

NYISO Management Committee Meeting

December 7, 2000

Con Edison

New York City

Minutes of Meeting

1. Introduction and Meeting Objectives

Mr. Harvey Reed, the new Chairman of the Management Committee (MC), called the meeting to order and welcomed the members of the MC.

Mr. Reed indicated the primary items for this meeting were to elect a Vice-Chairperson and receive reports from the NYISO Staff and others. Mr. Reed made a number of changes to the order of the agenda.

2. Approval of Minutes

The MC minutes of the October 3rd meeting were approved by a show of hands. The November minutes will be available for a vote at the January meeting.

3. Chairperson's Report

Barry Green, of OPG, provided an update on the Ontario Markets. He first described the composition of the Board of Directors of the Independent Market Operator (The IMO) as having 16 directors, including 5 independent directors and the remaining representing various market segments. When the market opens, they will have uniform pricing across all of Ontario for 18 months. They will have the software in place to do nodal pricing and will publish this information and will make a determination of whether to go to nodal pricing after 18 months. However, from market opening there will be separate zones at the borders, comparable to New York's proxy buses. Start-up of the Ontario markets has been delayed from the previous forecast of November 2000, and market opening is now anticipated in the 2nd or 3rd quarter of 2001.

Some MPs expressed concerns that Ontario Power Generation (OPG) was granted permission to participate in the New York markets based on November 2000 start date. The MPs want information on when the Ontario markets will open, why NY MPs cannot get immediate transmission access through Ontario even before the markets open, and why OPG should be permitted to continue participation in NY when reciprocity is not available in Ontario.

The NYISO Staff indicated that their attorneys had been working with OPG's attorneys to extend participation in NY until the Ontario Markets opened. It was also explained that the New York markets were better off with the participation of OPG. After further discussion, the NYISO Staff agreed to extend Ontario Power Generation's service under the OATT for two months. The Ontario IMO will be requested to make a presentation to the MC in January or February indicating the anticipated start-up schedule for the Ontario Markets.

4. Market Operations Report

Bill Museler presented the President's Operations Report to the MC.

Reliability, Mr. Museler reported that control performance, as measured by CPS2, held basically steady at 97.28% in November.

Market Performance: Mr. Museler reported the following highlights for November:

- Prices were flat, but higher than previous months due to increased fuel costs and higher levels of unit maintenance outages.
- The number of price corrections decreased to 0.13% in October.
- Mr. Museler indicated the number of price reservations decreased in October and the NYISO was working with LECG to keep the number down.
- At the request of MPs, the Staff is attempting to create a presentation of average daily prices by zone.

Goals & Objectives (G&O): Mr. Museler reported the Staff will likely meet all their Year 2000 G&Os, although the budget and price accuracy goals are on the edge. He indicated the MPs concerns with the G&Os for 2001 had been related to the Board. A market gateway goal was added. The Board, however, determined to keep the NERC criteria for the reliability gateway and kept the two separate projects included in the Market Performance and Innovations section.

Governance Report Filing: The Staff reported that the working group had made a lot of progress, but there remained some disagreement on the final wording. If the RTO WG comes to closure on governance, their write-up will be submitted to FERC as the report on NYISO's response to the ordered report on governance experience after one year of NYISO operation.

Strategic Plan: A draft version of the Strategic Plan's Executive Summary was distributed to the MC. The full version will be presented in January and is expected to be finalized in February.

DAM Price Corrections for November 16th and November 26th: The Staff distributed the LECG report on the November 16th DAM price correction. It was caused by a computer error that permitted the entering of one transaction of 960 MWs from PJM twice. The report on the November 29th DAM price correction will be provided as soon as it is available. It was also the result of a computer error. Both computer anomalies have been identified and corrected.

5. a. Update on Credit Insurance This agenda item followed the NYSEG Withholding Report.

Mr. Ragona provided the MC with an update on the NYISO's efforts to procure credit insurance as previously approved by the MC in June. The NYISO has been able to procure \$50 million coverage on the top ten MPs for \$525 thousand. These 10 MPs represent 90% of the market dollar volume. This compares to \$700 thousand in the 2001 budget, and has a RS#1 impact of 0.34 per MWh.

