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**NYISO Management Committee Meeting Minutes****August 27, 2014****10:00 a.m. –1:00 p.m.**

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

The chair of the Management Committee (MC), Mr. Alan Ackerman (CES) called the meeting to order at 10:05 a.m. by welcoming the members of the MC. The members of the MC identified themselves and attendance was recorded. A quorum was determined. Mr. Ackerman announced that the following guests and member of the public were in attendance:

Rhonda Jones (FERC)  
Adria Woods (FERC)  
Adam Bednarczyk (FERC)  
Kevin Siqveland (FERC)  
Kathleen Schnorf (FERC)  
Renee Thorne (FERC)  
Paul Varnado (FERC)  
William Opalka (RTO Insider)

**2. Approval of Meeting Minutes****Motion #1:**

The Management Committee (MC) approves the July 2014 meeting minutes.

***The motion passed by show of hands with an abstention (TC Ravenswood)***

**3. President/COO Report**

Mr. Rana Mukerji (NYISO), on behalf of Stephen Whitley, reviewed the President's Report included with the meeting material. He noted that the MC would, later in the meeting, discuss a new fuel assurance initiative and that the NYISO felt it was important to raise the topic at the MC even though the discussions would take place at the working group level.

**4. Customer Satisfaction Index (CSI) Update**

Mr. Richard Barlette (NYISO) reviewed the presentation included with the meeting material.

Mr. Howard Fromer (PSEG) asked if the survey vendor could present the annual survey findings that would compare the performance of the NYISO with other ISOs and RTOs. Mr. Barlette said that the NYISO could include that information.

Mr. Rich Miller (Con Edison) asked if the NYISO had developed a staff incentive proposal. Mr. Barlette noted that the NYISO had a 2014 corporate goal tied to the CSI performance and individual goals were tied to the CSI.

**5. 2014 Reliability Needs Assessment (RNA)**

Ms. Yachi Lin (NYISO) reviewed the presentation included with the meeting material.

Ms. Doreen Saia (Entergy) asked if some of the transmission security needs identified in the 2014 RNA were also identified in the 2012 RNA. Ms. Lin said that was correct. Ms. Saia observed that

the 2012 RNA explicitly indicated that there would be voltage performance and reactive power concerns if the Indian Point nuclear power plant retired and asked why the 2014 RNA did not also reference such concerns. Ms. Lin said that the 2014 RNA report has language stating the findings of the 2012 RNA regarding the Indian Point retirement have not materially changed.

Mr. Mark Younger (Hudson Energy Economics for Indeck) asked how the NYISO would respond to the Market Monitoring Unit's (MMU) memo regarding the 2014 RNA. Mr. Mukerji said the NYISO evaluates and discusses the MMU's recommendations as part of the NYISO's project plans. Ms. Saia said the MMU memo was clear that due to a reliability need, there was a market flaw. She added there was a lack of a transparent process in terms of responding to the MMU and asked the NYISO to take an action item to have a running list of the MMU's recommendations and FERC filings and track where each recommendation is in the NYISO stakeholder process and if it is not in the stakeholder process, then when would the NYISO expect the recommendation to be discussed in the stakeholder process. She noted that the NYISO may not always agree with the MMU, but it would ensure that there is a NYISO response to the MMU's recommendations. Mr. Fromer supported Ms. Saia. Mr. Mukerji said that when the MMU gives recommendations outside the State of the Market report, the NYISO could include them. Ms. Patti Caletka (NYSEG) agreed with Ms. Saia and said that the NYISO should perform analysis on these recommendations at the BPWG. Mr. Miller said it would be helpful for the MMU to explain how the recommendations in the memo were tied to the recommendations in previous State of the Market reports and if the previous recommendations should be revised for the following year.

Mr. Fromer expressed a concern with the sequencing of the next steps and did not want generators becoming solutions with out of market contracts to solve the reliability needs. He said the market issue needed to be addressed. Ms. Caletka suggested that the NYS Public Service Commission REV proceeding may want to look at it. Mr. Fromer disagreed and said that the PSC should not be involved in the wholesale market.

