

## **NYISO Business Issues Committee Meeting Minutes**

May 21, 2008

New York Independent System Operator

10 Krey Boulevard

Rensselaer, NY

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### **1. Welcome and Chairman's Report:**

Mr. Glen McCartney (Constellation) Chair of the Business Issues Committee (BIC) called the meeting to order at 10:00 a.m. and welcomed the members of the BIC. Meeting participants introduced themselves and their affiliations.

### **2. Approval of Minutes**

#### **Motion #1:**

Motion to approve the Minutes of the April 16, 2008 BIC meeting.

*(Motion passed unanimously by show of hands)*

### **3. Market Operations Report**

Mr. Rana Mukerji (VP, NYISO) provided an overview of the Market Operations Report, which was distributed to the Market Participants. (See President's Report under May 21, 2008 BIC Meeting Material)

Mr. Mukerji discussed uplift costs and reported that a more complete analysis would be provided at a future working group meeting.

### **4. NE Seams Report**

Mr. Mukerji next presented the status of the Seams Projects which was included in the meeting materials folder.

### **5. Proposed Redesign of SCUC Incorporation of LRR Pass**

Mr. Shaun Johnson (NYISO) gave a presentation that included the background, proposed modifications and benefits of the redesign of SCUC incorporation of Local Reliability Rule Pass. (See presentation under May 21, 2008 BIC Meeting Material).

An analysis by Potomac Economics indicated that the proposed changes could reduce annual commitment costs by \$25 – 40 million, and reduce annual uplift by \$20 – 30 million. The schedule planned would be to distribute proposed tariff language to working groups for discussion with expected implementation in October.

Mr. Glenn Haake (Dynergy) brought up the High Electric Demand Day (HEDD) initiative scheduled for 2010 and asked if the NYISO has given any thought to

designing this in a way to expand to cover additional units if and when that goes into effect.

Mr. Brad Kranz (NRG) requested that the NYISO clarify what local reliability rules would be captured in proposed change. Mr. Johnson replied that the local reliability rules solved in pass 3 will be modeled as constraints and solved within the iterations of the bid run pass (Bid Load, AMP 1 & AMP 2). This would allow for the economic de-commitment of resources. Resources will only be identified as LRR for periods in which they were not committed economically. This would allow for the proper allocation of uplift associated with these LRR commitments. The automatically solved LRR constraints would incorporate the NYC local reliability rules that are used for the current LRR pass (Manual 12 [Transmission and Dispatch Operation Manual] Attachment B.4, Rules #1 and #2) as well as the minimum oil burn rules for NYC (Attachment B.4, Rule #3) outlined in that document.

**Motion #2:**

The Business Issues Committee hereby recommends that the Management Committee approve revisions to the NYISO's Tariffs to describe a redesign of the Day-Ahead market commitment process to incorporate commitments for local system reliability into the first pass, as is more fully described in the presentation made to this BIC meeting on May 21, 2008.

*(Motion passed by show of hands with abstentions)*

**6. Incremental TCC Process Overview**

Mr. Jim Scheiderich (NYISO) reported on the timeline, high level design criteria and review of proposed procedures and issues for the Incremental TCC Awards Process. The compliance filing to FERC with tariff changes supporting this procedure has been scheduled for September of this year. The details would be worked out after FERC approval of the approach.

The proposed procedure for incremental TCC awards at a high level design would be effective on a going forward basis, and would reward investors for the value of their transmission facility upgrades. Choices made by investors would be incorporated in awards, so that simultaneous feasibility systems would be maintained based on the most recent Capability Period auctions, and TCCs would be awarded to investors in an expansion only if and to the extent they were made possible by the expansion. A request would come in from an expander for incremental TCCs and NYISO would perform a review of that request and perform an analysis and non-binding estimates for incremental TCCs. Expander would chose a single POI/POW combination from the non-binding estimates and the duration of that award. The duration of the award would range from 20 – 50 years, capped by the life of the facility. NYISO would then make a temporary award of TCCs that would allow the final award to be

based on the most current auction results including the capability period in which the expansion occurred.

There were issues raised over single POI/POW awards. Mr. Bill Palazzo (NYPA) and Mr. Kevin Jones (LIPA) expressed concern regarding limitations to the single point of injection. Mr. Palazzo's concern was in regards to an entity getting locked in once it chooses a single POI/POW award, and the capability was put in place for multiple awards. Mr. Jones said he was not convinced that limiting to single POI/POW without the ability to revisit this if the capability was put in place was not the way to go and stated that if NYISO moved forward on this issue it was unlikely that LIPA would be willing to support the limitation.

**7. Revisions to Ancillary Services Manual** Mr. John Hickey (NYISO) provided an update on the Revisions to the Ancillary Services Manual. These changes were made due to the implementation of demand side ancillary services program. The major revisions were made in Section 4, Regulation and Section 6, Reserves.

Mr. Butterklee (Con Edison) had concerns with the requirement for the Demand Response providers to communicate directly with the TOs, and said that more time was needed to evaluate the new process, and to ensure that the TOs were able to comply. He also expressed concern with respect to the additional costs to TOs that may be associated with the change, and stated that the proposed motion would need to be amended to provide for this.

Mr. Hickey said that for any provider of service, including a demand side provider to be modeled in the system there is a 60 day notification process, and arrangements to satisfy the metering requirements are made through the TO.

There was a discussion on the proposed changes to transfer the information currently contained in Technical Bulletin #142 into the Ancillary Services Manual. Con Edison representatives did not think this language should be incorporated into the manual; since the NYISO was responsible for conducting the audit, they should also be responsible for notifying the provider that they would be audited or of an audit failure. Mr. Hickey stated that the reason for the notification requirement in the technical bulletin were twofold: the TO needs to be aware that an audit is to be performed and the provider needs to know that they will be operating at emergency response rates. He added that with respect to demand side, the TO control center requires the same information that they would need if this were an audit of a generator.

