

**NYISO Business Issues Committee Meeting Minutes
February 13, 2012**

10:00 a.m. – 12:00 p.m.

DRAFT

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

The chair of the Business Issues Committee (BIC), Mr. Alan Ackerman (Customized Energy Solutions), called the meeting to order at 10:05 a.m. by welcoming the members of the BIC. The members of the BIC identified themselves and attendance was recorded. A quorum was determined.

2. Meeting Minutes – December 14, 2011

The draft meeting minutes from December 14, 2011 were presented for approval.

Motion #1:

Motion to approve the meeting minutes from December 14, 2011

Motion passed unanimously with an abstention.

3. Market Operations/Seams Report

Mr. Robb Pike (NYISO) reviewed the Market Operations and Seams reports. NYISO and PJM are working on sharing historical market flow data to evaluate potential entitlement outcomes. NYISO expects to discuss the data in March at MIWG. NYISO increased the quarter-hour interchange ramp limit at the New York-Hydro Quebec Interface from 25 MW to 50 MW on November 2, 2011. The limit was increased from 50 MW to 100 MW on December 1, 2011. The limit is expected to be increased from 100 to 150 MW on February 9, 2012.

On January 20, 2012 the NEPOOL Participants Committee voted in support of CTS tariff revisions. ISO-NE tariff revisions are expected to be filed in February 2012. NYISO will undertake a capacity market review study in 2012 and solicit Market Participant (MP) feedback on the scope of this study including capacity related seams issues. In response to a question, Mr. Pike said the scope will be shared with stakeholders in the March to April timeframe.

4. Planning Update/ EIPC Report

Mr. Zach Smith (NYISO) provided a verbal update on the planning activities. The NYISO is working with PJM and ISO-New England on drafting the 2011 Northeast Coordinated System Plan (NCSP). A draft is expected to be available by the end of Q1 2012. An IPSAC teleconference is scheduled on March 30, 2012. The main topics are the 2011 NCSP, production cost analysis being done by PJM, and FERC Order 1000.

At the EIPC level, Phase 1 was completed last year. EIPC selected 3 models from Phase 1. Phase 2 has commenced using the outputs from Phase 1 to drive development of power flow cases for reliability analysis and gap analysis will be performed using linear analysis to identify initial transmission deficiencies. The Transmission Options Task Force (TOTF) has been formed as a forum for stakeholder review and comment on the development of transmission build-out alternatives during Phase II. The first meeting was in January and the next meeting is scheduled in late February.

5. Draft ICAP Manual Revisions

Ms. Mariann Wilczek (NYISO) reviewed the presentation included with the meeting material. Section 4.9.6 of the ICAP Manual was revised to modify text and tables to reflect import rights limits for 2012-2013.

Motion #2:

The Business Issues Committee (BIC) hereby approves revisions to the Installed Capacity Manual as presented at the February 13, 2012 BIC Meeting.

Motion passed unanimously with an abstention.

6. Draft CARIS Report

Mr. Howard Tarler (NYISO) reviewed the presentation included with the meeting material. Mr. Tarler discussed the CARIS Phase 1 process and development, the differences between the 2011 CARIS and the 2009 CARIS, and the new methodology for calculating production cost savings. The CARIS Phase 1 report selected three studies based upon the largest change in production costs if constraints were relieved. After selecting the studies, the NYISO implemented generic solutions (transmission, generation, and demand response) for each study with production cost savings from relieving congestion for each solution type and the benefit/cost ratios are reported for each solution.

Mr. Bruce Bleiweis (DC Energy) asked how Indian Point was modeled in the analysis and if any sensitivity was used for Indian Point. Mr. Tarler said Indian Point was modeled as operational in this analysis. Mr. Tarler said Indian Point scenarios were not performed for CARIS, however, eight other scenarios were performed based upon consultations with ESPWG and TPAS.

Mr. Rich Miller (Consolidated Edison) asked for clarification that the reduction of emissions came from in state generation only; not from the effect upon imports. Mr. Tarler said this was correct.