Mr. Miller also noted that Con Edison requested that the NYISO include in the RNA a reference to the new EPA rule to reduce carbon emissions from existing power plants because of the potential impact on the reliability of the NY system. A footnote on page 50 was added to the report that mentioned that the NYISO would report to stakeholders and he asked when the NYISO would begin reporting to stakeholders. Mr. Henry Chao (NYISO) said the NYISO would report at the September 15<sup>th</sup> ESPWG. Mr. Miller thanked the NYISO for planning to discuss the topic before the EPA comment period concluded. In response to a question from Mr. Jackson Morris (NRDC), Mr. Chao said NYS DEC and NYS DPS staff were invited to attend the September 15<sup>th</sup> ESPWG meeting. Ms. Saia noted it was helpful that the NYISO completed the 2014 RNA before the new EPA rules were released.

**Motion #2:**

WHEREAS, the ESPWG and TPAS have held a series of meetings with NYISO Staff to discuss and review the studies and analyses underlying the NYISO's findings regarding Reliability Needs in New York State; and

WHEREAS, NYISO Staff incorporated modifications to this document based on comments received at nine ESPWG/TPAS meetings from April 11 through August 7, and made a presentation of its findings based on the 2014 Reliability Needs Assessment Draft Final Report (RNA Report) at the August 14, 2014 Operating Committee (OC) meeting; and

WHEREAS, the OC reviewed and concurred with the RNA Report, with the limited modifications discussed at the meeting, and recommended that the Management Committee (MC) concur with the RNA Report, as revised at the August 14 OC meeting, and that the MC recommend approval of such revised RNA Report by the NYISO Board of Directors;

NOW, THEREFORE, based on the presentation made by the NYISO at the August 27, 2014 MC meeting, the MC hereby concurs with the RNA Report as presented, and hereby further recommends the approval of such RNA Report by the NYISO Board of Directors.

***The motion passed unanimously by show of hands with abstentions (TC Ravenswood/Central Hudson)***

#### **6. Proposed Black Start Program Changes**

Mr. Brad Garrison (NYISO) reviewed the presentation included with the meeting material.

Mr. Miller asked why the NYISO was seeking NYISO Board of Director approval in October and not September. Mr. Rob Fernandez (NYISO) said the September Board meeting was the strategic retreat and that the Board would not have enough time to review the proposed changes at that meeting.

Mr. Fromer said FERC found that the black start program was just and reasonable two years ago and now the Reliability Council has forced the NYISO to make the proposed changes. He had the following questions/comments:

1. Mr. Fromer noted that the current program was voluntary and the proposed changes would make it mandatory. A generator will be forced to do a study and hire experts to show that they are not needed in the program or cannot reasonably provide the service. It is a burden on generators. He said he did not understand why the developer, if successful, should not be reimbursed for costs that were imposed on them. He said Con Edison should bear the cost. Mr. Kevin Jones (Hunton & Williams) stated that the costs in question are not fundamentally different than other unreimbursed costs that generators incur in order to participate in the NYISO markets. Mr. Fromer disagreed and said a balanced approach would be more equitable. He said it was his understanding that the NYISO never proposed these changes and the NYSRC directed the NYISO to make these changes.
2. Mr. Fromer asked what was the standard being imposed upon the NYISO. He said the NYSRC approach allows a Transmission Owner to designate units as opposed to setting a standard or requirement that had to be met and then looking to the NYISO to satisfy that objective standard. Mr. Garrison said the standard of the proposed rule is whether a designated unit would provide a material benefit to the black start plan. The NYISO previously noted that there is no recognized quantitative standard for determining the adequacy of a black start program.
3. Mr. Fromer asked whether, if a generator required to provide service sought a unit-specific rate, as provided for under the program, it had a Section 205 filing right to do so. Mr. Jones stated that the provisions regarding the opportunity to file for a unit-specific rate are unique to this application. Mr. Jones also noted that the provisions for a unit specific rate are already approved by FERC, a part of the current tariff, and not part of the current proposal. Mr. Jones noted that the Commission had rejected a proposal to establish a unique application of the Section 206 filing standard. Mr. Jones stated that a filing for a unit-specific rate would be a joint filing by the NYISO and the generator and added that the NYISO would be obligated to make the filing. The tariff states that a unit qualifies for a unit-specific rate if the actual, incremental costs of providing black start service are reasonably and prudently incurred solely for the purpose of providing the service. Mr. Jones stated that the NYISO would not be hostile to such a filing. Dr. Sasson agreed with Mr. Jones.

Dr. Sasson said that a generator's cost to perform a study should not be significant because if the generator already decided to opt out of the NYISO's blackstart program and provided notice, the generator should already have the information that will be presented in the study.

Dr. Sasson said that when the NYISO was created, there was a concern about whether reliability could be voted down. Another entity, the NYSRC, was formed that would require nine affirmative votes out of the 13 members to pass a measure.

