of shortages that resulted in high energy prices under the shortage pricing provisions in SMD.
- One important indication of potential flaws or inadequate market signals will be whether the market solutions proposed to address the reliability issues are adequate.
- If market alternatives are inadequate, this may indicate market design flaws or other issues impeding efficient investment in new and existing generation or transmission.
- To make this evaluation, Dr. Patton will be reviewing the Comprehensive Reliability Plan when it is issued later this year.
- Including combined cycle units into the analysis was discussed.

CRPP - Cost Allocation Guiding Principles

Ms. Diane Barney presented Cost Allocation Guiding Principles. The document is based on wording from NYISO tariff, DPS suggestions, and suggestions from ESPWG discussions. This document would serve as a starting point for determining cost allocation.

Principles include:

- a. The focus of the cost allocation methodology shall be on solutions to violations of specific Reliability Criteria.
- b. Potential impacts unrelated to addressing the Reliability Needs shall not be considered for the purpose of cost allocation for regulated solutions.
- c. Primary beneficiaries shall initially be those Transmission Districts identified as contributing to the reliability violation.
- d. The cost allocation among primary beneficiaries shall be based upon their relative contribution to the need for the regulated solution.
- e. The NYISO will examine the development of specific cost allocation rules based on the nature of the reliability violation (e.g., thermal overload, voltage, stability, resource adequacy and short circuit).
- f. Cost allocation among Transmission Districts shall recognize the terms of prior agreements among the Transmission Owners, if applicable.
- g. Consideration should be given to the use of a materiality threshold for cost allocation purposes.
- h. The methodology shall provide for ease of implementation and administration to minimize debate and delays to the extent possible.

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- i. Consideration should be given to the "free rider" issue as appropriate. The methodology shall be fair and equitable.
- j. The methodology shall provide cost recovery certainty to investors to the extent possible.
- k. The methodology shall apply, to the extent possible, to Gap Solutions.
- l. The cost allocation methodology shall not bias solution selection.

Comments were provided by ESPWG members on this document. This document will be revised to include the additional comments and discussed further at the next ESPWG meeting.

Cost Recovery Issues

Paul Gioia will have a revised document by next ESPWG meeting.

Procedures for Dispute Resolution

Carl Patka reported that there have been no changes from the last document that was presented to ESPWG. Need to incorporate the confidentiality of data that is submitted to PSC.

Generation Unit Retirement Notification Requirements

Carl Patka presented a discussion of the PSC order regarding generation unit retirement notices, and its implications for NYISO's tariffs and procedures. In addition to Carl's presentation, the actual order from the PSC was distributed to ESPWG members.

Notice requirements were reviewed and impact on the NYISO CRPP was discussed. Next steps will include discussion on tariff amendments to OATT and/or Services Tariff to reflect the notification requirements, technical bulletin, and CRPP process.

Halting a Regulated Backstop Solution

Revised section 6.1a was presented to ESPWG members. Paul Gioia reported that the Transmission Owners are close to coming up with a solution. This will be further discussed at the next ESPWG meeting. ESPWG members were asked to submit comments to Paul Gioia.

Next Meeting

The next ESPWG meeting will be held on February 23, 2006 in Albany, NY.