Mr. Tarler reviewed the lessons learned requests from stakeholders. Mr. Mark Younger (Slater Consulting) asked if maintaining historic ICAP surplus is the same assumption used for the demand curve. Mr. Tarler said this is open to discussion at the ESPWG meetings for MPs to make suggestions.

Mr. Bart Franey (National Grid) requested that lessons learned be brought as soon as possible to ESPWG. It is critical to address the primary metric of production cost; the information metrics are less critical. Mr. Tarler said the NYISO agreed and that hopefully this topic can be addressed before the summer. Mr. Franey asked how Market Participants could provide feedback. Mr. Tarler noted he would propose a comprehensive prioritization process at a future ESPWG meeting.

Mr. Brad Kranz (NRG Energy) said his takeaway was that other than a couple instances on the low cost side for transmission and DR, the report doesn't show a positive basecase benefit cost ratio for generic solutions. Mr. Tarler said that is correct, some of the low cost ratios produced in excess of 1.00 and is for informational purposes. Parties should take caution that there are things that can change in the future, especially in the assumptions matrix for CARIS Phase 2. Mr. Kranz asked if National Grid has made a statement regarding an intent to retire the Athens SPS. Mr. Tarler said there are discussions ongoing, but there is no question whether or not an SPS will make a difference in the results.

Mr. Miller said the purpose of the CARIS Phase 1 study is to provide information concerning economic congestion and the benefit of potential generic solutions -- transmission, generation and demand side management -- as compared to their costs, based on production cost analysis. It is an important part of the CARIS process that sets NYISO's process apart from other ISO/RTO regions, and has been touted as such in national forums. The NYISO should continue to provide a balanced approach in future CARIS

cycles. Finally, Consolidated Edison would like to thank the NYISO staff for all of their hard work as well as for the development of the Lessons Learned list, including the potential for items discussed today, as we believe it shows both the NYISO's and stakeholders' commitment to continually improving the CARIS study.

Ms. Patti Caletka (NYSEG/RGE) said NYSEG/RGE appreciates the hard work the NYISO has done in creating the 2011 CARIS report. This report shows significant improvement over the 2009 report in many areas. During the 2009 study review period, NYSEG/RGE vocalized concerns over the congestion figures; specifically that forecasted and actual figures were grossly out of line. This 2011 report shows a much needed improvement in these figures but NYSEG/RGE believes greater accuracy is still needed. The 2011 CARIS report shows total NYCA congestion at \$709 million but actual figures from the NYISO website shows congestion of \$1.11 billion through 3Q of 2011. NYSEG/RGE looks forward to working with the NYISO to continue improving this process.

Mr. David Clarke (LIPA) said LIPA thanked the NYISO for addressing LIPA's concerns earlier on in this process and LIPA is prepared to support the CARIS report.

Motion #3:

The Business Issues Committee (BIC) recommends that the Management Committee recommend that the Board of Directors approve the NYISO 2011 Congestion Assessment and Resource Integration Study Phase 1 Report (2011 CARIS Phase 1 Report) as presented by the NYISO to the BIC at its February 13, 2012 meeting. The 2011 CARIS Phase 1 Report was prepared by the NYISO in consultation with and subject to review by the Electric System Planning Working Group and the Transmission Planning Advisory Subcommittee.

Motion passed with abstentions

7. Draft Billing and Accounting Manual Revisions

Mr. Paul Edmundson (NYISO) reviewed the presentation. The NYISO was seeking to update the settlement rules from eight Technical Bulletins that existed as the manual was being updated, and also remove language of the obsolete 6 month settlement cycle. Mr. Edmundson noted the NYISO expects to update the manual further at the June BIC. Mr. Mike Mager (Multiple Intervenors) asked when the NYISO would release the weekly invoicing Technical Bulletin for stakeholder input. Mr. Edmundson said the NYISO planned to circulate it at the May BAWG meeting.

