
DRAFT**NYISO Management Committee Meeting Minutes****September 30, 2013****10:00 a.m. – 2:00 p.m.**

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

Mr. Bart Franey, (National Grid), the Chair of the Management Committee (MC), called the meeting to order at 10:00 a.m. and welcomed the members of the MC. Participants introduced themselves and their affiliations. There was a quorum.

2. Approval of Meeting Minutes

The August 2013 minutes were presented for approval.

Motion #1:

The Management Committee (MC) approves the August 2013 meeting minutes.

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

3. President and COO Report

Mr. Rick Gonzales (NYISO), provided the CEO/COO report. Mr. Rich Dewey (NYISO) announced that the interior work in the new control center was completed and the Operations Department began testing. He said the NYISO anticipates providing a tour to stakeholders in January 2014. The parking at the NYISO was also discussed.

Mr. Gonzales reviewed the market and operation performance highlights for August (included in the meeting material). He noted a unique hot weather event on September 11 and thanked the Transmission Owners in preparing the system for reliable operation. In response to a question, Mr. Gonzales said he did not believe there would be an impact to infrastructure support services as a result of the federal government shutdown, but the NYISO could look into it.

4. 2014 NYISO Draft Budget Discussion

Mr. Rich Miller (Con Ed) reviewed the presentation included with the meeting material. The NYISO's 2014 draft budget total is \$160.0 million. Excluding FERC Fees, the NYISO's budget totals \$148.0 million and it is the lowest revenue requirement of all ISOs/RTOs.

Mr. Frank Francis (Brookfield) raised a concern how NYISO projects are ranked and prioritized. His concern was that if a project is critical to the market, but it does not impact many stakeholders, that project would never get selected. Ms. Janet Joyce (NYISO) said the NYISO incorporated the stakeholder comments that it received pertaining to specific projects and noted that one of Brookfield's proposed projects was selected. Mr. Miller noted that the NYISO solicited written comments from all stakeholders on a weekly basis and congratulated the NYISO for transparently including the comments it received in its presentations as well as the NYISO response to those stakeholder comments. He advised stakeholders to participate early in the process if they have a concern whether a project will be considered or not.

Mr. Kevin Lang (Couch White and the City of NY) appreciated the NYISO's responsiveness to stakeholders. He said that Mr. Francis raised a valid concern of the ranking of projects, but added that the NYISO agreed to transparently provide more information about the prioritization process in 2014 and he looked forward to

have a better understanding of that process. Mr. Mark Younger (Hudson Energy Economics) believed all proposed projects had a fair hearing, but noted that projects may not have been selected because they lacked stakeholder support. Mr. Miller agreed and added that stakeholders would like to see an increase in transparency is for projects that receive a high score, but are not ultimately selected. Mr. Gonzales said the NYISO is interested in improving the project selection process.

In response to a question, Mr. Gonzales said the NYISO was supporting the Energy Highway initiatives by using existing NYISO staff. Mr. Franey noted that it is in the tariff that the state has authority to rely on the ISO as a consultant for a variety of issues. Mr. Howard Fromer (PSEG) didn't disagree, but indicated the NYISO's support should be within reason and that money for market projects is not earmarked for PSC projects. If that needed to happen, the NYISO budget should increase to maintain funding for projects that benefit the markets. Mr. Younger agreed. In response to a question from Mr. Rich Bolbrock (MEUA) Mr. Gonzales acknowledged that the new planning initiatives are challenging and the NYISO is evaluating its planning budget in a conservative fashion.

In response to a question from Mr. Bruce Bleiweis (DC Energy) Ms. Cheryl Hussey (NYISO) said the change to the rates paid by non-physical transactions is so small that it doesn't impact the values but agreed to provide more information. In response to a question from Mr. Fromer on the NYISO's budget vs. actual status, Ms. Hussey said the NYISO has an overcollection of \$1.2 million through the end of August and September is on target with the budget. She agreed that there is no likelihood of undercollecting funds the ISO budget in 2013. Mr. Lang noted that stakeholders in past years recommended the NYISO to be more conservative in its budget forecasts to avoid undercollections and the NYISO has been conservative.