After discussion of alternatives, it was reconfirmed that the NYISO would purchase the credit insurance for 2001. The BSPS was charged with investigating alternative forms of credit protection for 2002, including potential changes to the tariff's requirements which would allow NYISO to require all market participants to provide surety bonds, letters of credit, or similar credit instruments. The ESP was also charged with investigating ISO credit policy, to look at alternate forms of credit protection the NYISO may wish to pursue.

b. NYSEG Withholding Payments This agenda item followed the MPAAS (Market Participant Audit Advisory Subcommittee Status Report).

Mr. Ragona reported that NYSEG is withholding approximately \$6.6 million from an October energy invoice (payment due November 20th). The NYISO advised NYSEG that they were in violation of the payment provisions of the OATT. The NYISO has filed a complaint with the FERC. NYSEG is asserting that it has a right to a setoff under the provisions of the asset purchase agreement.

The NYISO had three options to deal with the cash shortfall: short pay the market, use a Schedule 1 surcharge, or use the NYISO's working capital or revolver. The NYISO decided to use the revolver.

The carrying costs of using the revolver will be charged back to NYSEG if the NYISO prevails in its complaint to the FERC.

6. Proposed Tariff Amendment to Address ECA A&B Issues

Proposed tariff amendments to address ECA A&B issues were not available from the BIC. The BIC endorsed extension of the existing ECA A&B and will bring a tariff proposal to the MC in January.

7. Nominating Subcommittee Report

The Nominating Subcommittee of the MC considered the credentials of two candidates for the position of Vice-Chairperson for the term December 2000 through November 2001. The Nominating Subcommittee placed Mr. Bob Hiney of the New York Power Authority and Mr. Joe Holtman of Southern Energy New York on the ballot.

The MPs submitted their ballots. After the lunch break, it was announced that Bob Hiney was elected MC Vice Chairperson with 62.84% affirmative votes.

8. RTO Working Group Status Report

John Buechler presented the latest schedule for the RTO Working Group. He indicated that transmission owner proposals on governance and transmission planning had been included in the MC materials, but these materials are drafts and have not yet been finalized by the WG. Paul Gioia, representing the transmission owners, indicated that it was not clear they would be able to make a joint filing, but were continuing to work toward that objective.

9. Lunch and Sector Caucuses

The MC recessed at 12:50 PM and reconvened at 1:30 PM.

10. ICAP. Action on Stage 2 Proposed Tariff

This item was deleted from the agenda because the proposal was not ready for MC action.

11. Expanded Price Correction Authority This agenda item was discussed following the Market Operations Report.

The Staff explained that the NYISO Board was concerned that the NYISO needs expanded price correction authority to deal with situations where the Market Monitoring Unit found both behavior and sufficient effect to warrant corrective action that cannot be taken quickly enough to prevent adverse impacts. The situation that occurred on June 26th is an example of where this expanded authority is needed. It is anticipated that price corrections would be made within the same time frames as current corrections. Price corrections permitted under the ECAs and filed rate doctrine are not sufficient to cover the situations for which this expanded authority is needed. Mr. Museler explained that the “circuit breaker” and the expanded price correction authority might be related. The circuit breaker, however, may not catch all circumstances where this expanded price correction authority is needed.

12. Circuit Breaker Status Report This agenda item was discussed following the lunch break.

The NYISO Staff distributed a status report on the circuit breaker project. Three strawmen were examined by the WG. One was selected. The following areas of concern are being considered: the triggering mechanism, reference price calculations, which units to mitigate, cost recovery, and risks to the market place. The next steps include development of triggers, analysis of the proposed circuit breaker including SCUC analysis of impacts, and the implementation requirements of a FERC filing, software, and market rollout.

In response to MP questions, Mr. Museler indicated the Board would have to make a decision by January whether to go forward with a circuit breaker for Summer 2001.

13. Interregional ISO-MOU Report: This agenda item was discussed following the Expanded Price Correction Authority presentation.

The NYISO Staff distributed a status report on Inter-Regional Coordination through the ISO MOU Business Practices Working Group (BPWG). The report covers the BPWG mission, responsibilities, activities, the BPWG coordination team and their issue prioritization, and a 2001 look ahead.

14. MP Audit Advisory Subcommittee (MPAAS) Status Report This agenda item followed the Interregional ISO-MOU Report.

Mark Rubin and Gina Fedele have been coordinating formation of this Subcommittee. The MPAAS still needs nominees from the Other Suppliers and End-Use Consumers sectors. The Subcommittee's first meeting is scheduled for December 13, 2000.