Mr. Fromer asked if Con Edison could un-designate a unit selected to provide black start service if it received a unit-specific rate that Con Edison considered to be too high. Mr. Miller noted the proposed tariff provisions apply only to generators that already have black start capability, which should limit the costs to provide the service, and stated that Con Edison is not allowed to take a unit out of the program until it has fully recovered its costs. Mr. Miller stated that the unit-specific rate is not the subject of the proposed changes and stated that some members of the generator sector supported it when it was proposed. Dr. Sasson said black start and restoration is not something that one can do a cost benefit analysis because the 2003 blackout cost billions of dollars. If you convince FERC that your costs are higher and Con Edison doesn't have a specific opinion on the math, it is a FERC decision.

Mr. Younger said he was troubled by the vagueness of the "non-standard standards" for the definition of "material benefit." He asked if a generator came forward and wanted to leave the market, was Con Edison in a position to say that the provider should stay in the program and the unit could not leave the market. Mr. Fernandez said a unit would need permission from section 70 of the Public Service Law, as described by a PSC order. Dr. Sasson said black start service did not trump retirement and could not serve as a basis under the NYISO tariffs for preventing a unit from retiring. Mr. Jones noted that other authorities would have a role in the determination.

Mr. Chris LaRoe (IPPNY) asked for clarity on the good cause provisions and asked how financial considerations could amount to good cause in light of the unit-specific rate provisions. Mr. Jones stated that the list of was made as inclusive as possible and noted that it was created at the urging of the generators with the NYISO's support.

Mr. Kevin Lang (Couch White for City of NY) said the proposal is rational and reasonable for everyone. He wanted to echo Dr. Sasson's comment that the cost of a blackout is in the billions of dollars per day in total economic losses. If the City has to pay a generator a few million dollars a year to maintain black start to avoid a black out, it is unnecessary for a cost benefit analysis. Every case would be unique and fact specific and the tariff changes only apply to units that were already black start capable.

Mr. David Lawrence (Energy Connect) noted that his company abstained at the BIC. After reviewing the reliability rule and the proposed tariff changes, Energy Connect will change its vote at the MC and support the motion.

Mr. Fromer asked what role the NYISO has in independently reviewing Con Edison's determination. Mr. Jones said that a generating unit designated by Con Edison may elect to participate (should they so choose), otherwise it would be required to participate in the Con Edison plan unless the NYISO determines that the generating unit would not provide a material benefit to system restoration or, regardless, the generator shows good cause that it would be unduly burdensome or unreasonable. Mr. Jones stated that Con Edison has the initial burden to prove that the unit provides a material benefits, whether or not the generator facility challenges the assertion, and to facilitate the NYISO's determination. Ms. Caletka asked if the NYISO reviewed Con Edison's plan. Mr. Garrison said the NYISO reviewed the plan annually.

Mr. Jim D'Andrea (TC Ravenswood) said TC Ravenswood has been at the forefront of the black start issues and they will not be resolved at the MC. Most of them are jurisdictional issues and the concern of TC Ravenswood is the control of its assets and its obligation to serve versus the total costs of doing so. TC Ravenswood decided it was better to stay at FERC with its 205 filing and rate for less money than to come into the NYISO's tariff because the asset is much bigger than black start, but the black start service could potentially destroy the asset.

**Motion #3:**

The Management Committee ("MC") hereby recommends that the NYISO Board of Directors authorize the NYISO to file with the Federal Energy Regulatory Commission, pursuant to Section 205 of the Federal Power Act, proposed changes to the NYISO's Market Services Tariff as described in the presentation entitled "Proposed Black Start Changes", made to the MC on August 27, 2014.

***The motion passed with 63.14% affirmative votes.***

**Motion #3a:**

Motion to table motion 3.

***The motion failed with 32.67% affirmative votes.***

**7. Fuel Assurance Initiative**

Dr. Nicole Bouchez (NYISO) reviewed the presentation included with the meeting material.

Mr. Rich Bolbrock (MEUA) asked what was meant by the winter outage/unavailability recommendation from the 2013 State of the Market report and about the creation of critical operating days term. Dr. Bouchez noted that the concepts needed to be further discussed and developed at the working group level, but explained that the MMU recommended better information between generators using oil inventories and the NYISO to help the NYISO know the state of the inventories. The critical operating days concept was introduced at the MIWG yesterday as leading to slightly different market outcomes to provide better operational comfort on high peak days. Critical operating days and will be further discussed at the working group level.