Mr. Mike Mager (Multiple Intervenors) noted that in the past MI has opposed or abstained on the budget, but for this year, he thanked the NYISO for its efforts in cost containment and being responsive to stakeholder concerns regarding projects and priorities and noted he would support the 2014 budget.

Mr. Lang noted that the NYISO has grown and expanded considerably since its founding. He added that there was an interest at the PSC to do a management audit of the NYISO a few years ago. He said that his sector was interested in such an audit and asked if other sectors would also be interested. If the PSC could not do the audit, an independent entity could perform the audit. He recognized that there is a cost to an audit, but believed it was money well spent in terms of efficiencies gained.

Mr. Fromer said he was not opposed to an audit to ensure the NYISO is running as efficiently as possible, but would like more information. He said that if FERC thinks it is a sensible to benchmark all of the ISOs/RTOs, then it should come from FERC. Mr. Lang said he didn't know if FERC did a review of the ISO/RTO budgets. Mr. Fromer asked how much an audit would cost. Mr. Lang said he estimated it would cost \$500,000 and was suggesting that the audit take place after 2014.

Mr. Bolbrock said he was not interested in spending the money on an audit, unless there were tangible reasons that it would be helpful. He noted that the BPWG was established a decade ago because the NYISO budget was a mystery and the NYISO was reluctant to provide information that now is a matter of routine. He noted that he did not think the other ISOs/RTOs had a similar working group that helps prioritize the budget transparently. He trusted that the BPWG could do the work for stakeholders.

Mr. Tom Rudebusch (NYMPA) said his clients would be interested to know the benefits of an audit and would like to know if there are limitations at the BPWG. He noted that the BPWG has light attendance. Ms. Erin Hogan (NYSERDA) agreed and said that an audit seemed expensive and she would like to know more

about the scope of the audit. She suggested that the NYISO could share information in the short term and then stakeholders can determine if an audit is necessary.

Mr. Franey thanked Mr. Lang for raising the topic for discussion. All NY market participants want to ensure that we have the best ISO in NY that we can possibly have. Mr. Lang agreed and said he would be responsive to others who would like to see a scope of the audit.

Mr. Doreen Saia (Entergy) noted that a few years ago there was review of how the NYISO was utilizing its staff. She suggested that the review be used as a starting point. Mr. Gonzales thanked the MC and said the NYISO is interested in being efficient as it can be. Mr. Fromer cautioned that this is the first time this topic has been discussed and the MC has not made a judgment. Mr. Andy Antinori (NYPA) said he would be interested in a presentation of what the other ISOs do to make an informed decision. Mr. Gonzales said the NYISO would take the comments it received and consider adding more slides to the presentation for next month's vote on the budget. Mr. Scott Leuthauser (HQ US) noted that as a former National Grid employee, he experienced many audits and they consume the time of staff.

5. 2013 CARIS Phase 1 Report - Draft

Mr. Timothy Duffy (NYISO) reviewed the presentation included with meeting material.

Mr. Mager asked if the NYISO concluded that the proposed transmission projects are not cost effective. Mr. Duffy said each of the transmission solutions, based on the primary metric of production cost savings, were less than 1.0. Mr. Dana Walters (NYISO) added that those are generic solutions and not specific solutions.

Mr. Bleiweis said he had a concern that the CARIS process looks at historic 5 years of congestion and then develops a 10 year projection. He said looking at 3 years is a more reasonable projection. He suggested that the NYISO compare its previous CARIS projections vs. actual and make such information available to people that make public policy decisions. Mr. Lang suggested that Mr. Bleiweis raise those concerns in the PSC Energy Highway proceedings. Mr. Duffy said Mr. Bleiweis' suggestion was not unreasonable and could be considered as part of process improvements.

