

NYISO Business Issues Committee Meeting Minutes

July 12, 2006

The New York State Nurses Association

11 Cornell Road

Latham, NY 12110

1. Welcome

Mr. Ray Kinney (NYSEG), Chair of the Business Issues Committee, called the meeting to order at 10:12 a.m. and welcomed the members of BIC. Meeting participants introduced themselves. Mr. Kinney also noted that a meeting of the ICAP Working Group would take place after the BIC meeting.

2. Approval of minutes for June 14

Frank Francis (NYISO) presented the packet of minutes from June 14, 2006 and asked for comments. Mr. Francis said the minutes were circulated among Market Participants (MPs) and two comments were received: one from Jim D'Andrea (Key-Span Ravenswood LLC) on the minimum oil burn issue and the other from Mr. Kinney that NYSEG-RG&E did abstain on the VSS payment for Cross Sound Cable vote.

No additional comments were provided by the Committee.

Motion #1

Motion to approve the minutes of the June 14, 2006 BIC meetings.

(Motion passed unanimously by show of hands)

3. Market Operations Report

Rana Mukerji (NYISO) reported on the Market Operations Report for June 2006.

Mr. Mukerji said the LBMP for June was up from May; the hike is consistent with regional trends. Fuel prices were down except for natural gas, which was up slightly. Uplift increased significantly in June compared to May, due to the June 1 event.

Bruce Bleiweis (DC Energy) asked whether uplift has returned to previous levels from the June 1 event. Mr. Mukerji said he believed that it was caused primarily due to thunderstorm alerts and New York City export constraints.

Nicole Bouchez (NYISO) said uplift is always a little higher in the summer because of thunderstorm alerts. Other than thunderstorm alert activity, there is nothing out of the ordinary in the overall trend.

Tim Bush (Navigant Consulting) said he estimated his client's share of uplift on an annualized basis and found it almost double the NYISO operating budget, which was unacceptable. Mr. Bush stated that if the situation was caused by thunderstorm alerts, the cost should be allocated to the ConEd area and not to his client. He suggested that a detailed analysis be done and be presented at the next BIC meeting or at a Market Structures Working Group meeting for review and discussion.

Mr. Kinney responded that thunderstorm alert costs will show up in a one-month bill, but the charges are reversed out in the four-month bill. The NYISO is unable to calculate and remove thunderstorm watch charges from the one-month bills at this time.

Mr. Bleiweis asked how much (percentage differential) of the June uplift charges was Day-Ahead uplift and how much was Real Time uplift. Ms. Bouchez referred Mr. Bleiweis to the June Market Operations Report for more information.

Bart Franey (National Grid) said that National Grid would be interested in seeing more information on the uplift charges, particularly residual balancing.

Mr. Mukerji said that Regulation Prices in all markets were slightly lower relative to May, which reverses the trend for the last few months. Price corrections have increased since May, due primarily to Long Island line outages.

4. Northeast Seams Report

Mr. Mukerji reported that the FERC, on June 16, issued an order approving the proposed locational capacity market settlement relating to the New England ISO auction-based forward capacity market. The transition period will start on Dec.1, 2006. The settlement is being contested. In the PJM Reliability Pricing Model (RPM): PJM is trying to reach settlement on the issue at FERC; the process is ongoing.

Mr. Howard Fromer (PSEG) asked if a New England ISO representative has been asked to speak at the NYISO's ICAP Working Group to brief MPs on their market implementation issues and how New York resources would participate in that market. Dave Lawrence (NYISO) responded he has made the request to New England ISO and would do so again.

William Roberts (Edison Mission Marketing & Trading Inc.) asked if the NYISO has considered the implementation, and the impact it may have in New York. Mr. Mukerji said the NYISO will look at implications for the New York market once FERC-accepted rules are in place. Tim Foxen (NRG Power Marketing) commented that it is important for the NYISO to report and update the goings-on at New England ISO and PJM.

Paul Norris (HQUS) asked where the increase in the 7040 transfer limit in Real Time stands. The summer report was supposed to be presented to the Systems Operations Advisory Subcommittee (SOAS) on July 11 and the increases were supposed to start shortly after that. Ray Stalter (NYISO) responded that the report was presented to the SOAS and was scheduled to go before the Operating Committee (OC) for action on July 13.