15. Project Priority Team Status Report This agenda item was discussed following the Circuit Breaker status report.

Harvey Reed reported that the project prioritization team has just commenced its work. They had their first meeting on December 7th. They are separating projects into two priority groupings initially. While work has just begun, the Project Priority Team expects to present a full report on projects and schedules to the MC in January.

16. New Business

The MC charged the By-laws Committee with examining the potential need for refinements in restrictions on candidate's sector and company affiliates in the nominations of committee officers.

Chairman Reed announced that the January meeting of the MC would probably be two days long.

Jace Cochrane of Strategic Energy asked for the report on what the Agreements say about NYISO providing free studies and other services to NYSRC. The report is not available yet.

17. Adjournment

The meeting was adjourned at 2:05 PM.

NYISO Management Committee Meeting

December 7, 2000
Consolidated Edison, New York, NY

MOTIONS OF THE MEETING

Motion #1:

Motion to approve MC Minutes of October 3, 2000.
(Motion passed unanimously by show of hands).

Election of Vice Chairperson

The Nominating Subcommittee of the MC considered the credentials of two candidates for the position of Vice-Chairperson for the term December 2000 through November 2001. The candidates for the MC Vice-Chairperson were Mr. Bob Hiney of the New York Power Authority, and Mr. Joe Holtman of Southern Energy New York.

Mr. Hiney was elected MC Vice Chairperson by ballot with 62.84% affirmative votes.

New York Independent System Operator - Committee Membership

Management Committee - December 7, 2000 Meeting in NYC - Members Checked in Attendance