Motion #4:

The Business Issues Committee (BIC) approves the Billing and Accounting Manual revisions as described to this BIC meeting on February 13, 2012.

Motion passed with an abstention

8. Consumer Impact Analysis 2012 Projects

Mr. Tariq Niazi (NYISO) reviewed the presentation included with the meeting material. He noted this presentation was given at the December 14, 2011 BIC meeting and one change was made to this presentation and the NYISO substituted the project DSASP Aggregations with Frequency Regulation Compensation.

Mr. Clarke asked about the current magnitude of regulation service in NYISO. Mr. Niazi said in 2008 the magnitude was \$100 million. It is around \$20 million today. Mr. Tom Paynter (NYS Department of Public Service) asked when the compliance filing is due. Mr. Niazi noted it was due in April.

Mr. Miller emphasized that Consolidated Edison believes that it's important to have a draft impact analysis prepared at the working group level with the opportunity to look at different options. Mr. Niazi said the NYISO agreed.

9. Working Group Updates

a. Billing and Accounting Working Group – Jim Muscatello

Mr. Jim Muscatello (NYPA) reviewed the BAWG meeting notes from January 22. There was a billing issue #447, which is where the generators were correctly billed for receiving DAMAP payments but the tariff didn't coincide with how the billing was being handled. Starting in January 2012, the invoice will add manual adjustments going forward and the ISO is asking for a waiver for pre-January 2012. He noted that the settlements were calculated correctly; the NYISO is simply bringing the tariff in line. BAWG also discussed bad debt allocations on the monthly and weekly invoices. BAWG is working on a mock invoice to make the weekly invoice easier to reconcile. This will be proposed to the NYISO in the next few months.

b. Electric System Planning Working Group - Deidre Altobell

Mr. Aydemir Nehrozoglu (Consolidated Edison) reported that ESPWG has been working to finalize CARIS. At the 02/07/2012 meeting, ESPWG started to focus on other items including energy efficiency projections for Gold Book, discussions on Attachment Y cleanups in preparation to the Order 1000 filing, and the NYISO gave an update on EPA regulations.

c. Installed Capacity Working Group – Chris LaRoe

Mr. Chris LaRoe (IPPNY) reported that there was a meeting on 01/30/2012 to discuss the upcoming capacity market review for 2012. There isn't a defined scope yet, but MPs can provide input on the scope. The NYISO will share the draft RFP with stakeholders. The review will take place in Q2, with a draft to be reviewed in Q3 and a final report in Q4. ICAPWG also discussed external import rights and that have been captured in the ICAP manual, and the ICAPWG is going through a complicated process for treating additional CRIS rights for in-city market and establishing uniform rules. The next meeting following today's BIC is to discuss new capacity criteria. One of the outstanding issues is whether to conduct the analysis one year or every three years. FERC was fine every 3 years, but gave ISOs the option to do so more frequently.

d. Market Issues Working Group – Patti Caletka

Ms. Patti Caletka (NYSEG & RGE) reported that there were two meetings. At the January 12 meeting, the group discussed the Consumer Impact Analysis 2012 projects, Interface Pricing of unscheduled power flows, and enhanced loss modeling in the TCC auction. The changes in the loss modeling were not implemented as the NYISO is performing further analysis based on MP questions. Also, the group discussed FERC Order 755 and TB 152 - PJM proxy bus pricing and scheduling. The changes were made to conform to the Interconnection Agreement. At the February 2 meeting, the group discussed non-historic fixed price TCCs. The NYISO plans on following up on this topic at the next meeting. . Also, the group discussed Ancillary Services Mitigation; which was a recommendation that stemmed from the 2010 State of the Market report. ISO noted that they are working on June/July compliance filing on this issue. An informational presentation was given on Performance Index Overview. MIWG also discussed FERC Order 755 further, and real time load forecaster changes. NYISO targeted a February 7 deployment date for these changes. Finally, a Market Monitoring and Analysis Task Force (MMATF) meeting was held to discuss NYISO's proposal to its reference consultation process. NYISO is targeting a March 30 completion of the MMATF with the release of a technical bulletin. The NYISO will provide a scorecard to MIWG so MIWG is kept apprised.