Mr. Miller thanked the NYISO staff for the hard work on the study and the changes made since the prior CARIS study. He explained that Con Ed particularly applauds the separation of energy efficiency from demand response, which shows the significant impact of energy efficiency and demand response on congestion. However, Con Ed is concerned on the treatment of mothball units in the base case and the NYISO needs to adopt better rules going forward for the purposes of addressing this issue. Mr. Henry Chao (NYISO) said the NYISO is looking at that issue from a process improvement and lessons learned perspective. Mr. Miller added that Con Ed requested that there be an update to the CARIS manual to address this issue so it would not have to be discussed each CARIS cycle. Mr. Duffy said that revisions to the CARIS manual will be on the ESPWG agenda in Q4 2013.

Mr. Franey asked how the NYISO will model the Indian Point units in the RNA. Mr. Chao said depending how the FERC rules on the NYISO's Order 1000 process for public policy, it could be addressed through that process or the RNA process. Mr. Franey asked how the treatment of the new capacity zone was recognized in the informational metric. Mr. Duffy said it wasn't in the informational metric, but would be included in the next cycle. Ms. Saia noted that the Indian Point units still exist so there is no need to trigger the RNA. She added that the public policy rules can't be used in the PSC's Indian Point proceeding because they are specific to a particular generator.

Mr. Younger said he will abstain because the CARIS process has substantial flaws which he raised at the September BIC meeting and captured in the September BIC meeting minutes.

Mr. Gonzales thanked the stakeholders for their support and moving the process forward and noted that the 2013 CARIS Phase 1 is a great improvement over previous CARIS cycles.

Motion #2:

The Management Committee (MC) approves and recommends that the Board of Directors approve the NYISO 2013 Congestion Assessment and Resource Integration Study Phase 1 Report (2013 CARIS Phase 1 Report) as presented by the NYISO to the MC at its September 30, 2013 meeting.

The motion passed unanimously by show of hands with abstentions.

6. Removal of Services Tariff M-1

Mr. James Sweeney (NYISO) reviewed the presentation included with the meeting material. Mr. Fromer asked if PJM is removing this similar section in its tariff. Mr. Sweeney said PJM had also made a filing to supersede the former operating protocol as of May 1, 2012. Mr. Sweeney agreed to look into it, but was not aware of any outstanding issue that would warrant keeping the NYISO's Services Tariff Attachment M-1.

Motion #3:

The Management Committee (MC) hereby approves and recommends that the NYISO Board of Directors authorize the NYISO staff to file under Section 205 of the Federal Power Act, amendments to the NYISO's Market Services Tariff Sections 28 and 30 and Open Access Transmission Tariff Section 35 consistent with the presentation entitled, "Removal of Services Tariff Section M-1," made to the MC on this date, September 30, 2013.

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

7. Coordinated Transaction Scheduling (CTS) with PJM

Dr. Nicole Bouchez (NYISO) reviewed the presentation and tariff language included with the meeting material. In response to a question, Dr. Bouchez said that if PJM substantively changed the market design, the NYISO would bring the proposal to the NYISO stakeholder process. The NYISO does not anticipate any changes, as it is working closely with PJM.

Mr. Fromer asked for confirmation that there would be no change in available avenues of recourse to seek redress from the NYISO in the event there are pricing abnormalities in real time on any of the interfaces based on the elimination of the import curtailment guarantee. Dr. Bouchez said there would be no change to the current avenues of recourse available to stakeholders.

Mr. Francis said removing the import guarantee is inappropriate given that the accuracy of PJM's IT SCED forecast has been a concern and there is no transparency to that process. Dr. Bouchez noted that PJM moved up the date it would publish the data from IT SCED. PJM also committed to review the accuracy with IT SCED. She added that market participants are not forced to use CTS transaction bids. They can continue to use the LBMP transaction bids. Mr. Fromer cautioned that the proposal does affect MPs that assumed long term obligations under a certain set of assumptions and the NYISO should acknowledge that it is changing the rules. Dr. Bouchez agreed that the rules are being changed.

