

NYISO Business Issues Committee Meeting Minutes**August 17, 2016****10:05 a.m. – 11:45 a.m.**

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

Mr. Chris LaRoe (Brookfield) 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. Approval of BIC Minutes

There were no comments or questions regarding the draft minutes for the July 13, 2016 meeting that were included with the meeting material.

Motion #1:

Motion to approve the July 13, 2016 meeting minutes.

Motion passed unanimously.

3. Market Operations Report

Mr. Rana Mukerji (NYISO) reviewed the market operations report included with the meeting material. There were no comments or questions.

4. Broader Regional Markets Report

Mr. Mukerji reviewed the report included with the meeting material. Mr. Mike Mager (Couch White) requested an update on the status of discussions between PJM and NYISO regarding the development of rules to address the expiration of the Con Ed/PSEG wheel agreement and asked whether NYISO and PJM are in agreement with respect to such rules. Mr. Mukerji explained the current proposal is set forth in the whitepaper that was posted on the NYISO's website as part of the meeting materials for the July 21, 2016 MIWG meeting. The proposal described in the whitepaper is based on percent of flows before and after expiration of the wheel. Mr. Robb Pike (NYISO) explained NYISO is trying to move forward with implementation by May 1, 2017, making sure we get a solution that allows use of those tie lines following expiration of the wheel. Mr. Pike noted that the NYISO is working closely with PJM to develop the details of the proposal and an appropriate allocation method between the two regions. Mr. Howard Fromer (PSEG) noted that during the joint NYISO/PJM meeting on August 15, 2016, PJM put forth an alternative concept that not previously been discussed by the NYISO with its stakeholders. Mr. Mukerji acknowledged the alternative concept raised by PJM at the August 15, 2016 joint meeting and noted that the NYISO is assessing it.

5. Integrating Public Policy

Mr. Mukerji reviewed the presentation included with the meeting material. The NYISO is seeking feedback on this as a 2017 project. Due to the number of public policy changes on both federal and state level, NYISO is looking at ways to accommodate the changes. Specifically, the project initially envisioned an assessment of what changes, if any, may need to be made in energy and capacity markets in response to the changes likely to result from public policies, including the potential for a high penetration of renewable resources. Mr. Mukerji noted that the NYISO is now seeking stakeholder feedback on whether the scope of this project should be expanded in light of the Clean Energy Standard (CES) recently adopted by the New York State Public Service Commission to include

an assessment of potential market design changes to internalize the value of zero carbon emissions within wholesale market prices.

Mr. David Clarke (LIPA) suggested we think about carbon on global perspective and look at scenarios where RGGI prices are increased. Mr. Mukerji replied that increasing RGGI allowance prices would work, but noted that price increases to levels necessary to achieve the State's public policy goals may not be practicable given the multi-state nature of the RGGI program.

Mr. Mager stated on one hand changing RGGI might be perceived as more difficult but on the other hand changing it if there is agreement among the participating states may be far less complex than attempting to undertake a complete redesign of the wholesale markets. Mr. Mager noted concerns about that the attractiveness of any New York-only resolution and its impacts on competitiveness for New York businesses. Mr. Mukerji replied that the NYISO does not have any preconceived notions on what the outcome may be and is looking for stakeholder feedback on assessing potential market-based options for achieving the State's policy goals.

Mr. Steve Kirk (Exelon) stated that New England states have raised concerns about using RGGI as the market-based solution to achieve public policy objectives.

Mr. Younger said that we need to discuss broader solutions to addressing public policy goals that are technology agnostic.

Mr. Scott Butler (Con Edison) stated that FERC has historically stayed away from valuing externalities in the wholesale markets and asked if that would be an impediment. Mr. Alan Michaels (NYS DPS) raised concerns regarding jurisdiction for the NYISO to develop rules to account for environmental externalities through the wholesale markets.

Mr. Bart Franey (National Grid) noted that the foundation of CES itself is a recognized market failure in that it doesn't internalize the cost of carbon and recognize the value of fuel diversity. He added that he hopes the State and NYPSC would support movements to improve upon the market and address the failure the CES is founded on. Mr. Tom Paynter (NYS DPS) stated that the DPS Staff and NYPSC are always looking to improve the markets, but this is a global issue that may not be appropriate to try and address solely through New York's markets.

Mr. Clarke suggested that, as part of these efforts, the NYISO should consider quantifying the implications for natural gas production and consumption on greenhouse gas emissions.

Ms. Kelli Joseph (NRG) stated support for the NYISO analyzing whether or not a particular carbon price is sufficient to incent development to achieve the State's goals.

Mr. Mager expressed concern about opening the markets to be re-evaluated and suggested the focus be on assessing whether or not the NYISO markets can achieve the CES goals at a lower cost to consumers. Ms. Doreen Saia (Greenburg Traurig) added that it is important to specifically define the scope of the project from the outset in order to avoid mission creep and actually get it done. NYISO also needs to confirm what ISO-NE and PJM are doing. Mr. Paynter stated we have to focus on what we are going to do to reduce emissions.