Mr. Frank Francis (Brookfield) asked if the NYISO was looking at its neighbors to create a separate capacity market. Dr. Bouchez said the NYISO was looking at the market rules in PJM and ISO-New England, but would be developing NYISO-specific rules with its stakeholders because New York is not facing the same issues as its neighbors.

Mr. David Clarke (Power Supply Long Island) said he supported the changes that the NYISO raised in the presentation. With respect to real time energy markets, the NYISO needed to do additional thinking to reduce incremental real time gas burn and what the policies should be with respect to real time gas burn. The NYISO should also look at how to achieve that with respect to setting reference prices. He said cost recovery is important, but it is not the only thing. There are implications when you have incremental gas burn in how it addresses gas system reliability, which can cause some of these gas operational issues.

Mr. Alex Ma (Invenergy) said the annual capacity market would be discussed at tomorrow's ICAP WG meeting. He asked if it was related to the fuel assurance initiative and would work together with it. Dr. Bouchez said the NYISO has not finalized its thought process but expected the eventual designs to work together. She said the NYISO would start talking about the capacity changes in the late September 2014 timeframe.

Mr. Younger said in the BPWG process, he raised a concern that the NYISO lacked a definition for the minimum requirements to be an ICAP provider. Dr. Bouchez said that defining the obligations for an ICAP provider would be part of the fuel assurance topic and she would keep track of it at the working group. Mr. Younger said he would be more comfortable having it in writing and very soon.

Ms. Caletka said there are numerous projects listed in the presentation that would have significant costs and asked the NYISO to look at each of these projects to make sure the reliability aspect justified the costs to consumers. Mr. Mukerji said that the NYISO would conduct consumer impact analyses for the projects described as appropriate.

In response to a question from Mr. Heinrich, Mr. Mike DeSocio (NYISO) said if the four to six hour demand response obligation proposal did not move forward, the reserve shorting pricing levels within the comprehensive shortage pricing proposal would be revisited. Additionally, any adjustments to scarcity pricing levels would no longer be necessary.

Mr. Miller said Con Edison supported the fuel assurance initiative and would like it to move as soon as possible. The market design approval wouldn't take place until the end of 2015, but actual tariff language approval should be part of the 2015 project list.

Mr. Fromer said the NYISO mentioned that there could be things implemented for the 2014-2015 winter and asked if there would be any other changes. Mr. Mukerji said there would not be a tariff change for the upcoming winter. Mr. Fromer asked if a potential change would include similar actions taken by ISO-New England. Mr. Mukerji said the NYISO has looked at what ISO-New England has done and what PJM has proposed, but the NYISO would draft a proposal that would address NY concerns. Mr. Fromer suggested that the NYISO should look at dual-fuel capability for setting the demand curve. Mr. Miller noted that FERC made it clear that FERC wanted to see more market based changes. Mr. Fromer agreed and supported seeking market changes first. Mr. Clarke supported Mr. Fromer's view that the NYISO should look at what ISO-New England has done.

Mr. Bart Franey (National Grid) noted that some the fuel assurance initiatives may crosswise with pending EPA regulations and compliance plans for EPA regulations. He asked how the NYISO would examine both. Ms. Bouchez said the NYISO was aware of the regulations and anticipated that they would be part of the discussion at the working group.

Ms. Caletka asked if the NYISO was planning to make a presentation of what operational changes it would make for the 2014-2015 winter. Mr. Yeomans said the NYISO was planning to discuss it at an upcoming Electric Gas Coordination Working Group and noted that the changes were not market design changes, but improved coordination, outreach on the fuel surveys, and internal changes at the NYISO to improve fuel visibility for operations.

Mr. Miller said fuel availability self reporting was a potential 2015 NYISO project and asked if that would be in place for the 2015-2016 winter. Mr. Yeomans said it would be a project to get automated self-reports on fuel from NY generators every single day that would differ from the current process of seeking updated information from NY generators only during cold snaps.

Ms. Hogan expressed a concern in how the initiative was being incentivized. She said part of the discussion should look at the underlying causes of the winter 2013-2014 outages and the initiative should also develop penalties. Ms. Bouchez said penalties would be discussed along with incentives.

## **8. New Business**

Mr. Ackerman noted that the next MC meeting date was changed to September 30<sup>th</sup>.

The meeting adjourned at 1:00 p.m.