

# NYISO Management Committee Meeting Minutes

March 25, 2009

NYISO – Krey Corporate Center

10:05 a.m. – 1:46

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

The Chair of the Management Committee (MC), Mr. Bill Palazzo (NYPA) called the meeting to order at 10:05 AM and welcomed the members of the MC. The members of the MC then identified themselves.

Under the Chairs report, Mr. Palazzo reminded members that there was a request made for input from Market Participants on how contracts might be posted on the NYISO website in compliance with FERC Order 719. He urged members to contact Ms. Elaine Robinson at [erobinson@nyiso.com](mailto:erobinson@nyiso.com) with their interest in working with the NYISO on this.

## 2. Approval of Minutes

The meeting minutes were deferred to the April Management Committee meeting.

## 3. President's Report

Mr. Steve Whitley (NYISO) presented highlights of the President's Report. He reported that LBMPs were averaging \$52.73 in February, down from \$73.28 in January, a 28% reduction. The reasons for this were natural gas prices were down, and demand through our system was down partly to weather and partly due to economy. He added that uplift was also in the low numbers.

Mr. Whitley announced two upcoming events, the April 29 EPRI Green Transmission Workshop and the April 30 NYISO Symposium, *Foundation to the Future: Infrastructure, Innovation, Investment*, to be held at the Desmond Hotel and Conference Center in Albany, NY. Mr. Whitley provided details on the events, and noted that FERC Chairman Jon Wellingoff would provide the keynote address at the Symposium. He urged all members to attend.

In response to a question regarding the status of Board vacancy, Mr. Whitley reported that the board has selected two candidates from the list and expects to see an announcement go out soon.

Mr. Matt Picardi (Shell) asked for an update on Interregional Congestion Management. Mr. Rana Mukerji (NYISO) reported that the NYISO has had very productive discussions with the neighboring ISO's around Lake Erie. NYISO, PJM, MISO and Ontario are looking at long term solutions regarding scheduling and pricing, as well as congestion management. Also, discussions between NYISO and ISO-NE have been ongoing, and the NYISO will come forth later this year with proposals. Mr. Mukerji added that this item has been included in the seams report.

Mr. Rick Gonzales (NYISO) reported on a new application, or trending analysis tool, that the NYISO has put in place, which will be used to minimize costs to consumers as well as protect system reliability. The analysis chart he presented would eventually show rolling 24-month trends of balancing market residuals, and would be indicative of showing seasonal issues involved with balancing market congestion residuals, most specifically the identification of thunderstorm watch and local reliability charges assigned to NYC and Con Edison service territories during the summer periods due to a thunderstorm watch. Mr. Gonzales pointed out that these charges, as identified on the chart were not allocated statewide, but the visibility is useful as there has been confusion on uplift costs and how they are allocated. By providing transparency, the NYISO would like stakeholders to have confidence that balancing market residuals and uplift costs are being monitored and evaluated.

Mr. Steve Whitley added that this is a new process that was put in place, as the NYISO was working on the Lake Erie issue, to hone in on identifying issues and anomalies. Market monitoring, credit and the control center is involved, and looks at our system and neighboring systems regarding changing flows, pricing conditions and anomalies. Mr. Rich Bolbrock (MEUA) urged the NYISO to combine the tariff violation procedures that are currently being developed, with this report.

Mr. Gonzales stated that he would look into including point of injections and point of withdrawals on the chart.

Mr. Mike Mager (Couch White) recognized and thanked the NYISO for their hard work with respect to reducing uplift.

Mr. Gonzales reported on the recent trends regarding the Lake Erie circulation assumptions in the day ahead market. He reported that the NERC TLR (transmission load reduction) process would be used to limit or reduce unscheduled transmission use of the NYISO grid. He added that the NYISO is hopeful that the ISO's and RTOs that surround Lake Erie will come up with a comprehensive congestion management process that will not only include internal re-dispatch but will look at identifying all sources of unscheduled transmission use through each other's system, and come up with an equitable way to manage unscheduled loop flows. In the short term, the NYISO is prepared to use the NERC TLR process to manage this. Mr. Gonzales provided examples on when the TLR's would be invoked.

Mr. Gonzales next reported on the 25-day outage involving the Beck Niagara 345 KV transmission facilities. Under these outage conditions, the NYISO has very restrictive system operation and there is no IESO to NYISO transaction scheduling allowed, there is a zero ATC, PJM to NYISO imports are being limited to about half their normal capability and HQ exports are being limited. The total western NY zone exports are being limited to 100 MWs ATC. Congestion patterns will be unusual during these periods as a result of these facility outages. Circulation values will be quite low and will be factored in when the outage is over. He stated that this is being closely monitored to ensure the NYISO does not incur any unwarranted costs.

Mr. Rick Mancini (CES) asked how the 30-day rolling average would be handled during the outage. Mr. Gonzales stated that a final decision on this would be made once the outage was over, and this would be shared with market participants.