Ms. Erin Hogan (NY UIU) stated she agreed with the need to monitor what other regions are doing to address these issues.

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Mr. Younger explained that a fundamental problem we are facing in NY, as well as in neighboring states, is the goals for levels of carbon emissions have not been fully incorporated into RGGI. The state has failed to keep the level of allowances consistent with achieving the CES goals. Mr. Younger noted that, if New York's allowance levels under RGGI were revised to align with the CES goals, it would go a long way to solve the problem. Mr. Paynter replied that RGGI may not be the appropriate mechanism for addressing this issue in light of its global nature.

Mr. Fromer expressed concern that neighboring regions are beyond the question of whether something should be explored. Initiatives already underway in neighboring regions are looking for solutions.

Mr. Michaels stated that DPS Staff has concerns regarding the expenditure of any significant funds on this effort in light of the jurisdictional concerns he previously noted. In response, other stakeholders expressed support for assessing the potential for other market-based options to achieve the CES goals.

5. Planning Update

Mr. Dana Walters (NYISO) reported that the ESPWG reviewed a draft of the RNA results. He noted that there are no resource adequacy needs for the 2017-2026 study period, but the RNA study does identify certain transmission security issues in western New York and Long Island beginning in 2017. The NYISO is working on an additional CARIS study for Empire State Connector project, which is considering a transmission facility from Marcy to NYC. With respect to the Public Policy Transmission Planning Process, the NYISO has completed the viability and sufficiency assessment for the Western NY public policy need and the NYPSC has issued a SAPA notice seeking public comment on whether there continues to be a need for transmission in Western New York. Also, the NYISO is currently performing a viability and sufficiency assessment to determine the capability of the projects to satisfy the public policy criteria for the 16 proposals to the AC Transmission Public Policy Transmission Needs. As it relates to the NYISO's ongoing Clean Power Plan study, the NYISO is continuing to work on Phase 2 of the study, which focuses on 2030 and includes system stability under low load/high renewable cases. There was nothing new to report with respect to interregional planning activities.

6. Linked Virtual Transactions

Ms. Jennifer Boyle (NYISO) reviewed the presentation included with the meeting material. There were no questions or comments.

Motion #2:

The Business Issues Committee ("BIC") hereby recommends that the Management Committee approve changes to the NYISO's Market Administration and Control Area Services Tariff (MST) and Open Access Transmission Tariff (OATT) related to the Linked Virtual Transaction proposal, as more fully described in the presentation entitled "Linked Virtual Transactions" made to the BIC on August 17, 2016.

Motion passed unanimously with an abstention.

8. Working Group Updates

BAWG – Mr. Norman Mah (Con Ed Solutions) reported that the BAWG has not met since the last BIC meeting.

CPWG – Mr. Mah reported that the CPWG did not meet.

ESPWG – Mr. Butler reported the ESPWG has held two meetings since the last BIC meeting, and has been focused on three topics.

First, the final iteration of the RNA base case results and preliminary RNA scenario results were discussed. After the addition of LTP updates and modeling changes, the RNA base case results show two transmission security issues beginning in 2017: one in Western NY and another on Long Island. A revised draft RNA report will be posted prior to August 25, 2016 ESPWG meeting. Please submit any further comments as soon as possible on the prior draft.

Second, the working group has also been reviewing concepts to respond to FERC's April order requiring revisions to the NYISO's proposed Reliability-Must-Run (RMR) procedures. A compliance filing is due September 19, 2016. Draft tariff sheets related to the RMR solution selection process will be discussed at the August 25, 2016 ESPWG meeting.

Third, the NYISO provided an overview of its review of the uses of the term "Transmission Owner" in the NYISO tariffs. The NYISO will be making a compliance filing at FERC to address and distinguish, as necessary, the rights and obligations of incumbent and non-incumbent transmission owners.

ICAPWG – Mr. Liam Baker (EasternGen) reported that the ICAPWG has been working on the ICAP Demand Curve reset (DCR) and the RMR compliance filing, and will meet on August 19, 2016 to review NYISO staff’s preliminary recommendations regarding the DCR.

IPTF – The group did not meet.

LFTF – The group did not meet.

MIWG – Mr. Bob Boyle (NYPA) reported the group has met three times since the last BIC meeting and reviewed revenue allocation procedures for Historic Fixed Price TCCs, rules for addressing the expiration of the Con Ed/PSEG wheel, proposed changes to Hybrid GT Pricing, factors contributing to Western NY Transmission Constraints, the Digital Certificate transition project and the integration of energy storage in the wholesale markets.

PRWLG – Mr. Tim Lundin (NYPA) reported the group met with MIWG to discuss the NYISO’s distributed energy resources (DER) Roadmap.

EGCWG – The group did not meet.

5. New Business

It was noted that the NYISO intended to post a draft of the DER Roadmap report to its website on August 17, 2016 and planned to have an initial discussion of the draft report at the August 29, 2016 MIWG meeting.

Meeting adjourned at 11:45 a.m.