Mr. Brad Kranz (NRG) stated that NRG could not support the motion in its current state, and proposed a friendly amendment to remove the language in the manual associated with technical bulleting 142, while proceeding with the other changes. He stated the intent was not to hold up the manual with the demand response

changes; but wanted the NYISO to reconsider the audit procedures as currently documented in technical bulletin 142.

Mr. Kinney said that the TOs want to make sure the ECS system can accommodate additional points to the extent that there may be more demand response providers. There is a concern that there may be difficulties dealing with additional basepoints, and if there is additional work undertaken by the TOs to accommodate this, there would be a recovery of the costs that were imposed on the TOs.

Mr. Butterklee moved to table the motion.

**Motion #3a- Motion to Table Motion #3**

*(Motion failed with 29.07% affirmative votes.)*

Mr. Butterklee provided an amendment to the motion.

**Motion #3b - Amendment by Con Edison**

The Business Issues Committee hereby approves revisions to the NYISO's Ancillary Services Manual to the extent that a transmission owner needs additional time or equipment to accommodate Demand Side Management providers qualifying to supply ancillary services pursuant to NYISO tariff, NYISO will: (1) modify its manual to provide for the additional implementation time; and (2) file an amendment to its tariff under FERC to provide for the recovery of all costs incurred by a transmission owner to accommodate the new provider.

*(Motion failed by show of hands)*

**Motion #3**

The Business Issues Committee hereby approves revisions to the NYISO's Ancillary Services Manual that was posted on the NYISO website on May 6, 2008 with the exception of the proposed additions associated with Section 6.13 which incorporates Technical Bulletin 142.

*(Motion passed by majority with abstentions)*

Mr. Kinney stated that NYSEG and RG&E supported demand response providers participation in the ancillary services market and that the sole reason for their abstention was to ensure that the manual would reflect that there would not be additional burdens on the TOs. Con Edison and NYPA concurred.

**8. Revisions to ICAP Manual – Event Calendar**

Ms. Kathy Whitaker (NYISO) provided BIC members with details on the revisions to the NYISO Installed Capacity manual, section 4.2, as a result of the In-City Mitigation order. Ms. Whitaker explained that DMNC data would now need to be received in time to process it at certification in order to determine the default

reference price, so this has necessitated changes. Specific time frames have been pulled from the manual for DMNC data, SCR registration data, and UCAP ratings for SCR ratings, put into the monthly event calendar.

**Motion #4:**

The Business Issues Committee (BIC) hereby approves the revisions to the NYISO's Installed Capacity Manual that were posted on the NYISO website on May 6, 2008.

*(Motion passed unanimously by show of hands)*

**9. Beacon Power Corporation Fly Wheel Energy Storage for Regulation Service**

Ms. Judith Judson (Beacon Power Corporation) gave a presentation on the participation of Beacon Power's Flywheel Energy Storage Technology in NYISO's Regulation Service Market. (See Beacon Power presentation under May 21 BIC meeting material). She provided an overview of the company, explained the use and benefits of flywheel-based energy storage technology for grid regulation, and the challenges to participating in NYISO's Regulation Service Market. She also discussed the idea of a new stored energy resource category.

Beacon Power is a provider of flywheel-based energy storage grid regulation services and is headquartered in Tyngsboro, MA. Their commercial service goal is to open their first commercial 20MW flywheel energy storage plant in Stephentown, NY in 2008.

Questions were posed regarding whether or not Beacon could participate as a member of NYISO, or if rules would need to be changed in order for them to participate. If new rules needed to be made, then it would be important to make them such that they were fair to other market participants.

Beacon's technology will be discussed further at future working group meetings.

**10. Working Group Updates**

**A. Billing and Accounting Working Group (BAWG)**

Ms. Kate Hockford (NYISO) provided an update regarding Billing and Accounting and indicated that there is discussion about the possibility of shortening the settlement cycle. She also reminded the group of the Tech conference on June 23<sup>rd</sup>. Ms. Mary McGarvey (NYISO) also noted that the BPCTF will be resurrected on June 26<sup>th</sup>.

**B. Electric System Planning Working Group (ESPWG)**

Mr. Tariq Niazi (NYSCPB) reported on the updates for the ESPWG. There were two joint proceedings of TPAS and ESPWG, and another draft will be sent out by

ISO on May 29<sup>th</sup>. The 08 CRP will be wrapped up with a special meeting and items can be brought to the OC on June 19<sup>th</sup>, or the special OC meeting on June 27<sup>th</sup>.

**C. Installed Capacity Working Group (ICAP WG)**

Mr. Glenn Haake (Dynergy) reported on the updates for the ICAP Working Group. There was a special conference call with an update on manual changes that need to be implemented for the meeting on May 15<sup>th</sup>. He also provided an update on the in-city mitigation issues.

**D. Interconnection Issues Task Force (IITF)**

Mr. Glenn Haake also provided an update on the IITF, which also met three times over the past month. He reported that the ISO was granted the 60 day extension regarding the deliverability tariff. There was a review of the first cut of the deliverability test.

**E. Market Issues Working Group (MIWG)**

Mr. Norman Mah (Con Edison) provided the updates for the MIWG and outlined proposed changes and historic items discussed. There are currently 16 projects, including an update to the credit management system.

**F. Price Responsive Load Working Group (PRLWG)**

Mr. Steven Lynch (ECS) discussed the updates for this group, and spoke of the examples on metering, the 2009 product candidate review, and other core issues that are most important to the group.

The meeting was adjourned at 2 p.m.