Mr. Miller said Con Edison would move the motion, but expressed a concern that there is money left on the table for customers and that PJM is inappropriately linking cost allocation for transmission planning to elimination of interregional transaction fees.

Dr. Bouchez reviewed three modifications to the tariff language included with the meeting material: the footnote to OATT 4.4.4 was simplified, MST 4.4.1.2.2. had a change from “may” to “shall,” and a single word change in MST 2.3 to clarify the CTS Sink and CTS Source definitions.

Motion #4:

The Management Committee (MC) hereby approves and recommends that the NYISO Board of Directors authorize the NYISO staff to file under Section 205 of the Federal Power Act, amendments to certain sections of the NYISO’s Market Services Tariff and Open Access Transmission Tariff consistent with the presentation entitled, “Coordinated Transaction Scheduling (CTS) - NYISO & PJM: Tariff Language Review,” made to the MC on this date, September 30, 2013.

The motion passed by majority show of hands with abstentions.

8. Early Termination of Incremental TCCs

Mr. Greg Williams (NYISO) reviewed the presentation and tariff language included with the meeting material. In response to a question, Mr. Williams said he did not believe an early termination of incremental TCCs would affect the total transfer capability of the system.

Motion #5:

The Management Committee (MC) approves and recommends that the NYISO Board of Directors also approve, for filing with the FERC pursuant to Section 205 of the Federal Power Act, amendments to the NYISO’s OATT Section 19 as described in the presentation entitled “Early Termination of Incremental TCCs”, made at the September 30th MC meeting.

9. Special Pricing Rules Updates

Mr. Mike DeSocio (NYISO) reviewed the presentation included with the meeting material. In response to a question, Mr. DeSocio explained a concern would be presented if NYISO eliminated RT BPCG at the PJM interfaces, but left it in place at the IESO interface. The goal is to eliminate BPCG at all external interfaces so that all external interfaces are treated equivalently.

Mr. Fromer asked about the difference between this proposal and the CTS with PJM proposal. Mr. DeSocio explained that CTS with PJM deals with PJM interfaces that allow CTS bidding. This proposal removes RT BPCG for all imports at every interface. The proposal would become effective in early 2014. Mr. Fromer said BPCG is a form of price protection for imports and questioned why it is being removed prior to CTS implementation. Mr. Fromer stated that the proposed revisions should not come into play until both regions approve and CTS is implemented. Mr. Miller said Con Edison views the proposal as an issue of proper risk allocation that eliminating BPCG is not specific to CTS. Mr. Mike Cadwalader (Atlantic Economics for the NYTOs) said if you want to change the pricing rules in a way that allocates the risk in a different way, you need to get rid of the guarantee which would otherwise undermine the whole purpose of the pricing rules. Mr. Fromer asked that the minutes reflect that this change will in no way impact a Market Participant’s ability to seek redress with the NYISO in the event there are pricing abnormalities in real time on any of the interfaces.

Motion #6:

The Management Committee (“MC”) hereby recommends that the Board of Directors authorize the NYISO to file with the Federal Energy Regulatory Commission, pursuant to Section 205 of the Federal Power Act, to approve changes to the NYISO’s MST with regard to the Special Pricing Rule updates as more fully described in the presentation made to the MC on September 30, 2013.

The motion passed by majority show of hands with abstentions.

10. New Business

Mr. Franey announced that a special MC meeting will be held on October 9 to enter into Executive Session to vote on the Board Selection Subcommittee recommendations. Mr. Younger thanked the NYISO for improving the internet speed in the conference center. Mr. Mark Seibert (NYISO) reminded market participants to participate in the annual survey.

The meeting adjourned at 2:00 p.m.