Mr. Franey offered comments about increasing the transfer limits from Hydro Quebec for wheel-through to PJM. He said he had requested the NYISO review the situation to determine if it was possible to retain that energy to benefit New York consumers. He asked when the NYISO would consider the review. Mr. Bill Heinrich (NYSDPS) said he suggested that the economic impacts be considered at Market Structures Working Group. Mr. Mukerji said the study done by the NYISO's System Planning Group only looked at technical parameters and did not address market impact. He suggested that the issue should be studied. Mr. Franey said the action item being offered at the Operating Committee's July 13 meeting is to increase the limit for the wheel-through. He wanted data on whether it was possible to "sync" the energy into New York and said that the NYISO should be interested in examining the issues.

Mr. Mukerji said the NYISO would look at the market impacts. The NYISO would take Market Participant input and decide whether to study the possibility of synchronizing that energy back into New York.

Mr. Kinney suggested that the topic be taken as an action item and worked into the appropriate NYISO working group's agenda.

Mr. Heinrich spoke in reference to Northeast Seams Report Issue 6: Elimination of Rate Pacing. He said Transmission Owners (TOs) have been waiting for some time to receive historical information on the transactions from PJM.

5. Working Group Updates

A. Billing and Accounting (BAWG)

Mr. Dave Hall (NYSEG/RGE) reported. The BAWG met on June 19. Items discussed included:

- Final bill close-outs and repostings for January through March 2004, and the remainder of 2004. Those settlements were posted earlier in the week.
- A NYISO decision indicating that it would give MPs at least three business days between invoice posting and when payment is due.
- The June 2006 invoice. The fourth installment of the local reliability blackstart payments for historical period for Consolidated Edison and O & R are invoiced. Central Hudson loads are still outstanding.
- Attachment N (new surplus shortfall reallocation methodology). The carve-out has not been approved by FERC, but NYISO staff was told by FERC staff to proceed as if it had been approved.
- An update on the Calpine bankruptcy issue.
- The next BAWG meeting is July 20.

Mr. Franey asked if the NYISO is ready to start correcting for the congestion balancing charges on the schedule outlined in their filing. Mr. Hall said the NYISO was also supposed to supply MPs with historical month on the new method, which he believed was due by the end of June.

Mr. Charles Garber (NYISO) said he didn't know of any reasons for delays and promised to look into the issue.

Mr. Bush said he noticed a recent NYISO e-mail discussing a dispute resolution and a \$400,000-plus amount showing up on the June invoice. No other information was provided in the e-mail. He said he asked the NYISO to tell MPs what the dispute involves and stated that the lack of detail is unacceptable. Mr. Garber said Mr. Tim Duffy (NYISO) is researching the issue with the NYISO legal department. He said he will follow up with Legal and report back to MPs. Mr. Bush said MPs don't need settlement details; they need to know what the dispute is about and what it involves.

B. Billing and Price Correction Task Force (BPCTF)

Mr. Hall reported that the BPCTF is scheduled to discuss an update on Market Participants' Proposed Milestone List, a NYISO Straw Proposal and the Metering Task Force report.

Mr. Hall said Mr. Randy Bowers (NYISO) indicated that he wanted to implement weekly calls to review the Billing and Accounting manual. A timeline schedule will be issued shortly to the market to address these issues. Mr. Bowers said the NYISO is looking to initiate the weekly review of sections of the draft manual starting the week of July 24. The manual, review notes, and meeting schedules will be posted on the NYISO Web site. Mr. Kinney suggested that BIC members who have an interest in helping shape the manual should take part in the weekly meetings or provide electronic comments via the NYISO Web site.

Mr. Kinney, Mr. Hall and Mr. Garber encouraged MPs to provide input on the Milestone List and the NYISO Straw Proposal over the next few weeks. Mr. Garber encouraged MPs to attend the next BPCTF meeting to discuss the issues, as well as the alternative dispute resolution, in detail.

1. Metering Task Force Report

Mr. Kinney reported. The Metering Task Force (MTF) prepared a report at the request of BIC examining a variety of issues. No comments have been offered on the report. He asked for an indication of whether the report met the BIC's criteria. Mr. Bowers said there were a number of issues in the report that strengthen metering administration due diligence. A July 18 MTF meeting is scheduled to discuss implications of how to administer the document and the requirements manual. Mr. Fromer commented on an "open issue" regarding meter upgrades/replacements and asked for an explanation on the cost allocation issue. Mr. Bowers said the TO-NYISO agreement is quoted in the document.