#### **4. Waldwick PAR Update**

Mr. Rick Gonzales (NYISO) referred to the material the NYISO posted on March 11, and provided background information on the February 9 FERC Order on the NYISO's request for a tariff waiver for the Waldwick PAR input error. The order required that the NYISO provide all data and analysis requested by the Market Participants as well as their responses to the tariff waiver requests, to discuss with stakeholders whether any course of restitution was feasible, and to report back to FERC by March 11 with the results of the discussions. On March 11, the NYISO provided the requested data analysis to Market Participants through a posting on the NYISO website and an email to the main contact representation with each individual company's share of the increased balancing market residuals. The NY Transmission Owners were provided their share of the congestion rents.

Mr. Gonzales stated that Dr. David Patton and Pallas LeeVanSchaick of Potomac Economics were on the line to answer questions from members on data or analysis. He added that this topic will be discussed further at both the April Market Issues Working Group and the Business Issues Committee meetings. The sector meetings will provide an additional venue for discussion of this item.

Mike Cadwalader (LECG) asked if the NYISO was planning on performing any additional analysis before this was brought to the BIC or MIWG. Mr. Gonzales said that we will be looking for additional input from market participants on this. Additional analysis will be discussed by MPs at the April meetings.

Mr. Gonzales stated that the NYISO was willing to answer individual questions and asked that they be directed to Ms. Elaine Robinson. He summarized the data analysis and restitution information that was provided to Market Participants that was sent out on March 11.

Mr. Paul Gioia (representing the TOs) asked that the NYISO explore further ways to amend the tariff to create procedures that would enhance FERC's ability to order refunds in appropriate cases. If there are major errors or manipulation of the markets the interest of consumers should be protected.

Steve Whitley stated there have been many process improvements in place now in various departments, mainly brought about through Lean Six Sigma. The Lake Erie action plan ties into this; controls were modified after this error as well as everyday operations. Mr. Whitley noted that the NYISO is committed to improving its processes.

Mr. Mike Mager (Couchwhite) stated that while he appreciated and recognized the improvements, stakeholders need to be sent timely information and details when errors are made. He stated that a consistent policy should be put in place that would be fair to all market participants.

#### **5. Procedures for Notice of Tariff-Related Problems**

Mr. Wayne Bailey (NYISO) reported on the FERC Order, which directed the NYISO to develop procedures for early notification of stakeholders and stakeholder committees of possible errors affecting its markets, timely follow-up and detailed explanations

regarding errors, greater transparency and heightened responsiveness to the stakeholders and appropriate committees.

Mr. Bailey outlined the process NYISO would follow with respect to reporting issues to the Commission and also to Market Participants. Comments from Management Committee members were compiled during the meeting, and a straw proposal will be developed and discussed at future meetings.

## **6. NRG Appeal of Operating Committee Action on Q#266 Berrians GT III SRIS.**

At the request of NRG, this agenda item was tabled until the next Management Committee Meeting.

## **7. Two Year TCC Credit Requirements**

Ms. Janet Joyce (NYISO) presented background information on the NYISO proposal to obtain tariff authority via MST (Attachment K) and OATT (Attachment W) for the NYISO to establish credit requirements for two year TCCs. Also, Ms. Joyce explained the NYISO and TOs discussion in 2008 to offer two year TCCs for approximately 5% of auction capacity, subject to TO and MP concurrence. Ms. Joyce stated the NYISO would be evaluating the feasibility of deploying the software changes necessary to implement the credit requirements in support of offering the two year TCC in either the Spring 2010 Capability Period Auction or the Autumn 2010 Capability Period Auction.

Mr. Bruce Bleiweis stated that he would like to defer this action so NYISO and Market Participants could consider alternative methodologies for calculating credit requirements; Ms. Joyce responded that alternative methodologies had been reviewed internally and with LECG, but the proposed methodology was the only proposal the NYISO was comfortable moving forward with to ensure the risk associated with the two year TCCs was sufficiently covered. Ms. Joyce also suggested, per the information provided in the presentation, that once the NYISO and Market Participants had accumulated enough data to statistically validate another approach, the NYISO would evaluate alternative methodologies. Mr. Scott Harvey of LECG stated that there isn't another acceptable approach that can be statistically validated at this time due to the lack of NYISO and MP history with the two year TCC product. Mr. Bruce Bleiweis stated that FERC does not like filings without an implementation date. Ms. Joyce stated that the NYISO would not file the proposed tariff changes with FERC until the NYISO determined the targeted implementation date.

Mr. Kevin Jones stated that while Market Participants would be voting on credit requirements, the two year TCC would not be offered until such time NYISO and TOs agree that the product should be offered. Ms. Joyce stated that Mr. Jones was correct. Mr. Howard Fromer asked that copies of tariff language be distributed to chairs for their approval prior to being filed.

### **Motion #1**

The Management Committee hereby recommends that the Board of Directors approve revisions to the NYISO's tariffs to implement the credit requirements for two year TCCs, as more fully described in the presentation made to the Management Committee as modified at the March 25, 2009 meeting.

