

NYISO Business Issues Committee Meeting Minutes
April 18, 2012

10:00 a.m. – 2:00 p.m.

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 – February 12, 2012 and March 14, 2012

Motion #1:

Motion to approve the meeting minutes from January 11, 2011

Motion passed unanimously with an abstention.

3. Market Operations/Seams Report

Mr. Rana Mukerji (NYISO) reviewed the Market Operations and Seams reports. On April 5, 2012 the Bunce Creek PARs were placed into service. IESO's L4D PAR is out of service and IESO's latest posted return date for the L4D PAR is May, 2012. With the three out of four PARs in service, the NYISO has not seen a significant ability of the PARs to hold flows to schedules.

On March 15, 2012 FERC issued an order specifying the method that the NYISO should use to price external interfaces. NYISO has submitted a request to FERC to convene a technical conference to allow NYISO to explain how it intends to , correct misunderstandings about how PJM prices external transactions, and to seek further guidance from Commission Staff about how NYISO should comply with the order.

The New York-Hydro Quebec interface limit is expected be increased from 150 to 175 MW on April 18, 2012. Mr. Mark Younger (Slater Consulting) asked if the NYISO-HQ interface is approaching the quarter hour limit. Mr. Mukerji said the NYISO is expecting one more increase.

4. Planning Update

Mr. Henry Chao (NYISO) provided an update of the March 30 IPSAC webinar and EIPC. In response to a question on when the 2012 Gold Book would be published, Mr. Chao said it is scheduled to be released by the end of April.

5. Market to Market – Joint Operating Agreement

Mr. Mike DeSocio (NYISO) reviewed the presentation included with the meeting material and the potential NYISO/PJM M2M entitlement levels. NYISO will be filing the JOA revisions prior to May 1.

Mr. Rich Miller (Con Ed) noted the tariff language included provisions regarding adding or removing flowgates, but there is no explicit language to notify MPs of any changes. Mr. DeSocio said there is a provision for the NYISO and PJM to post the list of their flowgates on their respective websites. If there is a desire to make an announcement for those changes, the NYISO would look into accommodating that request.

Mr. Mike Kramek (Edison Mission) asked if the entitlement levels could be different for each hour of the day. Mr. DeSocio said that is correct. Mr. Bruce Bleiweis (DC Energy) asked if there will be a matrix

posted of the ranges so the market knows the value on any given hour in a day. Mr. DeSocio said the NYISO and PJM are looking into this Mr. DeSocio said the entitlement numbers are not final, but the NYISO is not expecting the values to change significantly. Mr. DeSocio said the values were calculated using system conditions prior to April 5.

In response to a question re: the treatment of PARs affecting the calculation of the settlement and on the entitlements, Mr. DeSocio said it would only affect the settlement. There is a provision for deviations between real time market flows and entitlements of the Ontario Michigan PARs. Mr. Miller asked if changing the method of calculating entitlements based on the operation of the Ontario/Michigan PARs that is in the proposed JOA revisions would require FERC approval. Mr. DeSocio said yes and that it would be a separate Section 205 filing.

6. Order 755 – Frequency Regulation Compensation

Mr. David Edelson (NYISO) reviewed the presentation included with the meeting material. Mr. Miller asked if the changes to the Real Time Market are made, does it get further review for consumer impact analysis. Mr. Edelson said this change isn't significant enough to affect the consumer impact analysis. Mr. Tariq Niazi (NYISO) agreed because loads purchase regulation in the day ahead so they are not exposed to the real time.

In response to a question on when the NYISO expects to finish the movement bid weighing analysis, Mr. Edelson said the NYISO is filing the tariff with a placeholder and will have a subsequent filing by the end of summer. Ms. Judith McQueeney (Beacon Power) asked if there will be hour to hour, season to season differences for the movement bid multiplier and would the NYISO plan to post those numbers. Mr. Edelson said that it is possible, but that the analysis has not yet been completed to make that determination. Mr. Edelson also acknowledged that NYISO understands that Market Participants need notice for changes to the multiplier, and the NYISO has every intention of providing such notice when changes to the multiplier are planned. Mr. Mike Mager (Multiple Intervenors) noted it would be better to schedule when reviews of the multiplier would take place and make it structured. Mr. Edelson said it would be reviewed as part of the market monitoring quarterly review process.