The metering authorities have sought cost relief for installations that require upgrades. Mr. Fromer questioned if this is a state Public Service Commission (PSC) issue or something that's part of the FERC-approved revenue requirement for the transmission system.

C. Electric System Planning (Joint OC/BIC WG)

Mr. Tariq Niazi (NYS Consumer Protection Board) reported. The ESPWG met on June 22 and July 10. On June 22, the ESPWG worked on cost recovery, procedures for halting backstop solutions, procedures for monitoring, project status and criteria for evaluating proposed solutions. The CRPP Confidentiality Policy was completed.

On July 10, the ESPWG reviewed the Comprehensive Reliability Process (CRP) report. Mr. Niazi thanked everyone involved in the meeting, including NYISO staff. The CRP draft is on the NYISO Web site. It includes an overview of the CRP and Reliability Needs Assessment (RNA), requests for solutions, evaluations of solutions and recommendations.

Mr. Niazi said he will ask for a special meeting of the Operating Committee (OC) on July 24 and a special Management Committee meeting after that to evaluate the draft CRP.

D. ICAP Working Group

Mr. Glenn Haake (IPPNY) reported.

The ICAP WG held a special June 30 meeting at the request of the state Department of Public Service and ConEd to follow up on performance and clearing prices issues in the ICAP market. The DPS presented four alternative market design changes.

The four DPS alternatives are:

- Capping generators at the to-go costs;
- Reducing the slope of the NYC demand curve;
- Allowing divested generators to enter into bilateral contracts;
- Require unsold NYC capacity to be sold upstate, with revenues going to NYC loads.

ConEd presented three potential approaches to address the in-city issues. ConEd provided more information at the ICAP Working Group's July 6 meeting. Key Span maintained that NYC clearing prices are reflective of competitive outcomes. That convinced many that no action need be taken.

Other action on July 6 included:

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- The group reviewed the ICAP demand curve update process.
- Mr. Lawrence provided an update on the distributed generator rulemaking.
- Mr. Mike Cadwalader, on behalf of TOs, gave a presentation on whether MPs and the NYISO should consider whether specific mitigation provisions should be added in the tariff to address ICAP market behavior.

The ICAP WG will meet again in early August.

E. Resource Adequacy Issues Task Force (RAITF)

Mr. Haake reported that the RAITF doesn't have a meeting scheduled, but one will be scheduled soon.

Mr. Franey asked if any movement has been made on developing the preliminary report due to go to FERC by August. Mr. Haake said no. The NYISO expects to have a report drafted by Aug. 1. He said the Upstate-Downstate study is expected sometime in August, so it makes sense to delay the RAITF report to the end of August to reflect Upstate-Downstate report findings in the RAITF report. Mr. Franey said the Upstate-Downstate report was issued three weeks ago.

Mr. Kinney responded that he didn't believe the Upstate-Downstate report has been released outside the New York State Reliability Council.

Mr. Kinney asked if discussions on market-based or cost allocation-based solutions been initiated. He suggested this be a third topic for an RAITF agenda. Mr. Haake said the discussions were started at the last RAITF meeting. It will be a subject of the group's next meeting.

Interconnection Issues Task Force (IITF)

Mr. Haake gave the report.

The deadlines for comments on three FERC compliance filings – one by the TOs (less LIPA and NYPA), one by the NYISO and the third by NYPA was two weeks ago. A meeting is set for July 28.

F. Market Structures Working Group (MSWG)

Mr. Baker reported.

The MSWG had a conference call on June 23 to discuss:

- Proposed changes to the minimum oil burn rule.
- A Key Span presentation that encouraged MPs to develop a service focused on benefits of dual fuel-capable generators.
- A NYISO presentation on a change in reference prices for affected generators in response to load forecast.

The MSWG met on June 29 to discuss:

- A NYISO presentation on the upcoming TCC Auction Plan schedule.
- The minimum oil burn rule.
- A NYISO presentation on the Real Time Guarantee Payment Test.
- A market rules assessment update given by Mr. Bob Thompson (NYISO).