e. Price Responsive Load Working Group – Brett Feldman

Mr. Brett Feldman (Constellation Energy) reported that at the January meeting, PRLWG discussed the annual FERC filing for DR programs. PRLWG also discussed DSASP Aggregations and the approved 2012 projects that are PRLWG related. The PRLWG also discussed possible agenda topics for future meeting. The ISO was seeking feedback from members of the DRIS deployment.

f. Credit Policy Working Group - Norman Mah - No update.

g. Load Forecasting Task Force - Bryan Irrgang

Mr. Bryan Irrgang (LIPA) reported that at the January 27 meeting, NYISO described their analysis of daily weather normalization. That analysis of historical energy use over time can show the impacts of the economy, technology, customer behavior, and energy efficiency. LFTF also reviewed EEPS Goals for 2012-2015 and the schedule for the 2012 Gold Book. The NYISO is scheduling a release in April, and the LFTF requested TOs to provide their forecasts to the ISO for inclusion in the Gold Book by February 15.

h. Electric Gas Coordination Working Group – Brad Kranz

Mr. Brad Kranz (NRG Energy) reported that the EGCWG had its first meeting on February 3. The NYISO reviewed its existing protocols with the gas industry. The meeting focused on major issues that the EGCWG can discuss at future meetings. The NYISO is going to conduct a reliability study on the regional gas system and electric grid reliability. At the next meeting on March 5, it is expected that participants from the gas industry will give a tutorial on the NY and interstate pipeline system, capabilities, general operation, and scheduling process.

10. New Business

Ms. Sara Keegan (NYISO) provided a summary of the exemption application the NYISO submitted to the Commodities Future Trading Commission (CFTC) on February 7, 2012. In its filing, the NYISO explained how it is already pervasively regulated by FERC and how duplicative regulation and conflicting regulations between CFTC and FERC would not be in the public interest. Attached to the exemption application is a lengthy appendix that demonstrates the manner in which each of the ISOs/RTOs that joined in the filing have tariff provisions and processes that already satisfy the core principles identified in the Commodity Exchange Act (CEA) as amended by Dodd-Frank, with respect to Swap Execution Facilities and Derivatives Clearing Organizations – the facilities the CFTC finds most similar to ISO/RTO markets..

Dodd-Frank added a provision to the CEA that allows the CFTC to exempt from the requirements of the CEA, contracts, agreements or transactions entered into pursuant to a tariff or rate schedule approved or permitted to take effect by FERC if the CFTC determines such an exemption would be consistent with the public interest and the purposes of the CEA.

The CFTC is expected to publish the application in the Federal Register, and notice it for comments. There will likely be a comment period of 30-60 days. The NYISO anticipates that FERC will file comments in support of the exemption. Based on feedback from the CFTC, NYISO anticipates that the CFTC may issue a Final Exemptive Order as early as May or June, 2012.

Matt Picardi (Shell) noted that FERC has made public its position that products in wholesale electricity markets should not be considered as Swaps and shouldn't require an exemption from CFTC regulation. Mr. Picardi also inquired whether all of NYISO's products that might be considered as swaps would be covered by the exemption, if granted. Ms. Keegan said the NYISO has concluded that all such transactions in the NYISO administered market are covered by the scope of the exemption application. With respect to bilateral transactions, NYISO's position is that they fall under the definition of Energy Transactions in the exemption application's scope.

Rich Miller (Con Ed) asked if there was any news on the FERC-CFTC Memorandum of Understanding (MOU) since it is overdue. Ms. Keegan said the NYISO's understanding is that CFTC and FERC are working to finalize the MOU.

The meeting was adjourned at 12:00.