Mr. Younger noted that the movement bid would have reference prices for units and there would be normal mitigation. He asked how long it takes to develop those reference prices from historic data. Mr. Edelson said the NYISO will use a 90 days rolling average. Mr. Edelson stated the NYISO is proposing to let the MMU make the recommendations about the potential removal of bid limits.

Ms. McQueeney said she understood the need for a bid limit initially but expressed a concern if fuel prices spiked, opportunity costs must be incurred that would normally be reflected in the movement bid. Beacon's standby costs are low, but when her organization's unit is moving, those costs are tied directly to the real time cost of energy. She noted that it is important to ensure that during peak periods, that resources are not constrained by bid limits that don't reflect their actual costs. There should be either a sunset or a specific period of review of movement costs that reflect energy costs. Mr. Glenn Haake (EnergyConnect) agreed with Ms. McQueeney and noted that the MMU recommended removing the bid caps on reserves and it took four years to complete that work. It would be more preferable if there was an annual review of the bid caps that was filed with FERC that justifies why bid caps should remain in place and at what levels. He referenced demand response resources that are capable of entering the regulation market and if the bid caps are too low, it limits participation in that market.

Mr. Miller said there have been discussions on alternate structures for this market and the TOs have asked the NYISO in its filing to FERC to explicitly recognize that this market could be structured in other ways that do not require bid caps. He added that he understands that the NYISO is unable to implement an alternate design while meeting the FERC timeline. For this reason, Con Ed does not support the proposal to include an automatic sunset or review of the bid caps. Mr. Younger asked if Con Ed would present an alternative proposal. Mr. Miller said the New York Transmission Owners had considered making a presentation, but instead has asked that the NYISO recognize in its filing letter that this may not be the best way to structure a market. Mr. Miller said that the NYISO should state in the filing letter that it understands that stakeholders have raised alternative mechanisms and that it will work with its stakeholders to review those mechanisms and potentially propose alternative market designs in the future.

7. Voltage Support System Test Validation – Manual Revisions

Mr. Brad Garrison (NYISO) reviewed the presentation included with the meeting material. The NYISO is proposing a change that would allow a limited exception to the requirement that the NYISO receive all VSS test data through direct communication. This exception would only be allowed where an extraordinary circumstance prevented real-time test data from reaching the NYISO.

Motion #2:

The Business Issues Committee (BIC) hereby approves proposed changes the Ancillary Services Manual pertaining to VSS Test Requirements as presented at the April 18, 2012 BIC Meeting. ***The motion passed unanimously with abstentions.***

8. ICAP Spot Auction Bidding Requirements

Ms. Sheri Prevratil (NYISO) reviewed the presentation included with the meeting material. The NYISO periodically reviews its credit policy to ensure credit requirements match the risk associated with the markets. The NYISO is recommending using the most recent monthly auction price, plus a margin, by location, to determine the bidding requirement for the ICAP Spot Market Auction.

Mr. Ting Chan (Central Hudson) expressed a concern that there is a shortcoming to the second formula proposed on Slide 22 of the presentation. Mr. Chan presented an example to further explain his concern. Mr. Chan suggested that a quick fix to improve this formula is to either remove one of the ½ percent multipliers used in this formula or increase the “Margin” value used in this formula. Ms. Prevratil said his point is well taken and that she would have to take his comments back.

Mr. Scott Brown (NYPA) noted that the calculation should use the same capability period if no monthly auction price exists, and there is no historic available monthly price. Ms. Prevratil said she would have to look into this, but noted that the automation may not be able to include this complexity. Mr. Haake noted at the beginning of capability period, the calculation should use the previous year’s capability period and month.

Mr. Ron Mackowiak (Entergy) expressed a concern with how this proposal’s ability to net collateral in the market aligns with FERC Order 741. He asked if this needs to be addressed under Order 741. Ms. Prevratil said no this is a separate and distinct proposal. This is an issue where MPs have expressed a concern that the current requirement is higher than necessary.