G. Scheduling and Pricing Working Group (S&PWG)

Mr. Franey stated he had nothing to report.

6. Lessons Learned: May 30 Software Deployment

Mr. Michael Calimano (NYISO) presented.

Key issues evaluated in doing a deployment are (a) the size and complexity of the software deployment, (b) the length and duration of a MIS outage (c) system conditions in the days before the deployment, and (d) weather conditions, the internal state of the bulk power system and Neighboring Control Areas on the deployment day. All of these factors are assessed before deciding to deploy software.

Mr. Bleiweis asked if the factors identified in Mr. Calimano's presentation reflected the NYISO policy in place prior to May 30 or afterward. Mr. Calimano responded that his presentation reflects factors that the NYISO has always considered in general terms; a list of relevant factors to consider was drafted after May 30.

Mr. Bleiweis said May 30 system conditions changed considerably from those on May 29; the morning forecasts showed much higher loads, yet the NYISO moved ahead with software deployment. Mr. Calimano said deployment is dependent on system conditions.

He provided explanation on the following points:

- One issue impacting the timing of software deployments: legal or regulatory compliance requirements to deploy by a specific date. Tariff deadlines sometimes dictate deployment dates. System conditions can bypass those deadlines.
- The NYISO currently notifies MPs 48 hours prior to deployments that can affect MIS. That will continue unless it becomes troublesome; the NYISO would bring the issue to MPs at that point.
- The NYISO needs to do a better job of briefing NYISO's Customer Relations department on the deployment and making sure they can answer MPs' questions. That's been added to the Lessons Learned list.

- The NYISO is willing to consider scheduling deployments on different days/weeks. The NYISO is at full-staff during the day, allowing it to respond quickly. But at certain times at night or on weekends, an MIS outage would have less impact on market conditions.
- The NYISO will no longer do deployments timed for a three-day weekend.

Mr. Bleiweis commented that the NYISO does 95 to 99 percent of its deployments appropriately. He asked for more detail about options to schedule deployments at different times of the day/week. Mr. Calimano said it can be done at 10 p.m. or on Saturdays. However, deployments in off-hours may cause problems for MPs. Mr. Bleiweis asked if the NYISO will notify MPs on a case-by-case basis about significant software deployments. Mr. Calimano said MPs are notified of software deployments. Mr. Franey agreed that Mr. Calimano's "Lessons Learned" sounded reasonable, but wondered if they were codified in NYISO procedures. Mr. Calimano responded that the NYISO was codifying procedures.

Mr. Fromer questioned why the NYISO would consider barring the implementation of major, routine software deployments over the summer. Mr. Dewey said there is no outright software changes prohibition. The NYISO looks at the magnitude and significance of each change. If a software change impacts the bid-to-bill process, changes made after Nov. 30 must be disclosed to MPs in a letter issued at the end of the year, so as to not impact MPs' Sarbanes-Oxley audits.

Mr. Heinrich asked if there was a "systemic" problem with Tuesday forecasts. Mr. Calimano explained that the biggest issue with forecasting in the summer is gauging the level of humidity in the air. Underestimating or overestimating humidity levels plays havoc with NYISO forecasts.

Mr. Roberts suggested doing software deployments at 3 or 4 p.m. because most NYISO staff is working during those hours. It also gives traders a chance to get deals done before changes occur. Mr. Calimano said the NYISO would consider Mr. Roberts' suggestion.

7. Fall TCC Schedule

Greg Williams (NYISO) presented.

Mr. Williams provided an overview of the structure of the Autumn 2006 TCC auction.

He reported that:

- 25 percent of the system capability will be offered as one-year TCCs.
- 50 percent of the system capability will be offered as six-month TCCs.
- The remaining 25 percent is tied up in 1-year TCCs sold in Spring 2006 auction.
- Four Stage 1 rounds and one Stage 2 Reconfiguration round will be held.
- The Autumn auction will last 10 rounds. Two monthly reconfiguration auctions will also be held; the November reconfiguration auction will be run the week of Oct. 23, after the Autumn Auction.
- Additional time has been added so monthly auctions won't overlap with capability period auction rounds. The auction will start the week of July 31 and run through the week of Oct. 16.
- The auction's start date was shifted back a week; it was done due to issues associated with the program used to run the auction.