Organization	Sector	Representative	Proxy	Alternate1	Alternate2	Alternate3	Guest
NYS Energy Research & Develop. Auth.	End Use - Gov. Agency/Aggr.	Peter Smith		✓ Charles Kowalski	Jeffrey Gerber		
The City of New York	End Use - Gov. Agency/Aggr.	Jay Kooper	Jonathan Wallach	✓ Richard Miller			
Amerada Hess Corporation	End Use - Large Consumers	John Schultz		Mark Wilson	Michael DiBella	Greg Sticka	
ATCO Management Co.	End Use - Large Consumers	Peter DiCapua		Scott Petersen			
IBM Corporation	End Use - Large Consumers	Leonard Singer		✓ Robert Loughney	Michael Mager		
Occidental Chemical Corp.	End Use - Large Consumers	Leonard Singer		✓ Robert Loughney	Michael Mager		
Praxair Inc.	End Use - Large Consumers	Christian Lenci		Leonard Singer	✓ Robert Loughney	Michael Mager	
Reynolds Metals Company	End Use - Large Consumers	Leonard Singer		✓ Robert Loughney	Michael Mager		
Xerox Corporation	End Use - Large Consumers	Leonard Singer		✓ Robert Loughney	Michael Mager		
Metropolitan Transportation Authority	End Use - Large Cons. Gov.	Robin Stevens		Walter McCarroll	✓ Jesse Samberg		
Aaron Breidenbaugh	End Use - Small Consumers	Aaron Breidenbaugh					
Association for Energy Affordability, Inc.	End Use - Small Consumers	✓ David Hepinstall					
Beth Israel Health Care System	End Use - Small Consumers	✓ Catherine Luthin		John Dowling	Arthur Pearson		
Building and Realty Institute	End Use - Small Consumers	✓ Herb Rose		Jeff Hanley			
Caitness Energy, L.L.C	End Use - Small Consumers	Daniel McBrearty		✓ Jack Feinstein			
Citizens Advisory Panel	End Use - Small Consumers	Gordian Raacke					
CNYC Inc. (Council of NY Coop & Condo)	End Use - Small Consumers	✓ Herb Rose		MaryAnn Rothman			
Columbia University	End Use - Small Consumers	✓ Catherine Luthin		John Dowling	Arthur Pearson		
Hudson River Energy Group	End Use - Small Consumers	Frank Radigan					
Mount Sinai Medical Center	End Use - Small Consumers	✓ Catherine Luthin		John Dowling	Arthur Pearson		
New York Energy Buyers Forum	End Use - Small Consumers	✓ Catherine Luthin		Arthur Pearson			
New York Presbyterian Hospital	End Use - Small Consumers	✓ Catherine Luthin		John Dowling	Arthur Pearson		
New York University	End Use - Small Consumers	✓ Catherine Luthin		John Dowling	Arthur Pearson		
Refined Sugars, Inc.	End Use - Small Consumers	John Gebhard		Paul Faia	✓ Catherine Luthin	John Dowling	
NY State Consumer Protection Board	End Use - State Agency	✓ Tariq Niazi					
AES NY	Generation Owners	✓ Christopher Wentlent		Rick Santoroski			
CH Resources	Generation Owners	Gary Thorn		Gary Miller	Diane Seitz		
East Coast Power	Generation Owners	Gary Keevill		Asavari Alvarez			
Indeck Energy Services	Generation Owners	✓ Mike Janczak		✓ Mike Ferguson	✓ Mark Younger		
KeySpan Ravenswood, Inc	Generation Owners	Howard Kosel	✓ Ron Lukas	✓ James Brennan	Dick Ackerson		
NRG Energy	Generation Owners	✓ Paul Savage		Mark Dworkin	Nancy Jones		
Orion Power New York	Generation Owners	Mark Sudbey	✓ John Reese	Janet Audunson			
PG&E Generating	Generation Owners	Daniel DuBois		✓ Jeff Simmons	✓ Steve McDonald		
Public Service Electric & Gas Company	Generation Owners	✓ James Hebson		Michael LaFalce			
Sithe Energies, Inc.	Generation Owners	✓ Timothy Bush		✓ Gary Brown	✓ David Applebaum		
Southern Energy of NY	Generation Owners	✓ Joe Holtman		Mark Petro	✓ Doreen Saia		
TransCanada Power Marketing	Generation Owners	William Taylor		Elaine Beaudry			
NYS Department of Public Service	Non-voting	✓ Saul Rigberg		Joel Brainard			
1st Rochdale Cooperative NYC	Other Suppliers	✓ Phyllis Kessler		Gregory Wortham			
Advantage Energy, Inc.	Other Suppliers	Kyle Storie					
Aquila Energy Marketing Corp.	Other Suppliers	Jason Stever		✓ Peter Brown	David Wiesner	Pamela VanHorn	
Automated Power Exchange (APX)	Other Suppliers	Jim Verna	✓ John Brodbeck	Glen McCartney			
Cinergy Capital and Trading	Other Suppliers	Walt Yeager		Jan Bagnall			
Cinergy Services	Other Suppliers	Walt Yeager		Jan Bagnall			
Con Edison Energy	Other Suppliers	Ken Bekman		Ivan Kimball			
Con Edison Solutions	Other Suppliers	Ken Bekman		Stephen Wemple			✓ Anthony Castellano
Constellation Power Source	Other Suppliers	✓ Harvey Reed		David Taylor			
Dynegy	Other Suppliers	✓ Chad Wagner		Matthew Picardi			
Econnergy	Other Suppliers	Gary Bondi		Saul Horowitz	Jonathan Gewirtz	Usher Fogel	
Edison Mission Marketing & Trading	Other Suppliers	Alan Foster		✓ William Roberts	✓ Robert Agnello		
Energetix, Inc.	Other Suppliers	Byron Farnsworth					
Enron Power Marketing Inc.	Other Suppliers	✓ Howard Fromer					
HQ Energy Services	Other Suppliers	✓ Michel Tremblay		Michel Prevost	Paul Norris	Joel Zipp	
KeySpan Energy Services	Other Suppliers	✓ Ronald Lukas		✓ Ruben Brown	Peter Chamberlain	John Smith	
Merchant Energy Group of the Americas	Other Suppliers	Joseph Limone		John Carmody			
Morgan Stanley Capital Group	Other Suppliers	Patrick Murray		Karen Kochonies	✓ Levon Kazarian		
New Energy Inc.	Other Suppliers	Peter Duprey		✓ Stephen Fernands			
Niagara Mohawk Energy Marketing	Other Suppliers	Marc Overdyk		Jim Cifaratta			✓ Dave French
NU / Select Energy	Other Suppliers	Gunnar Jorgensen		✓ James Scheiderich			
Ontario Power Generation Inc.	Other Suppliers	✓ Barry Green		✓ Tasos Karatsoreos	Ken Lacivita		
PECO Energy Company	Other Suppliers	✓ Marjorie Philips		Regina Carrado	Jack Crowley	Jeffrey Guistwhite	
PP&L Energy Plus	Other Suppliers	✓ John Brodbeck			Roger Dolan	Garreth Kirkner	
PSEG Energy Technologies Inc.	Other Suppliers	Patricia Esposito		Ken Lempicki			
Sempra Energy Trading	Other Suppliers	Bill Winget		Dana Volpe	✓ Russel Like		
Southern Company Energy Marketing	Other Suppliers	Marty Matijasich		Vicki Lynch			
Strategic Energy LLC	Other Suppliers	John Molinda		✓ Jace Cochrane	James McCormick	Lara Prachar	
Strategic Power Management, Inc.	Other Suppliers	Dan Duthie		✓ Mario DiValentino			
TransÉnergie U.S. Ltd.	Other Suppliers	José Rotger					
Williams Energy Marketing & Trading Co	Other Suppliers	Mike Grim		Dennis Keener			
Long Island Power Authority	Public Power - Authorities	Seth Hulkower		✓ Jim Parmelee	Alan Elberfield		
New York Power Authority	Public Power - Authorities	✓ Robert Hiney		William Palazzo	Kim Byham		
Adirondack Council	Public Power - Environmental	Larry DeWitt		Bernard Melewski			
Environmental Advocates	Public Power - Environmental	Kyle Rabin		Larry DeWitt			
Nat'l Resources Defense Council	Public Power - Environmental	Dale Bryk		Larry DeWitt			
Pace University	Public Power - Environmental	Edward Smeloff		Larry DeWitt			
Scenic Hudson	Public Power - Environmental	Larry DeWitt					
Bath Electric, Gas & Water Systems	Public Power - Munis & Co-ops	Neil Wrinkle	✓ Tom Rudebusch	✓ Paul Pallas	Jim Hamilton	Cliff Engstrom	
City of Jamestown Board of Pub. Util.	Public Power - Munis & Co-ops	✓ Michael Darroch		Wally Haase	✓ Tom Rudebusch		
Town of Massena	Public Power - Munis & Co-ops	Cliff Engstrom	✓ Tom Rudebusch	✓ Paul Pallas	Jim Hamilton	Neil Wrinkle	
Village of Fairport	Public Power - Munis & Co-ops	✓ Paul Pallas		✓ Tom Rudebusch	Ken Moore		
Village of Freeport	Public Power - Munis & Co-ops	Hubert Bianco		Robert Kortright			