Mr. Mike Cadwalader (NYTOs) noted that this proposal is better than the current process. It makes sense in the current market environment, but expressed a concern if capacity prices increase in the future, this proposal may yield bidding requirements that are no longer reasonable. He noted another concern with the tariff language. He said the language needs to accurately reflect the equation in the

software and the definitions are vague. Mr. Miller said Con Ed understands the legitimate concern expressed by Mr. Cadwalader, but would like the proposal to move forward as it is an improvement. The motion language at the MC will have to be modified and the BIC vote should not be recorded as approval of the currently written tariff language. Con Ed is willing to move the concept forward subject to further review of the tariff language. Mr. Miller asked the minutes reflect that the tariff language will be modified prior to the April MC.

Mr. Chan noted that Central Hudson does not object to moving the proposal forward, but the formula concerns Central Hudson.

Motion #3:

The Business Issues Committee (BIC) hereby recommends that the Management Committee (MC) approve changes to revise the ICAP Spot Market Auction Bidding Requirements, as generally described in the presentation made to the BIC at the April 18, 2012 meeting, subject to further review of the tariff language.

The motion passed unanimously with abstentions.

9. TCC Market – Tariff Revisions – Attachment L

Ms. Lisa Travalay (NYISO) reviewed the presentation included with the meeting material. LIPA requested a change to an underlying Existing Transmission Agreement (ETA) of Contract No. 74. LIPA and the NYISO followed the accepted revision process before stakeholder review.

Mr. Bleiweis asked what rules allow an extension to be allowed. Ms. Molli Lampi (NYISO) said Attachment K provides holders of ETAs to submit changes to those agreements as they are entered into, pursuant to the provisions of those agreements. The NYISO is strictly informed to process the changes, pursuant to the submitted ETA amendment(s). It is not in the NYISO's purview to question those contract changes, but to reflect them if the paperwork is pursuant to the contract and is agreed to by the holder of the ETA and the providing TO. Mr. Bleiweis noted this impacts the market that the NYISO administers and it's unsatisfactory that the NYISO rubber stamps an extension. A TO should not be able to unilaterally extend their grandfathered TCC without market review. Mr. Bleiweis asked for more transparency going forward.

Motion #4:

The Business Issues Committee (BIC) recommends that the Management Committee approve changes to the NYISO's OATT Section 18 as described in the presentation entitled "TCC Markets OATT ATT L Revision", made at the April 18th BIC meeting.

The motion passed unanimously with abstentions.

10. TCCs with POIs and/or POWs in the LIPA Service Territory – Tariff Revisions

Mr. Gregory Williams (NYISO) reviewed the presentation included with the meeting material. Several provisions of the OATT indicate that neither NYISO nor LIPA are required to provide Transmission Service to any eligible customer if the provision of such service would result in the loss of tax-exempt status of any of LIPA's Tax-Exempt Bonds or impair LIPA's ability to issue future tax-exempt bonds. LIPA now indicates TCCs with durations of three years or less may be made available in the NYISO Centralized TCC Auctions. LIPA has advised that this will not adversely affect the tax-exempt status of any of LIPA's Tax Exempt Bonds or impair LIPA's ability to issue future tax-exempt obligations.

Motion #5:

The Business Issues Committee (BIC) hereby recommends that the Management Committee approve and recommend to the Board for approval the tariff revisions discussed in the presentation entitled “TCCs With POIs and / or POWs in the LIPA Service Territory” made this day to the BIC.

The motion passed unanimously with abstentions.