***The motion passed unanimously with one abstention.***

## **8. Attachment B Clarification – Regulating Units.**

Mr. Shaun Johnson (NYISO) reported on the background of the initiative, and explained that the purpose of the Attachment B clarification is conform to the Tariff to the code.

### **Motion #2**

The Management Committee hereby approves the revisions to Attachment B of the Market Services Tariff and Attachment J of the Open Access Transmission Tariff to indicate that regulating units should be treated as dispatchable in the pricing passes of RTS, in a manner that is consistent with the tariff provisions presented to the Management Committee this date, and recommends to the Board that it authorize a Section 205 filing.

***The motion passed unanimously.***

## **9. Land Fill Gas as Intermittent Resource**

Mr. Shaun Johnson reviewed a presentation on the topic. He noted that there are currently approximately 77 MWs of landfill gas to electricity suppliers scheduled throughout the NYISO. This number, he noted differed from what was reported at the MIWG.

Mr. Ray Kinney (NYSEG) stated many facilities have been granted PURPA status and sell output to local utility, and it is not the Plant Owners, but the Transmission Owners who are subject to penalties. Mr. Kinney requested that when the NYISO makes the filing at FERC it seeks immediate activation of this penalty provision, and waive the 60 day notice provision. Mr. Johnson replied the NYISO will request day after filing effective date. Mr. Howard Fromer (PSEG) requested the NYISO clarify whether this applies solely to methane gas units or if dual fuel units are applicable. Mr. Johnson replied this is meant for methane gas units only. Mr. Fromer asked that the proposed Tariff Language be clarified before the MC so that is clear.

Mr. Nachmias stated that the language is intended to address the issue raised at BIC, which was a concern that resources could game the exemption by not depending on landfill gas but using it and getting the exemption.

### **Motion #3**

The Management Committee hereby approves the revisions to the Market Services Tariff to compensate resources which depend on landfill gas as their fuel at their actual output, in a manner that is consistent with the presentation made to the Management Committee this date, and recommends to the Board that it authorize a Section 205 filing.

***The motion passed unanimously.***

## **10. LTFT Provisions Proposal**

Ms. Patti Farrell (NYISO) provided background. On November 20, 2008 the Commission issued an order on the NYISO's compliance filing implementing long- term transmission Rights. In its Order, the Commission rejected two parts of the NYISO's filing for being outside the scope of a compliance proceeding without prejudice to the NYISO re-submitting its proposed tariff language under Section 205 (Termination provision and

Billing and payment provision). As a result, the NYISO is seeking stakeholder approval to resubmit its proposed tariff language on these two areas in a new Section 205 filing.

Mr. Stu Nachmias asked that the NYISO clarify that the current MC motion was amended from what was presented at BIC.

**Motion #4:**

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, to seek approval of amendments to certain LTFTR provisions of the NYISO's OATT, Attachment M (and to make conforming changes to Attachment B of the Services Tariff), pursuant to the presentation made to the Management Committee on this date.

***The motion passed with abstentions.***

**11. FERC Order 719 Compliance, Proposed Market Monitoring Structure**

Mr. Rana Mukerji (NYISO) reported on the NYISO's plan to comply with FERC Order related to market monitoring functions.

The Order adopted an approach that requires "core market monitoring functions" to be vested in a "Market Monitoring Unit" that reports directly to the non-management members of the NYISO's Board.

Core Market Monitoring Functions include:

- Evaluate existing and proposed market rules, tariff provisions and market design elements and recommend proposed rule and tariff changes to the ISO, Commission staff and to other interested entities;
  - Review and report on the performance of the wholesale markets to the ISO, the Commission, and other interested entities, on at least a quarterly basis and submit a more comprehensive annual state of the market report; and
- Referring market violations and market design flaws to FERC.
- The NYISO's proposal is to have Potomac Economics be responsible for the three core functions and to report to the Board, with the internal Market Mitigation and Analysis Department responsible for mitigation and assisting the NYISO's efforts to implement the requirements of its Tariffs.

The group discussed ethical standards; and asked the NYISO to consider adding this and conflict of interest into the filing.

Concern was expressed regarding the role of the MMU in developing rules, as opposed to reviewing and commenting on the proposed solution.

Mr. Rich Bolbrock stated that if the external MMU function was separate, many concerns would go away. He asked if the NYISO could put together a list of pros and cons on whether it makes sense to bifurcate these functions.

Mr. Mukerji stated that Order 719 would be discussed in greater detail at the next BIC prior to the April 28 filing. He asked for comments from the group and informed them that the filing would be shared with Market Participants prior to April 28.

## **12. New Business**

Mr. Mayer Sasson reported that Con Edison had completed the replacement of the five overdutied circuit breakers at the Astoria West 138 kV station, and that the interim operating protocol for Astoria fault current mitigation was no longer necessary.

## **13. Adjournment**

Meeting adjourned at 1:46