New York Independent System Operator - Committee Membership

Management Committee - December 7, 2000 Meeting in NYC - Members Checked in Attendance

Organization	Sector	Representative	Proxy	Alternate1	Alternate2	Alternate3	Guest
Village of Rockville Centre	Public Power - Munis & Co-ops	✓ Paul Pallas	✓ Tom Rudebusch	Jim Hamilton	Cliff Engstrom	Ken Moore	
Village of Westfield	Public Power - Munis & Co-ops	Jim Hamilton	✓ Tom Rudebusch	✓ Paul Pallas	Neil Wrinkle	Cliff Engstrom	
Central Hudson Gas & Electric	Transmission Owners	Ronald Brand	✓ James Valleau	Carl Meyer			
Consolidated Edison	Transmission Owners	Lou Rana	✓ William Jaeger				
Niagara Mohawk Power Company	Transmission Owners	Clement Nadeau		✓ Jerry Ancona	Martin Amati		
NY State Electric Gas (NYSEG)	Transmission Owners	Denis Wickham	David Kimiecik(BIC)	Raymond Kinney	✓ Hank Masti		
Orange & Rockland, Inc.	Transmission Owners	Phil Nannery					
Rochester Gas & Electric Co.	Transmission Owners	Clifton Olson		✓ Laurie King-Pirchner			
New Member	Non-voting						✓ Terry Agriss

NYISO and Hunton & Williams Members in Attendance:

✓ Ira Freilicher	Hunton & Williams
✓ Gina Fedele	Hunton & Williams
James Schmidt	Hunton & Williams
✓ Mollie Lampi	NYISO
✓ John Beuchler	NYISO
✓ Chuck King	NYISO
✓ Jonathan Mayo	NYISO
✓ Bill Museler	NYISO
✓ Leigh Bullock	NYISO
✓ Jane Lathrop	NYISO
✓ Kristen Kranz	NYISO
✓ Andy Ragogna	NYISO
Andy Hartshorn	Navigant

Key:

- ✓ = In attendance
- ✓ = In attendance by teleconferencing