11. Working Group Updates

a. Billing and Accounting Working Group – Jim Muscatello

The BAWG notes from the March meeting are posted under the April BAWG meeting materials.

b. Electric System Planning Working Group - Aydemir Nehrozoglu

ESPWG is finalizing the RNA assumptions matrix and that the Gold Book release date is imminent and the RNA base case will be finalized. CARIS Phase 2 database extension and assumptions were also discussed.

c. Installed Capacity Working Group – Chris LaRoe - (see MIWG)

d. Market Issues Working Group/MMATF – Patti Caletka/Tim Duffy

MIWG discussed ancillary services revisions and had a joint PRLWG/MIWG to discuss TB 217. There was a Joint MIWG/ICAP/ESPWG to discuss reliability resource compensation and new capacity zone mitigation proposal and the NYISO requests comments for both items.

e. Price Responsive Load Working Group – Brett Feldman

PRLWG met jointly with MIWG and ICAP to discuss TB 217. The NYISO took comments until last week on SCRs to increase their ACLs for a change of load. DSASP Aggregations will be discussed at the April 26 MIWG/PRLWG.

f. Credit Policy Working Group - Norman Mah

CPWG had a teleconference to discuss compliance filing of the verification of MP risk management policies and procedures. The major changes from the filing that was made last year are that it requires all MPs to submit their risk policies other than participants that have grandfathered and fixed price TCCs, and the addition of a random verification requirement.

g. Load Forecasting Task Force - Bryan Irrgang

LFTF discussed the preliminary analysis of the NYISO’s winter peak load, weather and energy use from the winter, and an update on the state of New York’s economy.

h. Electric Gas Coordination Working Group – Brad Kranz

EGCWG last met in late March and reviewed downstate gas operators on the system. The group discussed operational challenges and coordination issues raised by gas representatives in the prior meeting presentations. Dynegy presented a view on Gas Electric Coordination from the Generator perspective and the group discussed the scope of the gas study.

i. Black Start Task Force – Leigh Bullock

BSTF reviewed proposed changes to Con Ed’s black start program. The changes relate to test procedures and scheduling, the commitment period for black start providers, and program participation by new or repowered units in NYC. The proposal for revised compensation will be presented at the April 30 BSTF meeting. An additional meeting will be scheduled in May prior to the May BIC and OC meetings.

j. Inter-regional Planning Task Force – Erin Hogan

The next joint IPTF/ESPWG meeting is on April 23 and the NYISO has asked for comments on the Order 1000 Matrix. The NYISO has scheduled joint meetings until October to comply with Order 1000, and the Order 1000 discussions will only happen at these joint meetings.

12. New Business

Ms. Lampi reported on the applicability of the TSC to exports to PJM over the Linden VFT (such exports were only recently permitted). NYISO noted that its role is to facilitate the charging of the fee and not impose the fee. The NYISO stated that it believed that the TSC was **not** applicable to these transactions because an export TSC may be charged for export over a Transmission Owner intertie

only and the intertie applicable to these exports is the Linden VFT and not a Con Edison facility. Mr. Miller stated that it did not object to applying the NYISO's interpretation at this time but asked that that this question be reviewed more generally within the context of reciprocity of TSC charges between PJM and the NYISO at a MIWG in May. It was noted during this discussion that all export fees have been eliminated between New York and New England.

Business Issues Committee Meeting

April 18, 2012

Final Motions

Motion #1:

The Business Issues Committee (BIC) approves the February 13 and March 14, 2012 meeting minutes.

The motion passed unanimously with an abstention.

Motion #2:

The Business Issues Committee (BIC) hereby approves proposed changes the Ancillary Services Manual pertaining to VSS Test Requirements as presented at the April 18, 2012 BIC Meeting.

The motion passed unanimously with abstentions.

Motion #3:

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The motion passed unanimously with abstentions.

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The motion passed unanimously with abstentions.

Organization	Sector	Representative	Alternate1	Alternate2	Alternate3	Alternate4	Alternate5	Alternate6	Alternate7	Proxy	Guest
Transmission Developers Inc. William P. Short	Non Voting Non Voting	Jessome , Donald Short, William	Helmer , William Schaefer, Marc			Savage, Paul	Verna, Jim				

NYISO Employees

Niazi, Tariq

Lampi, Molli

Johnson, Shaun

Bullock, Leigh

Dixon, Kirk

Edelson, David

Chao, Henry

Mukerji, Rana

Hockford, Kate

Schnell, Alex

Garrison, Brad

Prevratil, Sheri

DeSocio, Michael