Mr. Bleiweis said he didn't believe 10 rounds were necessary and wondered if NYISO had compiled data for stakeholders regarding the impact of reducing the number of rounds held. Mr. Williams responded that the NYISO discussed reducing the number of auction rounds with TOs; but that at this point there would not be a change from the 10-round structure. Mr. Bleiweis asked if the NYISO would consider altering the bid-clearing schedule. One suggestion from MPs was to lengthen the auction period. Mr. Williams said that request was considered but no changes will be made at this time. However, some rounds in the Autumn Auction will be run in four days to accommodate the Labor and Columbus Day holidays.

Mr. Bleiweis asked why four-day auctions aren't the rule instead of the exception. Mr. Williams explained that running a four-day auction takes additional time and creates significant additional work for NYISO staff; it is not easy to do.

Mr. Fromer said is a significant concern that the NYISO has not yet provided MPs with a simple tool to validate bids before they are submitted. He said he's hopeful that the new TCC automation will help the NYISO "accelerate" to a 4-day auction. Mr. Williams said the NYISO is considering a template or validation tool for MPs. Mr. Fromer responded that with a validation tool, MPs would have the internal capability to catch ministerial mistakes.

8. Market Monitoring Update

Scott Maves (NYISO) presented.

Mr. Maves talked about the role of and need for Market Monitoring, explained what Market Monitoring does and discussed the department's mandate and project priority areas.

Mr. Jim D'Andrea (Key-Span Ravenswood LLC) inquired about a change in regard to the NYISO's view of market monitoring. He wanted to know if the NYISO was trying to "draw" reliability issues into market monitoring. Mr. Maves explained the NYISO is looking at market outcomes from an efficiency standpoint and market limits. From that perspective, Market Monitoring is interested in reliability. Mr. D'Andrea said he thought it was good for Market Monitoring to make sure what it does doesn't impact reliability.

Mr. Niazi asked if Mr. Maves planned to look into whether the ICAP market should be monitored. Mr. Maves said the ICAP market is being monitored. He said Market Monitoring plans to give the issue a closer look and is working with FERC and the ICAP Working Group.

Mr. Frank Murray ([WHO IS HE AFFILIATED WITH?? SOMEONE NEEDS TO FILL THIS IN.]) asked Mr. Maves if he envisioned the policy response capability to extend to evaluation of environmental regulations on market operations and system reliability. Mr. Maves answered that the NYISO wants to be aware of what's going on to anticipate events that could impact the market.

9. Updates to Installed Capacity Manual: Attachments F, I

John Charlton (NYISO) presented.

Mr. Charlton said the changes and updates being presented to the BIC are administrative and are being made to conform attachments F and I with changes that have been implemented to the ICAP Manual. Attachment F is made up of former attachments F and G, which were combined into a single attachment. The revisions were made and posted in June. Attachment G has been discontinued.

Attachment I has been posted as being under review since September 2005. It was supposed to have been issued along with ICAP automation but other priorities and conflicts delayed issuance. It will be posted as part of the manual. Attachment I references the new Attachment F (it previously referenced attachments F and G); definitions of buyers and sellers have been changed to bidders and offerors respectively. The section on subject generators has been changed to conform to the tariff.

Mr. Norman Mah (ConEdison) questioned the change regarding subject generators. He felt that the tariff language identifying the subject generators is overly broad in some instances (in particular, with regard to the East River Generating Station and the Waterside Generating Station) and suggested that for clarity, a footnote or a change to the tariff may be necessary. Mr. Charlton agreed with Mr. Mah and requested that his agreement be reflected in these minutes. There are things that are probably not accurate in the tariff. He said he planned to talk to NYISO Legal and report back to the next ICAP Working Group meeting, where other changes will be made and offered at the next BIC meeting.

Mr. Charlton also said that Attachment M updates will be brought to the BIC in August.

10. New Business

No new business was discussed.

11. Administrative Matters

Mr. Francis said the NYISO action items list was circulated on July 11. MPs can call or e-mail Mr. Francis with their comments.

The meeting was adjourned at 1:29 p.m.

Respectfully Submitted,
Michael A. Lisi
Recording BIC Secretary